S.D. MIRZA SECURITIES (PRIVATE) LIMITED
AUDITED FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 2020

S.D. Mirza Securities (Pvt). Ltd.

TRE CERTIFICATE HOLDER, PAKISTAN STOCK EXCHANGE LTD.

DIRECTORS' REPORT

Dear Share Holder,

On behalf of the Board of Directors of S.D Mirza Securities (Pvt) Ltd., I am pleased to present the Annual Report of the Company for the financial year ending 30 June, 2020, along with the Audited Financial Statements of the year.

Financial summary:

The Company performed well during the year under review. The Company earned operating revenue of Rs. 21.64 million as compared to Rs. 14.41million for the corresponding year. On the expenditure side, the management was able to keep the administrative & operating expenses in control asRs.23.82 million in comparison to Rs.23.40million in the previous year. The company recorded a net after tax profit of Rs. 2.84 million for the year under review.

Auditors:

The retiring Auditors i.e., M/s. ShineWingHameed Chaudhri & Co., Chartered Accountants had offered themselves for reappointment.

Future Outlook:

The Equity market ended the financial year amidst the fear of a second wave on Covid-19 virus.

The future looks bright and we remain optimistic about the outlook for the local economy.With the declining trend of Corona virus cases, low interest rates and hope for no further devaluation of the Rupee, the stock market has a lot of potential to perform well.

The management remains committed to maximizing the shareholder's wealth while keeping in view the interest of all stakeholders. We foresee a stronger and more liquid market ahead. The Company would try its best to remain focused on improving service quality, expanding clientele and controlling cost.

Acknowledgments

Our Company wishes to thank the Regulators, our valued clients, bankers & fellow TRE Certificate holders for their continuous cooperation, support and guidance.

S.D. MIRZA SECURITIES (PVT) LTD. TRE Certificate Holder PSX-329

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INDEPENDENT AUDITOR'S REPORT TO THE MEMBERS OF S.D. MIRZA SECURITIES (PRIVATE) LIMITED

Report on the Audit of the Financial Statements

Opinion

We have audited the annexed financial statements of **S.D. MIRZA SECURITIES (PRIVATE) 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.

SHINEWING HAMEED CHAUDHRI & CO.,
CHARTERED ACCOUNTANTS

LAHORE; 14 SEP 2020

S.D. MIRZA SECURITIES (PRIVATE) LIMITED
STATEMENT OF FINANCIAL POSITION
AS AT JUNE 30, 2020

	Note	2020	2019
Assets		--- Rupees ---	
Non current assets			
Operating fixed assets	5	3,153,689	3,864,206
Intangible assets	6	8,357,974	8,357,974
Long term investment	7	19,082,275	19,158,233
Security deposits	8	500,000	500,000
		31,093,938	31,880,413
Current assets			
Due from clients	9	22,006,451	22,278,833
Prepayments and other receivables	10	66,258	74,507
Loan to employees		403,000	448,000
Short term investments	11	6,098,243	4,789,102
Tax deducted at source		2,838,190	2,273,534
Cash and bank balances	12	60,335,983	23,687,848
		91,748,125	53,551,824
Total Assets		122,842,063	85,432,237
Equity and Liabilities			
Share Capital and Reserves			
Authorised capital			
100,000 (2019: 100,000) ordinary shares of Rs.1,000 each		100,000,000	100,000,000
Issued, subscribed and paid-up capital			
35,000 (2019:35,000) ordinary shares of Rs.1,000 each	13	35,000,000	35,000,000
Unrealised gain on remeasurement of investment at fair value through other comprehensive income		14,672,349	14,748,307
Revenue reserve - unappropriated profit		19,174,101	16,330,483
		68,846,450	66,078,790
Liabilities			
Current liabilities			
Due to clients		52,833,203	18,830,023
Accrued and other liabilities	14	591,218	390,029
Taxation	15	571,192	133,395
Total Liabilities		53,995,613	19,353,447
Contingencies and commitments	16		
Total Equity and Liabilities		122,842,063	85,432,237

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

Chief Executive Officer

SHC

Director

S.D. MIRZA SECURITIES (PRIVATE) LIMITED
STATEMENT OF PROFIT OR LOSS
FOR THE YEAR ENDED JUNE 30, 2020

	Note	2020	2019
		--- Rupees ---	
Operating revenue	17	**21,642,904**	14,409,200
Gain on sale of short term investments - net	18	**706,987**	95,485
Fair value gain / (loss) on remeasurement of investments through profit or loss		**934,241**	(2,374,447)
Other income	19	**4,010,266**	1,860,357
		27,294,398	13,990,595
Administrative and operating expenses	20	**(23,824,007)**	(23,398,276)
Bank charges		**(70,811)**	(59,411)
Profit / (loss) before taxation		**3,399,580**	(9,467,092)
Taxation			
- current	15	**(571,192)**	(133,395)
- prior year	15	**15,230**	-
		(555,962)	(133,395)
Profit / (loss) after taxation		**2,843,618**	(9,600,487)

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

Chief Executive Officer SHC **Director**

S.D. MIRZA SECURITIES (PRIVATE) LIMITED
STATEMENT OF COMPREHENSIVE INCOME
FOR THE YEAR ENDED JUNE 30, 2020

	Note	2020	2019
		--- Rupees ---	
Profit / (loss) after taxation		**2,843,618**	(9,600,487)
Other Comprehensive Income			
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	7	**(75,958)**	3,899,165
Total comprehensive income / (loss) for the year		**2,767,660**	(5,701,322)

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

Chief Executive Officer SHC **Director**

S.D. MIRZA SECURITIES (PRIVATE) LIMITED
STATEMENT OF CASH FLOW
FOR THE YEAR ENDED JUNE 30, 2020

	2020	2019
	--- Rupees ---	
Cash flow from operating activities		
Profit / (loss) before taxation	3,399,580	(9,467,092)
Adjustments for non-cash charges and other items:		
Depreciation	710,517	882,583
Fair value gain / (loss) on remeasurement of investments through profit or loss	(934,241)	2,374,447
Profit / (loss) before working capital changes	3,175,856	(6,210,062)
Effect on cash flow due to working capital changes		
(Increase) / decrease in current assets		
Due from clients	272,382	6,569,050
Prepayments and other receivables	8,249	25,676
Loan to employees	45,000	(448,000)
Increase / (decrease) in current liabilities:		
Due to clients	34,003,180	(55,993,300)
Accrued and other liabilities	201,189	88,901
	34,530,000	(49,757,673)
Cash generated from / (used in) operations	37,705,856	(55,967,735)
Income tax paid	(682,821)	(883,905)
Net cash generated from / (used in) operating activities	37,023,035	(56,851,640)
Cash flow from investing activities		
Short term investments - net	(374,900)	787,670
Net increase / (decrease) in cash and cash equivalents	36,648,135	(56,063,970)
Cash and cash equivalents - at beginning of the year	23,687,848	79,751,818
Cash and cash equivalents - at end of the year	60,335,983	23,687,848

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

Chief Executive Officer SHC **Director**

S.D. MIRZA SECURITIES (PRIVATE) LIMITED
STATEMENT OF CHANGES IN EQUITY
FOR THE YEAR ENDED JUNE 30, 2020

	Share capital	Fair value gain on remeasure-ment of investments at FVTOCI	Unappr-opriated profit	Total
	------------- Rupees -------------			
Balance as at July 01, 2018	20,000,000	10,849,142	40,930,970	71,780,112
Issuance of bonus shares	15,000,000	-	(15,000,000)	-
Total comprehensive loss for the year ended June 30, 2019				
Loss for the year	-	-	(9,600,487)	(9,600,487)
Other comprehensive income	-	3,899,165	-	3,899,165
	-	3,899,165	(9,600,487)	(5,701,322)
Balance as at June 30, 2019	**35,000,000**	**14,748,307**	**16,330,483**	**66,078,790**
Total comprehensive income for the year ended June 30, 2020				
Profit for the year	-	-	2,843,618	2,843,618
Other comprehensive loss	-	(75,958)	-	(75,958)
	-	(75,958)	2,843,618	2,767,660
Balance as at June 30, 2020	**35,000,000**	**14,672,349**	**19,174,101**	**68,846,450**

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

Chief Executive Officer SHC **Director**

S.D. MIRZA SECURITIES (PRIVATE) LIMITED
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 2020

1. LEGAL STATUS AND OPERATIONS

S.D. Mirza Securities (Private) Limited (the Company) was incorporated in Pakistan as a Private Company on May 21, 2001. The Company is a Trading Right Entitlement Certificate holder of the Pakistan Stock Exchange Limited (formerly Lahore Stock Exchange Limited). The Company is principally engaged in shares brokerage & trading, consultancy and registrar services. The registered office of the Company is situated at Room No.401, LSE Building, Lahore. The Company is also maintaining its sub offices at 529 - State Life Building, Liaqat Road, Faisalabad and Room # 7, Amin Plaza, Tala Gang Road, Chakwal.

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 Changes in accounting standards, laws 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, 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:

(a) 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

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

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. ACCOUNTING ESTIMATES AND JUDGMENTS

The preparation of financial statements in conformity with the accounting and reporting standards as applicable in Pakistan requires the use of certain critical accounting estimates. In addition, it requires management to exercise judgement in the process of applying the Company's accounting policies. The areas involving a high degree of judgement or complexity, or areas where assumptions and estimates are significant to the financial statements, are documented in the following accounting policies and notes, and relate primarily to:

(i) Useful lives, residual values and depreciation method of operating fixed assets (notes 4.1);

(ii) Provisions (note 4.11); and

(iii) Provision for taxation (notes 4.10)

The revisions to accounting estimates, if any, are recognised in the period in which the estimate is revised if the revision affects only that period or in the period of the revision and future periods if the revision affects both current and future periods.

4. SUMMARY SIGNIFICANT ACCOUNTING POLICIES

The significant accounting policies adopted in the preparation of these financial statements are set-out below. These policies have been consistently applied to all the years presented, unless otherwise stated.

4.1 Operating fixed assets

Measurement

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

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.

Depreciation

Depreciation is charged to income by applying reducing balance method at the rates specified in note 5. Depreciation on additions to fixed assets is charged from the month in which an asset is available for use while no depreciation is charged for the month in which the asset is disposed off.

Disposal

Gain or loss arising on disposal or retirement of an item of operating fixed assets is determined as the difference between the sale proceeds and the carrying amount of the asset and is recognised in the statement of profit or loss.

Judgement and estimates

The useful lives, residual values and depreciation method are reviewed on a regular basis. The effect of any change in estimates is accounted for on a prospective basis.

4.2 Intangible assets

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 6.1). The carrying amount is reviewed at each reporting date to assess whether they are recorded in excess of their recoverable amounts, and when the carrying value exceeds estimated recoverable amount, these are written to their estimated recoverable amount.

4.3 Financial assets

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

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

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

Initial recognition and measurement of financial assets

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

Equity instruments

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

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

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

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

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

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

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

4.4 Financial liabilities

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

4.5 Impairment of financial assets

The 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. 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.

4.6 Due from clients and other receivables

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.

4.7 Impairment losses

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

4.8 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.

4.9 Due to Clients and accrued and other liabilities

Liabilities for due to Clients and accrued and other liabilities 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.

4.10 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.

4.11 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.

4.12 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 Off-setting of financial assets and liabilities

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

5. OPERATING FIXED ASSETS - tangible

	Owned						Total
	Furniture and fixtures	Office equipment	Air Conditioners	Computers	Electric generator	Vehicles	
	Rupees						
As at June 30, 2018							
Cost	474,845	522,265	415,890	1,942,155	375,923	7,245,410	10,976,488
Accumulated depreciation	352,644	322,860	141,964	1,830,808	192,356	3,389,067	6,229,699
Book value	122,201	199,405	273,926	111,347	183,567	3,856,343	4,746,789
Year ended June 30, 2019:							
Depreciation for the year	12,220	19,941	27,393	33,404	18,357	771,268	882,583
Book value	109,981	179,464	246,533	77,943	165,210	3,085,075	3,864,206
Year ended June 30, 2020:							
Depreciation for the year	10,998	17,946	24,653	23,383	16,522	617,015	710,517
Book value	**98,983**	**161,518**	**221,880**	**54,560**	**148,688**	**2,468,060**	**3,153,689**
As at June 30, 2019							
Cost	474,845	522,265	415,890	1,942,155	375,923	7,245,410	10,976,488
Accumulated depreciation	364,864	342,801	169,357	1,864,212	210,713	4,160,335	7,112,282
Book value	109,981	179,464	246,533	77,943	165,210	3,085,075	3,864,206
As at June 30, 2020							
Cost	**474,845**	**522,265**	**415,890**	**1,942,155**	**375,923**	**7,245,410**	**10,976,488**
Accumulated depreciation	**375,862**	**360,747**	**194,010**	**1,887,595**	**227,235**	**4,777,350**	**7,822,799**
Book value	**98,983**	**161,518**	**221,880**	**54,560**	**148,688**	**2,468,060**	**3,153,689**
Depreciation rate (%)	**10**	**10**	**10**	**30**	**10**	**20**	

6. INTANGIBLE ASSETS

	Note	2020	2019
		--- Rupees ---	
Trading Right Entitlement Certificate - PSX	6.1	**2,090,074**	2,090,074
Room at LSE building		**6,267,900**	6,267,900
		8,357,974	8,357,974

6.1 In accordance with the requirements of the Stock Exchanges (Corporatization, Demutualization and Integration) Act, 2012 (the Act), the Company received Trading Right Entitlement Certificate (TREC) of Pakistan Stock Exchange and equity shares of LSE Financial Services 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. 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 of the LSE Financial Services Ltd. was made based on the guidance given by the Technical Committee of the Institute of Chartered Accountants of Pakistan.

7. LONG TERM INVESTMENT

- at fair value through other comprehensive income	**2020**	2019
	--- Rupees ---	
LSE Financial Services Ltd. 843,975 ordinary shares of Rs.10 each	**4,409,926**	4,409,926
Adjustment on remeasurement to fair value	**14,672,349**	14,748,307
	19,082,275	19,158,233

7.1 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.

8. SECURITY DEPOSITS

	2020	2019
	--- Rupees ---	
Deposits with:		
National Clearing Company of Pakistan	**400,000**	400,000
Central Depository Company of Pakistan	**100,000**	100,000
	500,000	500,000

9. DUE FROM CLIENTS

9.1 These include Rs.0.167 million (2019: Rs.0.901 million) and Rs.0.149 million (2019: Rs.0.102 million) receivable from Mr.Aurangzeb Mirza (Director) and Mr. Jahanzeb Mirza (CEO) respectively, against their normal trading activity.

9.2 These balances are all current and are secured against the client securities. Further, no provision for impairment in receivable is required as at June 30, 2020.

10. PREPAYMENTS AND OTHER RECEIVABLES

	2020	2019
	--- Rupees ---	
Prepayments	**66,258**	67,357
Others	**-**	7,150
	66,258	74,507

11. SHORT TERM INVESTMENTS - at fair value through profit & loss

No. of shares 2020	No. of shares 2019	Name of the Company	Market value 2020	Market value 2019
			--------- Rupees ---------	
178	178	MCB Bank Ltd.	28,848	31,052
-	7,000	Ferozesons Laboratories Ltd.	-	782,740
47,000	30,000	Fauji Fertilizer Company Ltd.	5,169,530	2,616,000
20,000	10,000	Pakistan Telecommunication Ltd.	177,600	82,700
10,000	10,000	Ghandhara Nissan Ltd	627,500	524,300
-	25,000	Pak Electron Ltd	-	500,500
5,500	5,000	Al Tahur Ltd	94,765	98,550
-	2,000	Tariq Glass Industries Ltd	-	153,260
82,678	89,178		6,098,243	4,789,102

11.1 Apart from the above mentioned investments, the Company held 400 shares of Zeal Pak Cement Factory Limited which has been delisted from stock exchange and 100 shares of Innovative Investment Bank Limited which are not listed on stock exchange therefore has no market value.

11.2 As at June 30, 2020, shares valuing Rs.6.082 million (2019: Rs.4.775 million) are pledged with PSX as margin against trading. No shares are pledge with any financial institution.

12. CASH AND BANK BALANCES

	2020	2019
	--- Rupees ---	
Cash in hand	758,981	490,777
Cash at banks on:		
Current accounts		
- client accounts	10,178,081	3,739,694
- house accounts	91,810	71,484
	10,269,891	3,811,178
PLS saving account		
- client accounts	46,117,486	16,777,801
- house accounts	3,189,625	2,608,092
	49,307,111	19,385,893
	60,335,983	23,687,848

13. ISSUED, SUBSCRIBED AND PAID-UP CAPITAL

The Company during the preceding year issued 15,000 ordinary shares of Rs.1000 each as bonus shares.

14. ACCRUED AND OTHER LIABILITIES

	2020	2019
	--- Rupees ---	
Accrued expenses	231,333	163,812
Federal excise duty payable	359,885	226,217
	591,218	390,029

15. TAXATION - net

	2020	2019
Opening balance	133,395	1,099,068
Add: provision made during the year for:		
- current	571,192	133,395
- prior year	(15,230)	-
	555,962	133,395
Less: adjusted against completed assessment	(118,165)	(1,099,068)
	571,192	133,395

15.1 Provision for current year includes mainly tax on dividend income under section 150 of the Income Tax Ordinance, 2001.

15.2 Income tax returns of the Company have been filed upto the tax year 2019 i.e. accounting year ended June 30, 2019.

16. CONTINGENCIES AND COMMITMENTS

There was no known contingent liability / commitment as at June 30, 2020 and June 30, 2019.

17. OPERATING REVENUE

	2020	2019
	--- Rupees ---	
Brokerage income from:		
- retail customers	**20,353,735**	13,490,149
- financial institutions	**127,135**	4,385
- proprietary trade	**14,050**	28,830
	20,494,920	13,523,364
Dividend income	**1,147,984**	885,836
	21,642,904	14,409,200

18. GAIN ON SALE OF SHORT TERM INVESTMENTS - net

This represents accounting gain arisen on sale of short term investments. This has been computed as per the requirements of International Financial Reporting Standards (IFRS).

19. OTHER INCOME

	Note	2020	2019
		--- Rupees ---	
Income from financial assets			
Profit on saving accounts		**4,010,266**	1,860,357

20. ADMINISTRATIVE AND OPERATING EXPENSES

	Note	2020	2019
Salaries and benefits		**13,874,862**	14,291,290
Director's remuneration		**4,317,000**	2,858,600
Rent, rates and taxes		**445,075**	371,101
Shares purchase transaction costs		**16,688**	33,912
Fees and subscription		**84,325**	133,485
Travelling and conveyance		**75,920**	64,918
Auditors' remuneration			
- statutory audit		**97,470**	82,500
- tax services and certification charges		**121,716**	122,550
		219,186	205,050
Printing and stationery		**154,061**	157,788
Repair and maintenance		**971,480**	1,284,383
Utilities		**455,808**	489,550
Entertainment		**834,714**	865,407
Postage and communication		**667,656**	698,415
CDC & clearing house charges		**415,382**	270,891
Depreciation	5	**710,517**	882,583
Professional charges		**111,370**	84,500
Insurance expenses		**95,099**	139,761
Donations		**112,800**	148,600
Others		**254,914**	418,042
Receivable balance written-off		**7,150**	-
		23,824,007	23,398,276

21. TRANSACTIONS WITH RELATED PARTIES

There were no transactions executed with the related parties during the year except for remuneration as detailed in note 22 and normal trading activities carried by the Directors. Receivables from related parties are detailed in note 9 to the financial statements.

22. REMUNERATION OF DIRECTORS, CHIEF EXECUTIVE AND EXECUTIVES

Particulars	Chief Executive		Directors		Executives	
	2020	2019	2020	2019	2020	2019
	---------------- Rupees ----------------					
Managerial remuneration	**2,300,000**	2,000,000	**1,800,000**	800,000	**5,950,000**	7,183,500
No. of persons	**1**	1	**1**	1	**3**	4

22.1 The Chief Executive, director and one of the executive have been provided with the Company maintained cars and cellular networks.

23. FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES

23.1 Financial Risk Factors

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

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

23.2 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 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 interest rate risk.

(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.

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 increased profit before tax for the year by Rs.609.824 thousand (2019: decreased loss before tax by Rs.478.910 thousand).

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

Exposure to credit risk

The maximum exposure to credit risk as at June 30, 2020 along with comparative is tabulated below:

	2020	2019
	--- Rupees ---	
Long term investment	**19,082,275**	19,158,233
Security deposits	**500,000**	500,000
Due from clients	**22,006,451**	22,278,833
Other receivables	**-**	7,150
Short term investments	**6,098,243**	4,789,102
Loan to employees	**403,000**	448,000
Bank balances	**59,577,002**	23,197,071
	107,666,971	70,378,389

23.4 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	------
June 30, 2020			
Due to clients	**52,833,203**	**52,833,203**	**52,833,203**
Accrued and other liabilities	**591,218**	**591,218**	**591,218**
	53,424,421	**53,424,421**	**53,424,421**
June 30, 2019			
Due to clients	18,830,023	18,830,023	18,830,023
Accrued and other liabilities	390,029	390,029	390,029
	19,220,052	19,220,052	19,220,052

23.5 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 -----	
June 30, 2020		
Assets		
Long term investment	-	19,082,275
Short term investments	6,098,243	-
June 30, 2019		
Assets		
Long term investment	-	19,158,233
Short term investments	4,789,102	-

23.6 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.

At June 30, 2020, the carrying values of all financial assets and liabilities reflected in the financial statements approximate to their fair values.

24. CAPITAL RISK MANAGEMENT

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

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

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

25. FINANCIAL INSTRUMENT BY CATEGORY

	2020				2019			
	Amortised cost	At fair value through OCI	At fair value through PL	Total	Amortised cost	At fair value through OCI	At fair value through PL	Total
Financial assets as per statement of financial position	-------- Rupees --------				-------- Rupees --------			
Long term investment	-	19,082,275	-	19,082,275	-	19,158,233	-	19,158,233
Security deposits	500,000	-	-	500,000	500,000	-	-	500,000
Short term investments	-	-	6,098,243	6,098,243	-	-	4,789,102	4,789,102
Due from clients	22,006,451	-	-	22,006,451	22,278,833	-	-	22,278,833
Advances and other receivables	403,000	-	-	403,000	455,150	-	-	455,150
Cash and bank balances	60,335,983	-	-	60,335,983	23,687,848	-	-	23,687,848
	83,245,434	19,082,275	6,098,243	108,425,952	46,921,831	19,158,233	4,789,102	70,869,166

	Financial liabilities measured at amortised cost	
Financial liabilities as per statement of financial position	**2020**	2019
	--- Rupees ---	
Due to clients	**52,833,203**	18,830,023
Accrued and other liabilities	**591,218**	390,029
	53,424,421	19,220,052

26. NUMBER OF EMPLOYEES

The total number of employees as at June 30, 2020 were 22 (2019: 26) and their average numbers during the years were 20 (2019: 20).

27. PATTERN OF SHAREHOLDING

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

- Mr. Jahanzeb Mirza (Chief Executive)
- Mrs. Fakhra Khaliq
- Dr. Jahangir Adil
- Mr. Asad Alamgir
- Mr. Aurangzeb Mirza

28. DATE OF AUTHORISATION OF FINANCIAL STATEMENTS

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

29. GENERAL

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

Chief Executive Officer SHC Director