

Horizon Securities Limited

Financial Statements

Year ended June 30, 2020

Audited

Directors' Report

On behalf of the Board of Directors of Horizon Securities Limited, we are pleased to present the Audited Annual Financial Statements of your Company for the year ended on June 30, 2020 together with auditor's report thereon.

Economic Review

The year under review was shocking year for the economies of the world as the 2nd half of year business activities across the world struck due to COVID -19 pandemic. Pakistan was no exception, with GDP shrinking by 0.38% as compared to 3.3% growth recorded a year earlier. Only the agriculture sector showed positive growth of 2.7% during the year while manufacturing and services sector marked a negative growth of 5.6% and 0.6%, respectively. Large scale manufacturing contracted 10.2% in FY20 largely due to significant decline in textile, food, beverages and tobacco, coke and petroleum products, pharmaceuticals, automobiles, iron and steel products and electronics. On the fiscal front, deficit clocked in at 8.1% of GDP (PKR 3.4 trillion) in FY20 compared to PKR 3.4 trillion recorded in FY19, 8.9 % of GDP. This was despite a 2.5% decline in the total expenditure (PKR 8,135 Billion) and 12.3% YoY increase in total revenue of PKR 5,504 billion in FY20. However to hedge the the economy from the Covid-19, a well-coordinated fiscal and monetary response was launched that encompassed a cumulative 6.25% reduction in the SBP Policy Rate, relaxation in loan repayments for corporates, and a Rs. 1.2 trillion stimulus package by the GoP.

Equity Market Review

FY20 saw double dips of KSE100 towards 28K level, first being in August 2019 and the second time near the end of March 2020. The losses sustained by the Index were a combined result of Pakistan's Improving Balance of Payment position, low Interest rates, increasing foreign remittances and gradual recovery from Covid-19 have started turning the tide now and had helped the benchmark Index post a recovery of 7,193pts in 4Q-FY20. 4Q-FY20 saw an overall increase of 5,190pts in the Index, Regardless of a highly volatile trading year, where the benchmark Index went up and down since the beginning, overall FY20 could add only 520 pts over FY19 to close the fiscal at 34,421pts. Volumes traded on the Exchange have also seen volatility from posting a low of 39.5mn shares in 1Q-FY20, to crossing 500 mn volumes in the month of December 2019. During FY20, foreigners maintained selling stance and took out US\$ 284.8mn on net basis. Besides foreign

investors, Banks, Mutual Funds and Brokers remained net sellers of US\$ 55.4mn, US\$ 50.2mn and US\$ 13.3mn respectively. These outflows have largely been absorbed by Individuals by investing US\$ 213.2mn, followed by Insurance Sector US\$ 127.6mn, Other Organizations US\$ 31.6mn, Companies US\$ 26.8mn and Non-Banking Finance Companies US\$ 4.5mn

Company's Financial Overview

Following are the comparative financial results for the year 2020 and 2019

	2020	2019
	Rs.	Rs.
Gross Revenue	22,358,532	7,587,282
Profit / (Loss) before tax	3,868,791	(21,608,243)
Profit/ (Loss) after tax	3,102,063	(21,855,178)
Total Equity	149,710,802	146,161,433
Earning/ (Loss) per share	0.222	(1.565)

We are pleased to report that, despite the COVID-19 pandemic prevailing in the country, your Company's performance was quite satisfactory and the revenues jumped to Rs. 22,358,532 (2019: Rs7,587,282). This increase in revenue was due to rise in brokerage commission, better receivable management and curtailment of loss in portfolio investment which were Rs 418,943 (2019 Loss: Rs 6,296,042) There was also decrease in the admin and operating expenses which dropped to 16,310,312 (2019: Rs.17, 552,344). In bottom line we report a profit of Rs. 3,102,063 (2019: Loss Rs: 21,855,178). The Company earned profit per share of Rs. 0.22 as compared to loss of Rs.1.56 of last year. Pursuant to the application of IFRS-16, the Company's, account for the year ended 2019 were restated. Regarding the negative balance of Liquid Capital Statement in note. 32.2 it is explained that it due to flaw in the format of LCS. The 100% hair cut was applied on the receivable from the related party (Amount receivable for NDM transaction with settlement date on July 24, 2020) whereas the full amount was included in the payable to clearing house. Have 100% hair cut not been applied, the LCS balance would be Rs. 34,090,241

Keeping in view the funds requirement of the Company the Board of Directors has decided not to declare any dividend, bonus and not to approve any appropriation for reserve

Corporate and Financial Reporting Framework

The directors are pleased to report that:

- The following were directors of the Company during the year
 - Dr. Zafar Iqbal
 - Mr. Afraz Zafar
 - Mrs. Abida Zafar
- Risks are innate in the financial services business and include elements such as liquidity, market, credit, operational, legal, regulatory and reputational risks. HSL risk management governance starts at the Board, which plays an integral role in reviewing and approving risk management policies and practices. Accordingly, the Management, with the approval of the Board has initiated comprehensive risk management processes through which it monitors, evaluates and manages the risks that are assumed in conducting the activities. A rigorous framework of limits is applied to control risk across multiple transactions, products, businesses and markets in which the Company carries out transactions. This includes setting credit and market risk limits at a variety of levels and monitoring these limits on a regular basis
- Mr. Afraz Zafar, Director, decided to not draw the salary with effect from July, 2019.
- During the year there have been no change in the nature of the business of the Company
- The auditor's report does not contain any reservation, observation, qualification or any adverse remarks.
- The pattern of shareholding as on June 30, 2020 is attached.
- The profit per share is of Rs. 0.22 as compared loss per share of Rs. 1.565 of last year
- The future prospects of your Company are very encouraging on account of the Management's efforts in recovering receivables and through wider participation in all its business segments. The Company is striving to yield better volumes from its existing clientele as well as prospective, by expanding and growing relationships with them through the Company's premium suite of services. The Management is

buoyant that the Company's business will demonstrate lucrative results, as the economy and the market are improving.

- The company has not made or likely to be made any default in the payments of its debts or obligations
- The system of internal control is sound in design and has been effectively implemented and monitored.
- There have been no material changes since June 30, 2020 and the company has not entered into any commitment, which would affect its financial position at the date.
- The financial statements, prepared by the management of the Company, present its state of affairs fairly, the results of its operations, cash flows and changes in equity.
- Proper books of account have been maintained.
- Appropriate accounting policies have been consistently applied in preparation of financial statements and the accounting estimates are based on reasonable and prudent judgment.
- International Financial Reporting Standards, as applicable in Pakistan, have been followed in the preparation of financial statements;
- There are no doubts upon the Company's ability to continue as going concern.
- There is not material statutory payment outstanding on account of taxes, duties, levies and charges.

Auditors

The present Auditors Messrs. of Rahman Sarfaraz Rahim Iqbal Rafiq, Chartered Accountants, will retire on the conclusion of Annual General Meeting and has offered their services for the year ending on June 30, 2021. The Board has recommended the re-appointment of Rahman Sarfaraz Rahim Iqbal Rafiq, Chartered Accountants, as auditors of the Company for the year ending on June 30, 2021, at a fee to be mutually agreed

Acknowledgement

We are grateful to the Company's stakeholders for their long-lasting confidence and support. We also record our appreciation and thanks to our Bankers, Securities and Exchange Commission of Pakistan, Central Depository Company of Pakistan, National Clearing Company of Pakistan Limited and the Management of Pakistan Stock Exchange Limited for their continued support and guidance for the growth of Company.



Dr. Zafar Iqbal
(Chairman & CEO)



Afraz Zafar
(Director)

Place: Lahore

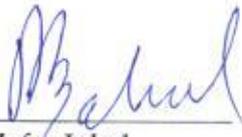
Date: September 28, 2020

HORIZON SECURITIES LTD.

TRE CERTIFICATE HOLDER: Pakistan Stock Exchange Limited

STATEMENT OF COMPLIANCE
WITH THE CORPORATE GOVERNANCE CODE FOR THE SECURITIES BROKER
FOR THE YEAR ENDED ON JUNE 30, 2020

This statement is being presented to certify the compliance with the Corporate Governance Code for Securities Broker ("Code") contained in annexure D of the Securities Broker (Licensing and Operations) Regulations, 2016 for the purpose of establishing a framework of good governance, whereby a securities broker is managed in compliance with the best practices of corporate governance. We hereby confirm that during the year ended on June 30, 2020 the Company has made the compliance of all material principles contained in the Code



Dr. Zafar Iqbal
(Chairman & CEO)



Afraz Zafar
(Director)

Place: Lahore

Date: September 28, 2020

HORIZON SECURITIES LTD.

TRE CERTIFICATE HOLDER: Pakistan Stock Exchange Limited

STATEMENT BY THE CHIEF EXECUTIVE OFFICER

I, Dr. Zafar Iqbal Chief Executive Officer of the Horizon Securities Limited, hereby certify that there were no transactions entered into by the Horizon Securities Limited during the year ended on June 30, 2020 which were fraudulent, illegal or in violation of any securities market laws



Dr. Zafar Iqbal
Chairman & CEO

Place: Lahore

Date: September 28, 2020

INDEPENDENT AUDITOR'S REPORT

To the members of HORIZON SECURITIES LIMITED Report on the Audit of the Financial Statements

Opinion

We have audited the annexed financial statements of **HORIZON 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 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 of comprehensive income, the statement of changes in equity and the 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 income, 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 Auditor's Report Thereon

Management is responsible for the other information. The other information comprises the information included in the Director's Report, but does not include the financial statements and our auditor's report thereon.

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.

Auditor's 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 auditor's 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 auditor's report to the related disclosures in the financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's 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 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 the requirement of section 78 of the Securities Act 2015, and the relevant requirements of Securities Brokers (Licensing and Operations) Regulations, 2016 as at the date on which these financial statements were prepared.

Other Matters

The financial statements of the Company for the year ended June 30, 2019, were audited by another auditor who expressed an unmodified opinion, on those statements on October 02, 2019.

The engagement partner on the audit resulting in this independent auditor's report is **ZUBAIR IRFAN MALIK**.


RAHMAN SARFARAZ RAHIM IQBAL RAFIQ
Chartered Accountants
Lahore: September 28, 2020



HORIZON SECURITIES LIMITED

STATEMENT OF FINANCIAL POSITION AS AT JUNE 30, 2020

	Note	2020 Rupees	2019 Rupees (restated)
ASSETS			
NON-CURRENT ASSETS			
Property and equipment	7	10,308,288	10,916,139
Right-of-use assets	8	9,202,689	4,133,001
Intangible assets	9	2,500,000	2,500,000
Long term investments	10	19,605,539	19,158,233
Long term deposits	11	1,680,000	2,030,000
		43,296,516	38,737,373
CURRENT ASSETS			
Trade debts	12	215,238,034	229,994,157
Investment in margin financing	13	4,614,490	-
Advances, deposits, prepayments and other receivables	14	86,900,368	79,221,405
Short term investments	15	2,331,989	1,012,333
Current taxation	16	4,960,210	5,020,880
Bank balances	17	31,149,606	40,928,604
		345,194,697	356,177,379
CURRENT LIABILITIES			
Trade and other payables	18	(230,406,693)	(244,578,865)
Current portion of non-current liabilities		(1,415,830)	(377,580)
		(231,822,523)	(244,956,445)
NET CURRENT ASSETS			
		156,668,690	149,958,307
NON-CURRENT LIABILITIES			
Lease liabilities	19	(6,957,888)	(3,796,874)
		(6,957,888)	(3,796,874)
NET ASSETS			
		149,710,802	146,161,433
REPRESENTED BY:			
SHARE CAPITAL			
<i>Authorized capital</i>			
20,000,000 (2019: 20,000,000) ordinary shares of Rs. 10 each		200,000,000	200,000,000
Issued, subscribed and paid-up capital	20	139,650,000	139,650,000
Capital reserve		(8,589,651)	(9,036,957)
Accumulated profit		18,650,453	15,548,390
TOTAL EQUITY		149,710,802	146,161,433
CONTINGENCIES AND COMMITMENTS			
	21		
TOTAL EQUITY		149,710,802	146,161,433

The annexed notes 1 to 45 form an integral part of these financial statements.


CHIEF EXECUTIVE


DIRECTOR

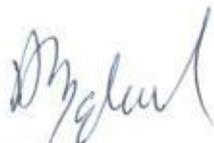
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HORIZON SECURITIES LIMITED

STATEMENT OF PROFIT AND LOSS FOR THE YEAR ENDED JUNE 30, 2020

	Note	2020 Rupees	2019 Rupees (restated)
Brokerage and commission		15,415,978	11,239,044
Dividend income		726,893	561,606
Interest on margins/exposure deposits		1,771,127	1,776,464
Interest on margin financing		190,682	-
Loss on disposal of short term investments		-	(5,989,832)
Reversal of impairment allowance of expected credit losses	12.3 & 13.2	4,253,852	-
		22,358,532	7,587,282
Administrative expenses	22	(16,310,312)	(17,552,344)
		6,048,220	(9,965,062)
Changes in fair value of financial assets at fair value through profit or loss	15	(418,943)	(306,210)
		5,629,277	(10,271,272)
Finance cost	23	(1,168,347)	(318,023)
Other expenses	24	(592,139)	(11,018,948)
Profit/(loss) before taxation		3,868,791	(21,608,243)
Provision for taxation		(766,728)	(246,935)
Profit/(loss) after taxation		3,102,063	(21,855,178)
Earning/(loss) per share - basic and diluted	26	0.222	(1.565)

The annexed notes 1 to 45 form an integral part of these financial statements.



CHIEF EXECUTIVE



DIRECTOR

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HORIZON SECURITIES LIMITED

STATEMENT OF COMPREHENSIVE INCOME FOR THE YEAR ENDED JUNE 30, 2020

	Note	2020 Rupees	2019 Rupees
<i>Items that may be reclassified subsequently to profit or loss</i>		-	-
<i>Items that will not be reclassified subsequently to profit or loss</i>			
Financial assets at fair value through OCI	10	447,306	3,899,165
Taxation relating to financial assets at fair value through OCI		-	-
		447,306	3,899,165
Other comprehensive income		447,306	3,899,165
Profit/(loss) after taxation		3,102,063	(21,855,178)
Total comprehensive profit/(loss)		3,549,369	(17,956,013)

The annexed notes 1 to 45 form an integral part of these financial statements.


CHIEF EXECUTIVE


DIRECTOR

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HORIZON SECURITIES LIMITED

STATEMENT OF CHANGES IN EQUITY FOR THE YEAR ENDED JUNE 30, 2020

	Share capital	Capital reserves	Revenue reserves	
	Issued subscribed and paid-up capital	Reserve for financial assets measured at FVTOCI	Accumulated profit	Total equity
	Rupees	Rupees	Rupees	Rupees
Balance as at July 01, 2018	139,650,000	(12,936,122)	37,403,568	164,117,446
Comprehensive loss				
Loss after taxation - <i>restated</i>	-	-	(21,855,178)	(21,855,178)
Other comprehensive income	-	3,899,165	-	3,899,165
Total comprehensive loss	-	3,899,165	(21,855,178)	(17,956,013)
Transactions with owners	-	-	-	-
Balance as at June 30, 2019 - restated	139,650,000	(9,036,957)	15,548,390	146,161,433
Balance as at July 01, 2019 - restated	139,650,000	(9,036,957)	15,548,390	146,161,433
Comprehensive income				
Profit after taxation	-	-	3,102,063	3,102,063
Other comprehensive income	-	447,306	-	447,306
Total comprehensive income	-	447,306	3,102,063	3,549,369
Transactions with owners	-	-	-	-
Balance as at June 30, 2020	139,650,000	(8,589,651)	18,650,453	149,710,802

The annexed notes 1 to 45 form an integral part of these financial statements.



CHIEF EXECUTIVE



DIRECTOR

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HORIZON SECURITIES LIMITED

STATEMENT OF CASH FLOWS FOR THE YEAR ENDED JUNE 30, 2020

	Note	2020 Rupees	2019 Rupees (restated)
CASH FLOW FROM OPERATING ACTIVITIES			
Cash (used in)/generated from operations	27	(4,204,151)	12,847,689
Payments for:			
Finance cost		(465,927)	(1,664,625)
Income tax		(706,058)	(1,370,296)
Net cash (used in)/generated from operating activities		(5,376,136)	9,812,768
CASH FLOW FROM INVESTING ACTIVITIES			
Purchase of short term investments		(1,735,049)	(34,653)
Proceeds from disposal of short term investments		(3,550)	50,984,696
Dividend received		726,893	561,606
Purchase of property, plant and equipment		(321,000)	(24,500)
Purchase of long term investments		-	(13,000,000)
Net cash (used in)/generated from investing activities		(1,332,706)	38,487,149
CASH FLOW FROM FINANCING ACTIVITIES			
Net decrease in short term borrowings		-	(41,178,169)
Repayment of lease liabilities		(3,070,156)	(755,958)
Net cash used in financing activities		(3,070,156)	(41,934,127)
NET (DECREASE)/INCREASE IN CASH AND CASH EQUIVALENTS		(9,778,998)	6,365,790
CASH AND CASH EQUIVALENTS AT BEGINNING OF THE YEAR		40,928,604	34,562,814
CASH AND CASH EQUIVALENTS AT THE END OF THE YEAR	28	31,149,606	40,928,604

The annexed notes 1 to 45 form an integral part of these financial statements.



CHIEF EXECUTIVE



DIRECTOR

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HORIZON SECURITIES LIMITED

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED JUNE 30, 2020

1 LEGAL STATUS AND OPERATIONS

Horizon Securities Limited ['the Company'], a partially owned subsidiary of Bakhsh Holding (Private) Limited, was incorporated in Pakistan on January 08, 2007 as a Single Member Company under the repealed Companies Ordinance, 1984. The Company was incorporated pursuant to the corporatisation policy of the Securities and Exchange Commission of Pakistan ['SECP'] to enable the individual members of stock exchanges to transfer their membership along with all entitlements related thereto to a corporate entity. The status of the Company was first converted into a Private Limited Company with effect from May 27, 2011 and subsequently a Public Limited Company with effect from June 27, 2011. The principal activity of the Company is to carry on the business of stock brokerage, underwriting and investments. The registered office of the Company is situated at 2nd Floor, Plaza 79-A, Bankers Cooperative Housing Society, Lahore in the Province of Punjab.

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'] issued by the International Accounting Standards Board ['IASB'] as notified under the Companies Act, 2017;
- Islamic Financial Accounting Standards ['IFAS'] issued by Institute of Chartered Accountants of Pakistan 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 and IFAS, 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 certain financial instruments at fair value/amortized cost. In these financial statements, except for the statement of cash flows, all transactions have been accounted for on accrual basis.

2.3 Critical accounting judgements and key sources of estimation uncertainty

The preparation of financial statements requires management to make judgments, estimates and assumptions that affect the application of accounting policies and the reported amounts of assets, liabilities, income and expenses. The estimates and associated assumptions and judgments are based on historical experience and various other factors that are believed to be reasonable under the circumstances, the result of which forms the basis of making judgments about carrying values of assets and liabilities that are not readily apparent from other sources. Subsequently, actual results may differ from these estimates. Estimates and underlying assumptions are reviewed on an ongoing basis. Revisions to accounting estimates are recognized in the period in which the estimate is revised and in any future periods affected.

2.3.1 Critical accounting judgements

Judgments made by management in the application of accounting and reporting standards that have significant effect on the financial statements and estimates with a risk of material adjustment in subsequent years are as follows:

(a) *Business model assessment (see note 6.6.2)*

The Company classifies its financial assets on the basis of the Company's business model for managing the financial assets and the contractual cash flow characteristics of the financial asset. The Company determines the business model at a level that reflects how financial assets are managed to achieve a particular business objective. This assessment includes judgement reflecting all relevant evidence including how the performance of the assets is evaluated and their performance measured, the risks that affect the performance of the assets and how these are managed.

2.3.2 Key sources of estimation uncertainty

The key assumptions concerning the future, and other key sources of estimation uncertainty at the reporting date that may have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities within the next financial year, are as follows:

HORIZON SECURITIES LIMITED

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED JUNE 30, 2020

(a) Calculation of impairment allowance for expected credit losses on financial assets (see note 6.21.1)

The Company recognizes a loss allowance for expected credit losses on financial assets carried at amortized cost on date of initial recognition. The amount of expected credit losses is updated on each reporting date to reflect the changes in credit risk since initial recognition of the respective financial asset. Estimating expected credit losses and changes there in requires taking into account qualitative and quantitative forward looking information. When measuring expected credit losses on financial assets the Company uses reasonable and supportable forward looking information as well as historical data to calculate the difference between the contractual cash flows due and those that the Company would expect to receive, taking into account cash flows from collateral and integral credit enhancements, if any. Probability of default constitutes a key input in measuring expected credit losses. Probability of default is an estimate of the likelihood of default over a given time horizon, the calculation of which includes historical data, assumptions and expectations of future conditions.

(b) Depreciation method, rates and useful lives of property and equipment (see note 6.1)

The Company reassesses useful lives, depreciation method and rates for each item of property and equipment annually by considering expected pattern of economic benefits that the Company expects to derive from that item.

(c) Recoverable amount and impairment of non-financial assets (see note 6.21)

The management of the Company reviews carrying amounts of its non-financial assets for possible impairment and makes formal estimates of recoverable amount if there is any such indication.

(d) Obligation under defined benefit plan (see note 6.5)

The Company's obligation under the defined benefit plan is based on assumptions of future outcomes, the principal ones being in respect of increases in remuneration, remaining working lives of employees and discount rates to be used to determine present value of defined benefit obligation. These assumptions are determined periodically by independent actuaries.

(e) Taxation (see note 6.18)

The Company takes into account the current income tax law and decisions taken by appellate and other relevant legal forums while estimating its provision for current tax. Provision for deferred tax is estimated after taking into account historical and expected future turnover and profit trends and their taxability under the current tax law.

(f) Provisions (see note 6.22)

Provisions are based on best estimate of the expenditure required to settle the present obligation at the reporting date, that is, the amount that the Company would rationally pay to settle the obligation at the reporting date or to transfer it to a third party.

2.4 Functional currency

These financial statements have been prepared in Pak Rupees which is the Company's functional currency.

2.5 Date of authorization for issue

These financial statements were authorized for issue on September 28, 2020 by the Board of Directors of the Company.

3 NEW AND REVISED STANDARDS, INTERPRETATIONS AND AMENDMENTS EFFECTIVE DURING THE YEAR.

The following new and revised standards, interpretations and amendments are effective in the current year but are either not relevant to the Company or their application does not have any material impact on the financial statements of the Company other than presentation and disclosures, except as stated otherwise.

3.1 IFRS 16 - Leases (2016)

IFRS 16 supersedes IAS 17 - Leases, IFRIC 4 - Determining whether an Arrangement contains a Lease, SIC-15 - Operating Leases-Incentives and SIC-27 - Evaluating the Substance of Transactions Involving the Legal Form of a Lease'. The standard sets out the principles for the recognition, measurement, presentation and disclosure of leases and requires lessees to account for most leases under a single on-balance sheet model. Lessor accounting under IFRS 16 is substantially unchanged from IAS 17. Lessors will continue to classify leases as either operating or finance leases using similar principles as in IAS 17. Whereas, for lessees all leases will be classified as finance leases only with the exception of short term or low value leases. However, as per relevant guidelines issued by Institute of Chartered Accountants of Pakistan, contracts under Ijarah will continue to be treated as operating leases under IFAS 2.

The Company adopted and applied IFRS 16 with full retrospective effect on the date of initial application of July 01, 2019, which has resulted in change in accounting policy as referred to in note 5. The impact of retrospective application is as follows:

HORIZON SECURITIES LIMITED

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED JUNE 30, 2020

	June 30, 2020	June 30, 2019
	Rupees	Rupees
Impact on profit or loss		
Decrease in administrative expenses	239,388	19,949
Increase in finance cost	702,420	61,402
Net decrease in profit	463,032	41,453
Impact on other comprehensive income		
	-	-
Impact on earnings per share		
Decrease in earnings per share	0.033	0.003
Impact on liabilities		
Increase in lease liabilities	3,796,874	4,174,454
Increase in liabilities	3,796,874	4,174,454
Impact on equity		
	-	-
Impact on assets		
Increase in right-of-use assets	3,292,389	4,133,001
Increase in assets	3,292,389	4,133,001

A third statement of financial position as required under Paragraph 40A of IAS 1 - 'Presentation of Financial Statements' has not been presented as the initial application of IFRS 16 has no effect on the statement of financial position as at beginning of the preceding period.

The Company assessed its existing contracts and concluded that right-of-use assets as disclosed in these financial statements shall be recognised along with their corresponding lease liabilities. For other existing contracts, the Company elected to use the recognition exemptions for lease contracts that, at the commencement date, have a lease term of twelve months or less and do not contain a purchase option ('short-term leases'), and lease contracts for which the underlying asset is of low value ('low value assets').

The right-of-use assets were recognised based on the amount equal to their corresponding lease liabilities, adjusted for related prepaid and accrued lease payments previously recognised. Lease liabilities were recognised based on the present value of the remaining lease payments. The Company did not have any sub-lease as on July 01, 2019.

3.2 IFRIC 23 - Uncertainty over Income Tax Treatments

The interpretation addresses the determination of taxable profit (tax loss), tax bases, unused tax losses, unused tax credits and tax rates, when there is uncertainty over income tax treatments under IAS 12. It specifically considers:

- Whether tax treatments should be considered collectively;
- Assumptions for taxation authorities' examinations;
- The determination of taxable profit (tax loss), tax bases, unused tax losses, unused tax credits and tax rates;
- The effect of changes in facts and circumstances.

3.3 Prepayment Features with Negative Compensation (Amendments to IFRS 9 - Financial Instruments)

IFRS 9 - Financial Instruments has been amended regarding termination rights in order to allow measurement at amortized cost (or, depending on the business model, at fair value through other comprehensive income) even in the case of negative compensation payments.

3.4 Long-term Interests in Associates and Joint Ventures (Amendments to IAS 28 - Investments in Associates and Joint Ventures)

IAS 28 - Investments in Associates and Joint Ventures have been amended to clarify that an entity applies IFRS 9 Financial Instruments to long-term interests in an associate or joint venture that form part of the net investment in the associate or joint venture but to which the equity method is not applied.

HORIZON SECURITIES LIMITED

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED JUNE 30, 2020

3.5 Annual Improvements to IFRS Standards 2015 – 2017 Cycle

The annual improvements have made amendments to the following standards:

- **IFRS 3 - Business Combinations and IFRS 11 - Joint Arrangements** - The amendments to IFRS 3 clarify that when an entity obtains control of a business that is a joint operation, it remeasures previously held interests in that business. The amendments to IFRS 11 clarify that when an entity obtains joint control of a business that is a joint operation, the entity does not remeasure previously held interests in that business.
- **IAS 12 - Income Taxes** - The amendments clarify that the requirements in the former paragraph 52B (to recognize the income tax consequences of dividends where the transactions or events that generated distributable profits are recognized) apply to all income tax consequences of dividends by moving the paragraph away from paragraph 52A that only deals with situations where there are different tax rates for distributed and undistributed profits.
- **IAS 23 - Borrowing Costs** - The amendments clarify that if any specific borrowing remains outstanding after the related asset is ready for its intended use or sale, that borrowing becomes part of the funds that an entity borrows generally when calculating the capitalization rate on general borrowings.

3.6 Plan Amendment, Curtailment or Settlement (Amendments to IAS 19 - Employee Benefits)

IAS 19 - Employees Benefits has been amended to provide that:

- If a plan amendment, curtailment or settlement occurs, it is now mandatory that the current service cost and the net interest for the period after the remeasurement are determined using the assumptions used for the remeasurement. In addition, amendments have been included to clarify the effect of a plan amendment, curtailment or settlement on the requirements regarding the asset ceiling.

4 NEW AND REVISED STANDARDS, INTERPRETATIONS AND AMENDMENTS NOT YET EFFECTIVE.

The following standards, interpretations and amendments are in issue which are not effective as at the reporting date and have not been early adopted by the Company.

	Effective date (annual periods beginning on or after)
IFRS 17 - Insurance contracts (2017)	January 01, 2021
Sale or contribution of assets between an Investor and its Associate or Joint Venture (Amendments to IFRS 10 - Consolidated Financial Statements and IAS 28 - Investments in Associates and Joint Ventures).	Deferred Indefinitely
Amendments to References to the Conceptual Framework in IFRS Standards	January 01, 2020
Definition of a Business (Amendments to IFRS 3 - Business Combinations)	January 01, 2020
Definition of Material (Amendments to IAS 1 - First-time Adoption of International Financial Reporting Standards and IAS 8 - Accounting Policies, Changes in Accounting Estimates and Errors)	January 01, 2020
Interest Rate Benchmark Reform (Amendments to IFRS 9 - Financial Instruments, IAS 39 - Financial Instruments: Recognition and Measurements, and IFRS 7 - Financial Instruments: Disclosures).	January 01, 2020
Classification of Liabilities as Current or Non-Current (Amendments to IAS 1 - First-time Adoption of International Financial Reporting Standards).	January 01, 2022
Reference to the Conceptual Framework (Amendments to IFRS 3 - Business Combinations).	January 01, 2022
Property, Plant and Equipment - Proceeds before Intended Use (Amendments to IAS 16 - Property, Plant and Equipment).	January 01, 2022
Onerous Contracts - Cost of Fulfilling a Contract (Amendments to IAS 37 - Impairment of Assets).	January 01, 2022
Annual Improvements to IFRS Standards 2018–2020.	January 01, 2022
COVID-19 - Related Rent Concessions (Amendment to IFRS 16 - Leases).	June 01, 2020
Other than afore mentioned standards, interpretations and amendments, IABS has also issued the following standards which have not been notified by the Securities and Exchange Commission of Pakistan ['SECP']:	

HORIZON SECURITIES LIMITED

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED JUNE 30, 2020

IFRS 1 - First Time Adoption of International Financial Reporting Standards
IFRS 14 - Regulatory Deferral Accounts
IFRS 17 – Insurance contracts (2017)

The Company intends to adopt these new and revised standards, interpretations and amendments on their effective dates, subject to, where required, notification by Securities and Exchange Commission of Pakistan under section 225 of the Companies Act, 2017 regarding their adoption. The management anticipates that the adoption of the above standards, amendments and interpretations in future periods, will have no material impact on the Company's financial statements other than in presentation/disclosures.

5 CHANGES IN ACCOUNTING POLICIES

The adoption of new and revised standards, interpretations and amendments effective during the year has resulted in changes to accounting policies as follows:

Previous accounting policy	New accounting policy
Liabilities against assets subject to finance lease Liabilities against assets subject to finance lease are classified as 'financial liabilities at amortized cost' respectively, however, since they fall outside the scope of measurement requirements of IFRS 9, these are measured in accordance with the requirements of IAS 17. On initial recognition, these are measured at cost, being their fair value at the date of commencement of lease, less attributable transaction costs. Subsequent to initial recognition, minimum lease payments made under finance leases are apportioned between the finance charge and the reduction of outstanding liability. The finance charge is allocated to each period during the lease term so as to produce a constant periodic rate of interest on the remaining balance of the liability.	Lease Liabilities At the commencement date of the lease, the Company recognises lease liabilities measured at the present value of lease payments to be made over the lease term. The lease payments include fixed payments (including in-substance fixed payments) less any lease incentives receivable, variable lease payments that depend on an index or a rate, and amounts expected to be paid under residual value guarantees. The lease payments also include the exercise price of a purchase option reasonably certain to be exercised by the Company and payments of penalties for terminating a lease, if the lease term reflects the Company exercising the option to terminate. The variable lease payments that do not depend on an index or a rate are recognised as expense in the period on which the event or condition that triggers the payment occurs. In calculating the present value of lease payments, the Company uses if the interest rate implicit in the lease. After the commencement date, the amount of lease liabilities is increased to reflect the accretion of interest and reduced for the lease payments made. In addition, the carrying amount of lease liabilities is remeasured if there is a modification, a change in the lease term, a change in the in-substance fixed lease payments or a change in the assessment to purchase the underlying asset.
Assets subject to finance lease Assets subject to finance lease are classified as 'operating fixed assets'. On initial recognition, these are measured at cost, being an amount equal to the lower of its fair value and the present value of minimum lease payments. Subsequent to initial recognition, these are measured at cost less accumulated depreciation and accumulated impairment losses. Depreciation, subsequent expenditure, de-recognition, and gains and losses on de-recognition are accounted for in accordance with the respective policies for operating fixed assets.	Right-of-use assets The Company recognises right-of-use assets at the commencement date of the lease (i.e., the date the underlying asset is available for use). Right-of-use assets are measured at cost, less any accumulated depreciation and impairment losses, and adjusted for any remeasurement of lease liabilities. The cost of right-of-use assets includes the amount of lease liabilities recognised, initial direct costs incurred (if any), and lease payments made at or before the commencement date less lease incentives received (if any). Right-of-use assets are depreciated at the shorter of their useful lives and lease terms unless the Company is reasonably certain to obtain ownership of the leased asset at the end of the lease term, in which case, these are depreciated over their estimated useful lives.

6 SIGNIFICANT ACCOUNTING POLICIES

The accounting policies set out below have been applied consistently to all periods presented in these financial statements except of the change referred to in note 5.

HORIZON SECURITIES LIMITED

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED JUNE 30, 2020

6.1 Property and equipment

Items of property and equipment are measured at cost less accumulated depreciation and impairment losses. Cost comprises purchase price, including import duties and non-refundable purchase taxes, after deducting trade discounts and rebates, and includes other costs directly attributable to the acquisition.

Parts of an item of property, plant and equipment having different useful lives are recognized as separate items.

Major renewals and improvements to operating fixed assets are recognized in the carrying amount if it is probable that the embodied future economic benefits will flow to the Company and the cost of renewal or improvement can be measured reliably. The cost of the day-to-day servicing of operating fixed assets are recognized in profit or loss as incurred.

Depreciation is recognized in profit or loss by reducing balance method over the useful life of each item of property and equipment using the rates specified in note 7 to the financial statements.

Depreciation on additions to property and equipment is charged from the month in which the item becomes available for use. Depreciation is discontinued from the month in which it is disposed or classified as held for disposal.

Depreciation method, useful lives and residual values are reviewed at each reporting date.

An item of property and equipment is de-recognized when permanently retired from use. Any gain or loss on disposal of property and equipment is recognized in profit or loss.

6.2 Intangible assets

Intangible assets with indefinite useful lives, including Trading Right Entitlement Certificate ("TREC"), are stated at cost less accumulated impairment losses, if any. An intangible asset is considered as having an indefinite useful life when, based on an analysis of all relevant factors, there is no foreseeable limit to the period over which the asset is expected to generate net cash inflows for the Company. An intangible asset with an indefinite useful life is not amortized. However, it is tested for impairment at each balance sheet date or whenever there is an indication that the asset may be impaired. Gains or losses on disposal of intangible assets, if any, are recognized in the profit and loss account during the year in which the assets are disposed of.

6.3 Right-of-use assets

The Company recognises right-of-use assets at the commencement date of the lease (i.e., the date the underlying asset is available for use). Right-of-use assets are measured at cost, less any accumulated depreciation and impairment losses, and adjusted for any remeasurement of lease liabilities. The cost of right-of-use assets includes the amount of lease liabilities recognised, initial direct costs incurred (if any), and lease payments made at or before the commencement date less lease incentives received (if any). Right-of-use assets are depreciated at the shorter of their useful lives and lease terms unless the Company is reasonably certain to obtain ownership of the leased asset at the end of the lease term, in which case, these are depreciated over their estimated useful lives. Depreciation on right-of-use assets is recognized in profit or loss using straight line method unless the Company is reasonably certain to obtain ownership of the leased asset at the end of the lease term, in which case reducing balance method is used.

6.4 Ordinary share capital

Ordinary share capital is recognized as equity. Incremental costs directly attributable to the issue of ordinary shares are recognized in profit or loss.

6.5 Employees retirement benefits

6.5.1 Short-term employee benefits

The Company recognizes the undiscounted amount of short term employee benefits to be paid in exchange for services rendered by employees as a liability after deducting amount already paid and as an expense in profit or loss unless it is included in the cost of inventories or property, plant and equipment as permitted or required by the approved accounting and reporting standards as applicable in Pakistan. If the amount paid exceeds the undiscounted amount of benefits, the excess is recognized as an asset to the extent that the prepayment would lead to a reduction in future payments or cash refund.

6.6 Financial instruments

6.6.1 Recognition

A financial instrument is recognized when the Company becomes a party to the contractual provisions of the instrument.

HORIZON SECURITIES LIMITED

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED JUNE 30, 2020

6.6.2 Classification

The Company classifies its financial assets on the basis of the Company's business model for managing the financial assets and the contractual cash flow characteristics of the financial asset. Financial liabilities are classified in accordance with the substance of contractual provisions. The Company determines the classification of its financial instruments at initial recognition as follows:

(a) *Financial assets at amortized cost*

These are financial assets held within a business model whose objective is to hold financial assets in order to collect contractual cashflows and the contractual terms of the financial asset give rise on specified dates to cash flows that are solely payments of principal and interest on the principal amount outstanding.

(b) *Financial assets at fair value through other comprehensive income*

These are :

- (i) financial assets held within a business model whose objective is achieved by both collecting contractual cashflows and selling financial assets and the contractual terms of the financial asset give rise on specified dates to cash flows that are solely payments of principal and interest on the principal amount outstanding; and
- (ii) investments in equity instruments, that are not held for trading nor contingent consideration recognized by the Company as acquirer in a business combination, for which the Company makes an irrevocable election at initial recognition to present changes in fair value on subsequent measurement in other comprehensive income.

(c) *Financial assets at fair value through profit or loss*

These are financial assets which have not been classified as 'financial assets at amortized cost' or as 'financial assets at fair value through other comprehensive income', are mandatorily measured at fair value through profit or loss or for which the Company makes an irrevocable election at initial recognition to designate as 'financial asset at fair value through profit or loss' if doing so eliminates or significantly reduces a measurement or recognition inconsistency.

(d) *Financial liabilities at amortized cost*

These are financial liabilities which are not derivatives, financial guarantee contracts, commitments to provide loans at below-market interest rate, contingent consideration payable to an acquirer in a business combination or financial liabilities that arise when transfer of a financial asset does not qualify for derecognition.

6.6.3 Measurement

The particular measurement methods adopted are disclosed in individual policy statements associated with each financial instrument.

6.6.4 Derecognition

A financial asset is derecognized when the Company's contractual rights to the cash flows from the financial assets expire or when the Company transfers the financial asset to another party without retaining control of substantially all risks and rewards of the financial asset. A financial liability is derecognized when the Company's obligations specified in the contract expire or a discharged or cancelled.

6.6.5 Off-setting

A financial asset and financial liability is offset and the net amount reported in the statement of financial position if the Company has legally enforceable right to set-off the recognized amounts and intends either to settle on a net basis or to realize the asset and settle the liability simultaneously.

6.6.6 Regular way purchases or sales of financial assets

Regular way purchases or sales are purchases or sales of financial assets that require delivery of assets within the time frame established by regulation or convention in the market place. Regular way purchases or sales of financial assets are recognized and derecognized on a trade date basis.

6.7 Loans and borrowings

Loans and borrowings are classified as 'financial liabilities at amortized cost'. On initial recognition, these are measured at cost, being fair value at the date the liability is incurred, less attributable transaction costs. Subsequent to initial recognition, these are measured at amortized cost with any difference between cost and value at maturity recognized in the profit or loss over the period of the borrowings on an effective interest basis.

HORIZON SECURITIES LIMITED

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED JUNE 30, 2020

6.8 Lease liabilities

At the commencement date of the lease, the Company recognises lease liabilities measured at the present value of lease payments to be made over the lease term. The lease payments include fixed payments (including in-substance fixed payments) less any lease incentives receivable, variable lease payments that depend on an index or a rate, and amounts expected to be paid under residual value guarantees. The lease payments also include the exercise price of a purchase option reasonably certain to be exercised by the Company and payments of penalties for terminating a lease, if the lease term reflects the Company exercising the option to terminate. The variable lease payments that do not depend on an index or a rate are recognised as expense in the period on which the event or condition that triggers the payment occurs.

In calculating the present value of lease payments, the Company uses if the interest rate implicit in the lease. After the commencement date, the amount of lease liabilities is increased to reflect the accretion of interest and reduced for the lease payments made. In addition, the carrying amount of lease liabilities is remeasured if there is a modification, a change in the lease term, a change in the in-substance fixed lease payments or a change in the assessment to purchase the underlying asset.

6.9 Short-term leases

The Company applies the short-term lease recognition exemption to its short-term leases (i.e., those leases that have a lease term of twelve months or less from the commencement date and do not contain a purchase option). Lease payments on short-term leases are recognised as expense on a straight-line basis over the lease term.

6.10 Trade and other payables

6.10.1 Financial liabilities

These are classified as 'financial liabilities at amortized cost'. On initial recognition, these are measured at fair value at the date the liability is incurred, less attributable transaction costs. Subsequent to initial recognition, these are measured at amortized cost using the effective interest method, with interest recognized in profit or loss.

6.10.2 Non-financial liabilities

These, on initial recognition and subsequently, are measured at cost.

6.11 Trade and other receivables

6.11.1 Financial assets

These are classified as 'financial assets at amortized cost'. On initial recognition, these are measured at fair value at the date of transaction, plus attributable transaction costs, except for trade debts that do not have a significant financing component, which are measured at undiscounted invoice price. Subsequent to initial recognition, these are measured at amortized cost using the effective interest method, with interest recognized in profit or loss.

6.11.2 Non-financial assets

These, on initial recognition and subsequently, are measured at cost.

6.12 Investments in listed equity securities

Investments in listed equity securities are classified as 'financial assets at fair value through profit or loss'. On initial recognition, these are measured at fair value on the date of acquisition. Subsequent to initial recognition, these are measured at fair value. Changes in fair value are recognized in profit or loss. Gains and losses on de-recognition are recognized in profit or loss. Dividend income is recognized in profit or loss when right to receive payment is established.

6.13 Investments in unlisted equity securities

Investments in unlisted equity securities are classified as 'financial assets at fair value through other comprehensive income'. On initial recognition, these are measured at fair value on the date of acquisition. Subsequent to initial recognition, these are measured at fair value. Changes in fair value are recognized in other comprehensive. Cumulative gains and losses from changes in fair value recognized in other comprehensive income are transferred to accumulated profits on derecognition. Dividend income is recognized in profit or loss when right to receive payment is established.

HORIZON SECURITIES LIMITED

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED JUNE 30, 2020

6.14 Investments in mutual funds

Investments in mutual funds are classified as 'financial assets at fair value through profit or loss'. On initial recognition, these are measured at fair value on the date of acquisition. Subsequent to initial recognition, these are measured at fair value. Changes in fair value are recognized in profit or loss. Gains and losses on de-recognition are recognized in profit or loss. Dividend income is recognized in profit or loss when right to receive payment is established.

6.15 Revenue

Revenue is based on the consideration specified in a contract specified with the customers. Revenue from operations of the Company comprises brokerage income which is recognised at a point in time (trade date) when trades are executed by or on behalf of customers, and thereby performance obligations are satisfied.

6.16 Comprehensive income

Comprehensive income is the change in equity resulting from transactions and other events, other than changes resulting from transactions with shareholders in their capacity as shareholders. Total comprehensive income comprises all components of profit or loss and other comprehensive income ['OCI']. OCI comprises items of income and expense, including reclassification adjustments, that are not recognized in profit or loss as required or permitted by accounting and reporting standards as applicable in Pakistan, and is presented in 'statement of comprehensive income'.

6.17 Borrowing costs

Borrowing costs directly attributable to the acquisition, construction or production of qualifying assets, which are assets that necessarily take a substantial period of time to get ready for their intended use or sale, are added to the cost of those assets, until such time as the assets are substantially ready for their intended use or sale. Investment income earned on the temporary investment of specific borrowings pending their expenditure on qualifying asset is deducted from the borrowing costs eligible for capitalization. All other borrowing costs are recognized in the profit or loss as incurred.

6.18 Taxation

Income tax expense comprises current tax and deferred tax. Income tax expense is recognized in profit or loss except to the extent that it relates to items recognized directly in other comprehensive income, in which case it is recognized in other comprehensive income.

6.18.1 Current taxation

Current tax is the amount of tax payable on taxable income for the year, using tax rates enacted or substantively enacted by the reporting date, and any adjustment to the tax payable in respect of previous years. Provision for current tax is based on current rates of taxation in Pakistan after taking into account tax credits, rebates and exemptions available, if any. The amount of unpaid income tax in respect of the current or prior periods is recognized as a liability. Any excess paid over what is due in respect of the current or prior periods is recognized as an asset.

6.18.2 Deferred taxation

Deferred tax is accounted for using the balance sheet approach providing for temporary differences between the carrying amounts of assets and liabilities for financial reporting purposes and the amounts used for tax purposes. In this regard, the effects on deferred taxation of the portion of income that is subject to final tax regime is also considered in accordance with the treatment prescribed by the Institute of Chartered Accountants of Pakistan. Deferred tax is measured at rates that are expected to be applied to the temporary differences when they reverse, based on laws that have been enacted or substantively enacted by the reporting date. A deferred tax liability is recognized for all taxable temporary differences. A deferred tax asset is recognized for deductible temporary differences to the extent that future taxable profits will be available against which temporary differences can be utilized. Deferred tax assets are reviewed at each reporting date and are reduced to the extent that it is no longer probable that the related tax benefit will be realized.

6.19 Earnings per share ['EPS']

Basic EPS is calculated by dividing the profit or loss attributable to ordinary shareholders of the Company by the weighted average number of ordinary shares outstanding during the period.

Diluted EPS is calculated by adjusting basic EPS by the weighted average number of ordinary shares that would be issued on conversion of all dilutive potential ordinary shares into ordinary shares and post-tax effect of changes in profit or loss attributable to ordinary shareholders of the Company that would result from conversion of all dilutive potential ordinary shares into ordinary shares.

HORIZON SECURITIES LIMITED

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED JUNE 30, 2020

6.20 Cash and cash equivalents

Cash and cash equivalents for the purpose of cash flow statement comprise cash in hand and in current accounts with various banks after deducting balances under lien, if any. Cash and cash equivalents are carried at cost.

6.21 Impairment

6.21.1 Financial assets

The Company recognizes a loss allowance for expected credit losses on financial assets carried at amortized cost on date of initial recognition. The amount of expected credit losses is updated on each reporting date to reflect the changes in credit risk since initial recognition of the respective financial asset.

Impairment is recognized at an amount equal to lifetime expected credit losses for financial assets for which credit risk has increased significantly since initial recognition. For financial assets for which credit risk is low, impairment is recognized at an amount equal to twelve months' expected credit losses, with the exception of trade debts, for which the Company recognises lifetime expected credit losses estimated using internal credit risk grading based on the Company's historical credit loss experience, adjusted for factors that are specific to debtors, general economic conditions, and an assessment for both the current as well as the forecast direction of conditions at the reporting date, including time value of money where appropriate.

All impairment losses are recognized in profit or loss. An impairment loss is reversed if the reversal can be related objectively to an event occurring after the impairment loss was recognized. An impairment loss is reversed only to the extent that the financial asset's carrying amount after the reversal does not exceed the carrying amount that would have been determined, net of amortization, if no impairment loss had been recognized.

The Company writes off a financial asset when there is information indicating that the counter-party is in severe financial condition and there is no realistic prospect of recovery. Any recoveries made post write-off are recognized in profit or loss.

6.21.2 Non-financial assets

The carrying amount of the Company's non-financial assets, other than inventories and deferred tax assets are reviewed at each reporting date to determine whether there is any indication of impairment. If any such indication exists, then the asset's recoverable amount is estimated. The recoverable amount of an asset or cash generating unit is the greater of its value in use and its fair value less costs to sell. In assessing value in use, the estimated future cash flows are discounted to their present values using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset or cash generating unit.

An impairment loss is recognized if the carrying amount of the asset or its cash generating unit exceeds its estimated recoverable amount. Impairment losses are recognized in profit or loss. Impairment losses recognized in respect of cash generating units are allocated to reduce the carrying amounts of the assets in a unit on a pro rata basis. Impairment losses recognized in prior periods are assessed at each reporting date for any indications that the loss has decreased or no longer exists. An impairment loss is reversed if there has been a change in the estimates used in determine the recoverable amount. An impairment loss is reversed only to that extent that the asset's carrying amount after the reversal does not exceed the carrying amount that would have been determined, net of depreciation and amortization, if no impairment loss had been recognized.

6.22 Provisions and contingencies

Provisions are recognized when the Company has a legal and constructive obligation as a result of past events and it is probable that outflow of resources embodying economic benefits will be required to settle the obligation and a reliable estimate can be made of the amount of obligation. Provision is recognized at an amount that is the best estimate of the expenditure required to settle the present obligation at the reporting date. Where outflow of resources embodying economic benefits is not probable, a contingent liability is disclosed, unless the possibility of outflow is remote.

HORIZON SECURITIES LIMITED

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED JUNE 30, 2020

7 PROPERTY AND EQUIPMENT

	2020										Net book value as at June 30, 2020 Rupees
	COST					Rate	DEPRECIATION				
	As at July 01, 2019 Rupees	Additions Rupees	Disposals Rupees	Transfers Rupees	As at June 30, 2020 Rupees		As at July 01, 2019 Rupees	For the year Rupees	Adjustment Rupees	As at June 30, 2020 Rupees	
Land	6,000,000	-	-	-	6,000,000	-	-	-	-	-	6,000,000
Furniture and fixtures	953,599	-	-	-	953,599	10	628,404	32,520	-	660,924	292,675
Office equipment	1,457,251	252,500	-	-	1,709,751	10	720,219	84,225	-	804,444	905,307
Electric installations and equipment	472,917	-	-	-	472,917	10	308,942	16,398	-	325,340	147,577
Computer	2,028,808	68,500	-	-	2,097,308	30	1,528,473	157,788	-	1,686,261	411,047
Vehicles	5,559,181	-	-	-	5,559,181	20	2,369,579	637,920	-	3,007,499	2,551,682
	16,471,756	321,000	-	-	16,792,756		5,555,617	928,851	-	6,484,468	10,308,288

	2019										Net book value as at June 30, 2019 Rupees
	COST					Rate	DEPRECIATION				
	As at July 01, 2020 Rupees	Additions Rupees	Disposals Rupees	Transfers Rupees	As at June 30, 2019 Rupees		As at July 01, 2018 Rupees	For the year Rupees	Adjustment Rupees	As at June 30, 2019 Rupees	
Land	6,000,000	-	-	-	6,000,000		-	-	-	-	6,000,000
Furniture and fixtures	953,599	-	-	-	953,599	10	592,271	36,133	-	628,404	325,195
Office equipment	1,457,251	-	-	-	1,457,251	10	638,327	81,892	-	720,219	737,032
Electric installations and equipment	472,917	-	-	-	472,917	10	290,723	18,219	-	308,942	163,975
Computer	2,004,308	24,500	-	-	2,028,808	30	1,315,793	212,680	-	1,528,473	500,335
Vehicles	1,963,332	-	-	3,595,849	5,559,181	20	1,572,179	797,400	-	2,369,579	3,189,602
	12,851,407	24,500	-	3,595,849	16,471,756		4,409,293	1,146,324	-	5,555,617	10,916,139

7.1 Freehold land of the Company is located at District Lahore with a total area of 1 Kanal 6 Marla (2019: 1 Kanal 6 Marla).

HORIZON SECURITIES LIMITED

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED JUNE 30, 2020

8 RIGHT-OF-USE ASSETS

2020											
COST					DEPRECIATION					Net book	
As at July 01, 2019 Rupees	Additions Rupees	Disposals Rupees	Transfers Rupees	As at June 30, 2020 Rupees	Rate	As at July 01, 2019 Rupees	For the year Rupees	Adjustment Rupees	As at June 30, 2020 Rupees	value as at June 30, 2020 Rupees	
Vehicles	-	6,567,000	-	-	6,567,000	20	-	656,700	-	656,700	5,910,300
Office premises	4,203,052	-	-	-	4,203,052	20	70,051	840,612	-	910,663	3,292,389
	4,203,052	6,567,000	-	-	10,770,052		70,051	1,497,312	-	1,567,363	9,202,689
2019											
COST					DEPRECIATION					Net book	
As at July 01, 2018 Rupees	Additions Rupees	Disposals Rupees	Transfers Rupees	As at June 30, 2019 Rupees	Rate	As at July 01, 2018 Rupees	For the year Rupees	Adjustment Rupees	As at June 30, 2019 Rupees	value as at June 30, 2019 Rupees	
Vehicles	7,867,594	-	-	(7,867,594)	-	20	4,271,745	-	(4,271,745)	-	-
Office premises - restated	-	4,203,052	-	-	4,203,052	20	-	70,051	-	70,051	4,133,001
	7,867,594	4,203,052	-	(7,867,594)	4,203,052		4,271,745	70,051	(4,271,745)	70,051	4,133,001

HORIZON SECURITIES LIMITED

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED JUNE 30, 2020

	<i>Note</i>	2020	2019
		<i>Rupees</i>	<i>Rupees</i>
9	INTANGIBLE ASSETS		
	Gross carrying amount	5,000,000	5,000,000
	Accumulated impairment	(2,500,000)	(2,500,000)
		2,500,000	2,500,000

9.1 This represents Trading Rights Entitlement Certificate [TREC] received from Lahore Stock Exchange Limited, now Pakistan Stock Exchange Limited [PSX] in accordance with the requirements of the Stock Exchange (Corporation, Demutualization and Integration) Act, 2012.

	<i>Note</i>	2020	2019
		<i>Rupees</i>	<i>Rupees</i>

10 LONG TERM INVESTMENTS

LSE Financial Services Limited
843,975 (843,975) ordinary shares of Rs. 33.41 each

	Cost	28,195,190	28,195,190
	Changes in fair value	(8,589,651)	(9,036,957)
		19,605,539	19,158,233

10.1 These represents 843,975 ordinary shares in LSE Financial Services Limited [LSE]. Pursuant to the promulgation of the Stock Exchanges (Corporatisation, Demutualization and Integration) Act, 2012, the ownership rights in a stock exchange were segregated from the right to trade on that stock exchange. This arrangement resulted in allocation of 843,975 ordinary shares at Rs. 10 each and Trading Rights entitlement Certificate to the company against cancelation/surrender of membership of Lahore Stock Exchange.

The right to proceeds from disposal of these shares and any dividend/bonus in respect of these shares is vested with the Company, however voting rights attached to these shares are suspended. The investment was designated as 'Available for sale financial asset' on initial recognition and was carried at cost. As at June 30, 2019, the investment has been reclassified as 'financial asset at fair value through OCI' with the changes in fair value recognized in other comprehensive income. These shares are valued at net assets value per share of LSE as at the reporting date.

	2020	2019
	<i>Rupees</i>	<i>Rupees</i>

11 LONG TERM DEPOSITS

	Central Depository Company of Pakistan Limited	100,000	100,000
	National Clearing Company of Pakistan Limited	1,400,000	1,500,000
	Other Deposits	180,000	430,000
		1,680,000	2,030,000

These represents security deposits for rented office premises and those placed with various regulatory authorities. These are classified as 'financial assets at amortized cost' under IFRS 9 which are required to be carried at amortized cost. However, these, being held for an indefinite period with no fixed maturity date, are carried at cost as their amortized cost is impracticable to determine.

	<i>Note</i>	2020	2019
		<i>Rupees</i>	<i>Rupees</i>

12 TRADE DEBTS

	Considered good	231,072,899	250,383,017
		231,072,899	250,383,017
	Impairment allowance for expected credit losses	(15,834,865)	(20,388,860)
		215,238,034	229,994,157

12.1 Securities pertaining to the clients held in sub-accounts of the Company comprise 84,068,076 shares (2019: 84,594,532 shares) valued at Rs. 328.029 million (2019: Rs. 333.972 million). None of these are pledged.

12.2 These include Rs. 211,330,849 (2019: Rs. 226,881,066) receivable from related parties against trading of shares carried out by them. The ageing of receivables from related parties is as follows:

HORIZON SECURITIES LIMITED

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED JUNE 30, 2020

	<i>Note</i>	2020	2019
		<i>Rupees</i>	<i>Rupees</i>
Due by less than 14 days		211,330,849	226,881,066
Due by more than 14 days		-	-
		211,330,849	226,881,066

12.3 Impairment allowance for expected credit loss

As at beginning of the year		20,388,860	9,369,912
(Reversed)/recognized during the year		(4,412,133)	11,018,948
Write off during the year		(141,862)	-
As at end of the year		15,834,865	20,388,860

13 INVESTMENT IN MARGIN FINANCING

Considered good	13.1	4,772,771	-
		4,772,771	-
Impairment allowance for expected credit loss	13.2	(158,281)	-
		4,614,490	-

13.1 This represents margin financing extended to the Company's clients through National Clearing Company of Pakistan. This amount is secured against securities of clients held in house account. Margin financing is provided on Financing Participation Ratio of upto 75% and carries interest at rates ranging from 16.33% to 21.82% per annum.

	<i>Note</i>	2020	2019
		<i>Rupees</i>	<i>Rupees</i>

13.2 Impairment allowance for expected credit loss

As at beginning of the year		-	-
Recognized during the year		158,281	-
As at end of the year		158,281	-

14 ADVANCES, DEPOSITS, PREPAYMENTS AND OTHER RECEIVABLES

Advances to employees		325,000	862,449
Deposits and margins with PSX and NCCPL		19,287,181	10,888,956
Advance against purchase of shares	14.1	67,200,000	67,200,000
Prepaid Insurance		74,228	-
Other receivables		13,959	270,000
		86,900,368	79,221,405

14.1 This represents advances paid to director of the Company for purchase of shares of Horizon High Yield (Private) Limited, a related party.

15 SHORT TERM INVESTMENTS

This represents investment in listed equity securities held for trading and mandatorily classified as "financial assets at fair value through profit or loss". Particulars of investments are as follows:

	<i>Note</i>	2020	2019
		<i>Rupees</i>	<i>Rupees</i>
Investments in listed equity securities	15.1	2,294,588	978,583
Investments in mutual funds	15.2	37,401	33,750
		2,331,989	1,012,333

HORIZON SECURITIES LIMITED

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED JUNE 30, 2020

15.1 Investments in listed equity securities

	2020		2019	
	Carrying value <i>Rupees</i>	Fair value <i>Rupees</i>	Carrying value <i>Rupees</i>	Fair value <i>Rupees</i>
Askari General Insurance Company Limited 350 (2019: 305) ordinary shares of Rs. 10 each Market value: Rs. 20 (2019: Rs. 20.50) per share	6,253	7,000	8,235	6,253
Arif Habib Limited 420 (2019: 420) ordinary shares of Rs. 10 each Market value: Rs. 32.53 (2019: Rs. 31.63) per share	13,285	13,663	21,350	13,285
Archroma Pakistan Limited 20 (2019: 20) ordinary shares of Rs. 10 each Market value: Rs. 589.40 (2019: Rs. 475.15) per share	9,503	11,788	10,100	9,503
Al-Shaheer Corporation Limited 461 (2019: 461) ordinary shares of Rs. 10 each Market value: Rs. 11.44 (2019: Rs. 12.6) per share	5,809	5,274	12,562	5,809
Crescent Star Insurance Limited 100,000 (2019: 100,000) ordinary shares of Rs. 10 each Market value: Rs. 1.88 (2019: Rs. 1.22) per share	122,000	188,000	315,000	122,000
Dawood Hercules Corporation Limited 1,000 (2019: 1,000) ordinary shares of Rs. 10 each Market value: Rs. 127.92 (2019: Rs. 111.24) per share	111,240	127,920	110,780	111,240
Engro Corporation Limited 1,100 (2019: 1,100) ordinary shares of Rs. 10 each Market value: Rs. 292.92 (2019: Rs. 265.6) per share	292,160	322,212	313,860	292,160
Engro Polymer and Chemicals Limited 110 (2019: 110) ordinary shares of Rs. 10 each Market value: Rs. 24.98 (2019: Rs. 26.96) per share	2,966	2,748	3,450	2,966
Frieslandcampins Engro Foods Limited 1,000 (2019: 1,000) ordinary shares of Rs. 10 each Market value: Rs. 73.51 (2019: Rs. 58.33) per share	58,330	73,510	87,060	58,330
Feroze 1888 Mills Limited 2,500 (2019: Nil) ordinary shares of Rs. 10 each Market value: Rs. 81.80 (2019: Nil) per share	250,000	204,500	-	-
Gadoon Textile Mills Limited 5,100 (2019: 100) ordinary shares of Rs. 10 each Market value: Rs. 159.51 (2019: Rs. 138.34) per share	1,206,403	813,501	25,200	13,834
Ghani Global Holdings Limited 98 (2019: 98) ordinary shares of Rs. 10 each Market value: Rs. 15.73 (2019: Rs. 7.64) per share	749	1,542	1,128	749
Ghani Glass Limited 25 (2019: 25) ordinary shares of Rs. 10 each Market value: Rs. 41.15 (2019: Rs. 43.95) per share	1,099	1,029	1,542	1,099
GlaxoSmithKline (Pakistan) Limited 100 (2019: 100) ordinary shares of Rs. 10 each Market value: Rs. 174.08 (2019: Rs. 95.33) per share	9,533	17,408	16,600	9,533

HORIZON SECURITIES LIMITED

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED JUNE 30, 2020

	2020		2019	
	Carrying value	Fair value	Carrying value	Fair value
	<i>Rupees</i>	<i>Rupees</i>	<i>Rupees</i>	<i>Rupees</i>
GlaxoSmithKline Consumer Healthcare Limited 30 (2019: 30) ordinary shares of Rs. 10 each Market value: Rs. 271.68 (2019: Rs. 193) per share	5,790	8,150	12,152	5,790
IGI Life Insurance Company Limited 4 (2019: 4) ordinary shares of Rs. 10 each Market value: Rs. 28 (2019: Rs. 34.53) per share	138	112	320	138
Jubilee General Insurance Limited 156 (2019: 142) ordinary shares of Rs. 10 each Market value: Rs. 41.0 (2019: Rs. 45) per share	6,390	6,396	11,474	6,390
Javedan Corporation Limited 88 (2019: 80) ordinary shares of Rs. 10 each Market value: Rs. 22.50 (2019: Rs. 32.01) per share	2,561	1,980	2,354	2,561
Kohinoor Mills Limited 5,000 (2019: Nil) ordinary shares of Rs. 10 each Market value: Rs. 38 (2019: Nil) per share	292,479	190,000	-	-
Mirpurkhas Sugar Mills Limited 110 (2019: 100) ordinary shares of Rs. 10 each Market value: Rs. 59.89 (2019: Rs. 70) per share	7,000	6,588	13,126	7,000
Murree Brewery Company Limited 66 (2019: 66) ordinary shares of Rs. 10 each Market value: Rs. 580 (2019: Rs. 763.64) per share	50,400	38,280	39,875	50,400
Nishat Power Limited 300 (2019: 300) ordinary shares of Rs. 10 each Market value: Rs. 22.65 (2019: Rs. 27.54) per share	8,262	6,795	8,892	8,262
PAKGEN Power Limited 290 (2019: 290) ordinary shares of Rs. 10 each Market value: Rs. 12.01 (2019: Rs. 14.18) per share	4,112	3,483	5,591	4,112
Pakistan Services Limited 200 (2019: 200) ordinary shares of Rs. 10 each Market value: Rs. 990 (2019: Rs. 1020) per share	204,000	198,000	197,000	204,000
Reliance Weaving Mills Limited 1,000 (2019: 1,000) ordinary shares of Rs. 10 each Market value: Rs. 23 (2019: Rs. 24.49) per share	24,490	23,000	34,653	24,490
The Searle Company Limited 58 (2019: 58) ordinary shares of Rs. 10 each Market value: Rs. 199.23 (2019: Rs. 146.56) per share	8,500	11,555	17,315	8,500
Shell Pakistan Limited 51 (2019: 51) ordinary shares of Rs. 10 each Market value: Rs. 182.58 (2019: Rs. 182.46) per share	9,305	9,312	16,121	9,305
United Distributors Pakistan Limited 1 (2019: 1) ordinary shares of Rs. 10 each Market value: Rs. 33.25 (2019: Rs. 29.94) per share	30	33	49	30
United Insurance Company Limited 111 (2019: 98) ordinary shares of Rs. 10 each Market value: Rs. 7.3 (2019: Rs. 8.62) per share	845	810	1,104	845
	2,713,632	2,294,588	1,286,892	978,583

HORIZON SECURITIES LIMITED

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED JUNE 30, 2020

	2020		2019	
	Carrying value	Fair value	Carrying value	Fair value
	Rupees	Rupees	Rupees	Rupees
15.2 Investments in mutual funds				
MCB Cash Management Optimizer 370.9345 units (2019: 335.6659 units) Market value: Rs. 100.8299 (2019: Rs. 100.5452) per share	37,300	37,401	35,493	33,750
	37,300	37,401	35,493	33,750
		<i>Note</i>	2020	2019
			Rupees	<i>Rupees</i>
16 CURRENT TAXATION				
Advance income tax/income tax refundable			5,726,938	5,267,815
Provision for taxation		25	(766,728)	(246,935)
			4,960,210	5,020,880
17 BANK BALANCES				
Current accounts - local currency				
Proprietary accounts			13,608,595	21,556,002
Client accounts			17,541,011	19,372,602
			31,149,606	40,928,604
18 TRADE AND OTHER PAYABLES				
Trade creditors			17,104,339	17,537,073
Payable to NCCPL			210,497,626	222,488,433
Accrued liabilities			2,620,424	4,414,907
Punjab sales tax payable			165,896	108,569
CVT payable			4,167	19,197
Withholding tax payable			14,241	10,686
			230,406,693	244,578,865
		<i>Note</i>	2020	2019
			Rupees	<i>Rupees</i> (restated)
19 LEASE LIABILITIES				
Present value of minimum lease payments		19.1 & 19.2	8,373,718	4,174,454
Current portion presented under current liabilities		19.1 & 19.2	(1,415,830)	(377,580)
			6,957,888	3,796,874
19.1	These represent vehicles and office premises acquired under finance lease arrangements. These leases are priced at six months KIBOR plus 6% (2019: six months KIBOR plus 6%) per annum. Lease rentals are payable monthly over a tenor of 5 years. Under the terms of agreement, taxes, repairs, replacements and insurance costs in respect of these assets are borne by the Company.			
19.2	The amount of future payments under the lease arrangements and the period in which these payments will become due are as follows:			

HORIZON SECURITIES LIMITED

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED JUNE 30, 2020

	2020	2019
	<i>Rupees</i>	<i>Rupees</i> <i>(restated)</i>
Not later than one year	2,603,295	1,080,000
Later than one year but not later than five years	8,839,360	5,381,739
Total future minimum lease payments	11,442,655	6,461,739
Finance charge allocated to future periods	(3,068,937)	(2,287,285)
Present value of future minimum lease payments	8,373,718	4,174,454
Not later than one year	(1,415,830)	(377,580)
Later than one year but not later than five years	6,957,888	3,796,874
	Note	
	Rupees	Rupees
20 ISSUED, SUBSCRIBED AND PAID-UP CAPITAL		
Ordinary shares of Rs. 10 each		
9,965,000 (2019: 9,965,000) shares issued for cash	99,650,000	99,650,000
4,000,000 (2019: 4,000,000) shares issued for other than cash	40,000,000	40,000,000
	139,650,000	139,650,000
21 CONTINGENCIES AND COMMITMENTS		
There are no known contingencies and commitments as at the reporting date.		
	2020	2019
	Rupees	Rupees (restated)
22 ADMINISTRATIVE EXPENSES		
Salaries and benefits	8,820,201	8,750,416
Printing and stationery	131,845	140,385
Office rent	-	1,293,861
Repair and maintenance	663,731	811,810
Auditor's remuneration	22.1 175,000	160,000
Fee and subscription	516,491	515,019
Legal and professional	851,539	1,185,417
Traveling and conveyance	505,458	787,034
Entertainment	662,916	803,109
Insurance	295,566	245,729
Communication	585,545	1,117,160
Electricity	675,857	526,029
Depreciation	7 2,426,163	1,216,375
	16,310,312	17,552,344
22.1 Auditor's remuneration		
Annual statutory audit	140,000	125,000
Certifications	25,000	25,000
Out of pocket expenses	10,000	10,000
	175,000	160,000
23 FINANCE COST		
Interest on short term borrowings	-	195,783
Interest on lease liabilities	1,147,965	96,377
Bank charges	20,382	25,863
	1,168,347	318,023

HORIZON SECURITIES LIMITED

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED JUNE 30, 2020

	<i>Note</i>	2020	2019
		<i>Rupees</i>	<i>Rupees</i>
24 OTHER EXPENSES			
Impairment allowance for expected credit losses		-	11,018,948
Other financial assets written off	24.1	592,139	-
		592,139	11,018,948

24.1 This represents write off of advances to employees amounting to Rs. 342,138 and long term deposits amounting to Rs. 250,000 as recovery of these balances is not expected.

	<i>Note</i>	2020	2019
		<i>Rupees</i>	<i>Rupees</i>
25 PROVISION FOR TAXATION			
Current taxation for current year	25.1	766,728	246,935
for prior years		-	-
		766,728	246,935

25.1 Provision for current tax has been made under section 113 and section 150 (2019: section 113 and section 150) of the Income Tax Ordinance, 2001 [the Ordinance], accordingly no numerical reconciliation has been presented.

25.2 The income tax assessment up to and including tax year 2019 are deemed assessments in terms of section 120(1) of the Ordinance.

25.3 The Company has net deductible temporary differences amounting to Rs. 28.49 million as at the reporting date. Deferred tax asset of Rs. 7 million on these temporary differences has not been recognized as sufficient taxable profits are not expected to be available in future.

	<i>Unit</i>	2020	2019
			<i>(restated)</i>
26 EARNING/(LOSS) PER SHARE - BASIC AND DILUTED			
Profit/(loss) attributable to ordinary shareholders	<i>Rupees</i>	3,102,063	(21,855,178)
Weighted average number of ordinary shares outstanding during the year	<i>No. of shares</i>	13,965,000	13,965,000
Earning/(loss) per share - <i>basic and diluted</i>	<i>Rupees</i>	0.222	(1.565)

There is no dilutive/anti-dilutive effect on the basic earnings/(loss) per share of the Company.

HORIZON SECURITIES LIMITED

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED JUNE 30, 2020

		2020	2019
		<i>Rupees</i>	<i>Rupees</i> <i>(restated)</i>
27	CASH (USED IN)/GENERATED FROM OPERATIONS		
	Profit/(loss) before taxation	3,868,791	(21,608,243)
	Adjustments for non-cash and other items		
	Depreciation	2,426,163	1,216,375
	Impairment allowance for expected credit losses	-	11,018,948
	Reversal of impairment allowance for expected credit losses	(4,253,852)	-
	Other financial assets written off	592,139	-
	Changes in fair value of financial assets at fair value through profit or loss	418,943	306,210
	Loss on disposal of short term investments	-	5,989,832
	Dividend income	(726,893)	(561,606)
	Finance cost	1,168,347	379,425
		(375,153)	18,349,184
		3,493,638	(3,259,059)
	Changes in working capital		
	Trade debts	19,168,256	(208,550,480)
	Investment in margin financing	(4,772,771)	1,798,364
	Advances, deposits, prepayments and other receivables	(8,021,102)	24,644,371
	Trade and other payables	(14,172,172)	198,394,493
	Long term deposits	100,000	(180,000)
		(7,697,789)	16,106,748
	Cash (used in)/generated from operations	(4,204,151)	12,847,689
		2020	2019
		<i>Rupees</i>	<i>Rupees</i>
28	CASH AND CASH EQUIVALENTS		
	Cash and bank balances	31,149,606	40,928,604
		31,149,606	40,928,604
29	TRANSACTIONS AND BALANCES WITH RELATED PARTIES		
	<p>Related parties from the Company's perspective comprise associated companies, key management personnel and their close family members. Key management personnel are those persons having authority and responsibility for planning, directing and controlling the activities of the Company, directly or indirectly, and includes the Chief Executive and Directors of the Company. The details of Company's related parties, with whom the Company had transactions during the year or has balances outstanding as at the reporting date are as follows:</p>		
	Name of related party	Nature of relationship	Basis of relationship
			Aggregate %age of shareholding in
	Zafar Iqbal	Key management personnel	Chief Executive 39.38%
	Afraz Zafar	Key management personnel	Director 0.004%
	Aliza Iqbal	Family member	Close family member of director 0.00%
	Anzish Iqbal	Family member	Close family member of director 0.00%
	Iqbal Bakhsh	Family member	Close family member of director 0.00%
	Ammad Zafar	Family member	Close family member of director 0.00%
	Sahr Said	Family member	Close family member of director 0.00%
	Horizon High Yield (Private) Limited	Associated company	Common directorship 0.00%
	<p>Key management personnel do not draw any compensation from the Company. The Company in the normal course of business provides brokerage services to associated companies, key management personnel and their close family members at mutually agreed rates.</p>		
	<p>Details of transactions and balances with related parties are as follows:</p>		

HORIZON SECURITIES LIMITED

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED JUNE 30, 2020

		2020	2019
		Rupees	Rupees
29.1	Transactions with related parties		
	Nature of relationship	Nature of transactions	
	Key management personnel	Brokerage income	- 30,827
29.2	Balances with related parties		
	Key management personnel	Advance against purchase of shares	67,200,000 67,200,000
		Trade debts	211,330,849 226,881,066
		Trade creditors	1,432,294 1,003,895

30 FINANCIAL INSTRUMENTS

The carrying amounts of the Company's financial instruments by class and category are as follows:

		Note	2020	2019
			Rupees	Rupees
30.1	Financial assets			
	Financial assets at amortized cost			
	Long term deposits	11	1,680,000	2,030,000
	Trade debts	12	215,238,034	229,994,157
	Investment in margin financing	13	4,614,490	-
	Advances to employees	14	325,000	862,449
	Deposits and margins with PSX and NCCPL	14	19,287,181	10,888,956
	Advance against purchase of shares	14	67,200,000	67,200,000
	Bank balances	17	13,608,595	21,556,002
			321,953,300	332,531,564
	Financial assets designated as fair value through OCI			
	Investments in unlisted equity securities	10	19,605,539	19,158,233
	Financial assets at fair value through profit or loss			
	Investments in listed equity securities	15	2,294,588	978,583
	Investments in mutual funds	15	37,401	33,750
			2,331,989	1,012,333
			343,890,828	352,702,130
		Note	2020	2019
			Rupees	Rupees
				(restated)
30.2	Financial liabilities			
	Financial liabilities at amortized cost			
	Trade creditors	18	17,104,339	17,537,073
	Payable to NCCPL	18	210,497,626	222,488,433
	Accrued liabilities	18	2,620,424	4,414,907
	Lease liabilities	19	8,373,718	4,174,454
			238,596,107	248,614,867

31 FINANCIAL RISK EXPOSURE AND MANAGEMENT

The Company's activities expose it to a variety of financial risks: credit risk, liquidity risk and market risk (including currency risk, interest rate risk and price risk). These risks affect revenues, expenses and assets and liabilities of the Company.

HORIZON SECURITIES LIMITED

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED JUNE 30, 2020

The Board of Directors has the overall responsibility for establishment and oversight of risk management framework. The Board of Directors has developed a risk policy that sets out fundamentals of risk management framework. The risk policy focuses on unpredictability of financial markets, the Company's exposure to risk of adverse effects thereof and objectives, policies and processes for measuring and managing such risks. The management team of the Company is responsible for administering and monitoring the financial and operational financial risk management throughout the company in accordance with the risk management framework.

The Company's exposure to financial risks, the way these risks affect the financial position and performance, and forecast transactions of the Company and the manner in which such risks are managed is as follows:

31.1 Credit risk

Credit risk is the risk of financial loss to the Company, if the counterparty to a financial instrument fails to meet its obligations.

31.1.1 Credit risk management practices

In order to minimise credit risk, the Company has adopted a policy of only dealing with creditworthy counterparties and limiting significant exposure to any single counterparty. The Company only transacts with counterparties that have reasonably high external credit ratings. Where an external rating is not available, the Company uses an internal credit risk grading mechanism. Particularly for customers, a dedicated team responsible for the determination of credit limits uses a credit scoring system to assess the potential as well as existing customers' credit quality and assigns or updates credit limits accordingly. The ageing profile of customers and individually significant balances, along with collection activities are reviewed on a regular basis. High risk customers are identified and restrictions are placed on future trading.

The Company reviews the recoverable amount of each financial asset on an individual basis at each reporting date to ensure that adequate loss allowance is made in accordance with the assessment of credit risk for each financial asset.

The Company considers a financial asset to have low credit risk when the asset has reasonably high external credit rating or if an external rating is not available, the asset has an internal rating of 'performing'. Performing means that the counterparty has no past due amounts or otherwise there is no significant increase in credit risk if the amounts are past due in the normal course of business based on history with the counterparty.

In assessing whether the credit risk on a financial asset has increased significantly since initial recognition, the Company compares the risk of a default occurring on the financial asset at the reporting date with the risk of a default occurring on the financial asset at the date of initial recognition. In making this assessment, the Company considers both quantitative and qualitative information that is reasonable and supportable, including historical experience and forward-looking information that is available without undue cost or effort. Irrespective of the outcome of the above assessment, the Company presumes that the credit risk on a financial asset has increased significantly since initial recognition when contractual payments are more than 14 days past due, unless the Company has reasonable and supportable information that demonstrates otherwise. This is usually the case with various customers of the Company where the Company has long standing business relationship with these customers and any amounts that are past due by more than 14 days in the normal course of business are considered 'performing' based on history with the customers. Therefore despite the foregoing, the Company considers some past due trade debts to have low credit risk where the debtor has a good history of meeting its contractual cash flow obligations and is expected to maintain the same in future.

The Company regularly monitors the effectiveness of the criteria used to identify whether there has been a significant increase in credit risk and revises them as appropriate to ensure that the criteria are capable of identifying significant increase in credit risk.

The Company considers 'default' to have occurred when the financial asset is credit-impaired. A financial asset is considered to be credit-impaired when one or more events that have a detrimental impact on the estimated future cash flows of that financial asset have occurred.

The Company writes off a financial asset when there is information indicating that the counter-party is in severe financial condition and there is no realistic prospect of recovery.

The Company's credit risk grading framework comprises the following categories:

Category	Description	Basis for recognizing ECL
Performing	The counterparty has low credit risk	Trade debts: Lifetime ECL Other assets: Twelve month ECL
Doubtful	Credit risk has increased significantly since initial recognition	Lifetime ECL
In default	There is evidence indicating the assets is credit-impaired	Lifetime ECL
Write-off	There is no realistic prospect of recovery	Amount is written-off

31.1.2 Exposure to credit risk

Credit risk principally arises from the Company's loans and receivables. The maximum exposure to credit risk as at the reporting date is as follows:

HORIZON SECURITIES LIMITED

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED JUNE 30, 2020

	Note	2020 Rupees	2019 Rupees
Financial assets at amortized cost			
Long term deposits	11	1,680,000	2,030,000
Trade debts	12	231,072,899	250,383,017
Investment in margin financing	13	4,772,771	-
Advances to employees	14	325,000	862,449
Deposits and margins with PSX and NCCPL	14	19,287,181	10,888,956
Advance against purchase of shares	14	67,200,000	67,200,000
Bank balances	17	13,608,595	21,556,002
		337,946,446	352,920,424

31.1.3 Credit quality and impairment

Credit quality of financial assets is assessed by reference to external credit ratings, where available, or to internal credit risk grading. The credit quality of the Company's financial assets exposed to credit risk is as follows:

	Note	External credit rating	Internal credit risk grading	12-month or life-time ECL	Gross carrying amount Rupees	Loss allowance Rupees
Long term deposits	11	N/A	N/A	12-month ECL	1,680,000	-
Trade debts	12	N/A	Performing	Lifetime ECL	231,072,899	15,834,865
Investment in margin financing	13	N/A	Performing	Lifetime ECL	4,772,771	158,281
Advances to employees	14	N/A	Performing	12-month ECL	325,000	-
Deposits and margins with PSX and NCCPL	14	N/A	Performing	12-month ECL	19,287,181	-
Advance against purchase of shares	14	N/A	Performing	12-month ECL	67,200,000	-
Bank balances	17	A2 to A1+	N/A	12-month ECL	13,608,595	-
					337,946,446	15,993,146

(a) Long term deposits

These represents security deposits for rented office premises and those placed with various regulatory authorities. These deposits are substantially perpetual in nature having no fixed maturity. Therefore, no credit risk has been associated with these financial assets and accordingly no loss allowance has been made.

(b) Trade debts

For trade debts, the Company has applied the simplified approach in IFRS 9 to measure the loss allowance at lifetime ECL. The Company determines the expected credit losses on trade debts by using internal credit risk gradings. As at the reporting date, all trade debts are considered 'performing' including those past due for which no loss allowance has been made, as there is no significant increase in credit risk in respect of these debts since initial recognition. The ageing analysis of trade debts as at the reporting date is as follows:

	2020		2019	
	Gross carrying amount Rupees	Accumulated Impairment Rupees	Gross carrying amount Rupees	Accumulated Impairment Rupees
Due by less than 14 days	213,709,094	725,326	224,276,568	-
Due by more than 14 days	17,363,805	15,109,539	26,106,449	20,388,860
	231,072,899	15,834,865	250,383,017	20,388,860

(c) Investment in margin financing

For margin finance, the Company has applied the simplified approach in IFRS 9 to measure the loss allowance at lifetime ECL. The Company determines the expected credit losses on investment in margin financing by using internal credit risk gradings. As at the reporting date, all investment in margin financing, except where impairment allowance has been made, are considered 'performing' including those past due amounting to Rs. 1,857,646 as there is no significant increase in credit risk in respect of these debts since initial recognition. The ageing analysis of trade debts as at the reporting date is as follows:

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NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED JUNE 30, 2020

	2020		2019	
	Gross carrying amount Rupees	Accumulated Impairment Rupees	Gross carrying amount Rupees	Accumulated Impairment Rupees
Due by less than 14 days	2,915,125	158,281	-	-
Due by more than 14 days	1,857,646	-	-	-
	4,772,771	158,281	-	-

(d) Advances to employees

Advances to employees have been given against future salaries. Accordingly, these are considered to have no credit risk.

(e) Deposits and margins with PSX and NCCPL

These deposits are placed with Pakistan Stock Exchange Limited and National Clearing Company of Pakistan Limited in accordance with the applicable regulations. These do not carry any credit risk and accordingly no loss allowance has been made.

(f) Advance against purchase of shares

The advance has been given to a director of the Company against purchase of shares. The transfer of shares is expected to be completed in the ensuing year. These advances do not carry any significant credit risk and accordingly no loss allowance has been made.

(g) Bank balances

The bankers of the Company have reasonably high credit ratings as determined by various independent credit rating agencies. Due to long standing business relationships with these counterparties and considering their strong financial standing, management does not expect any credit loss.

31.1.3 Concentrations of credit risk

The Company's maximum exposure to credit risk, as at the reporting date, by type of counterparty is as follows:

	2020	2019
	Rupees	Rupees
Customers	235,845,670	250,383,017
Director	67,200,000	67,200,000
Regulatory authorities and others	1,680,000	2,030,000
Banking companies and financial institutions	13,608,595	21,556,002
	318,334,265	341,169,019

The Company's one (2019: one) significant customer accounts for Rs. 208.65 million (2019: Rs. 220.5 million) of trade debts as at the reporting date, apart from which, exposure to any single customer does not exceed 10% (2019: 10%) of trade debts as at the reporting date. This significant customer has long standing business relationships with the Company and has a good payment record and accordingly non-performance by this customers is not expected. Management believes that trade debts that are past due and for which no impairment allowance has been made, are collectible in full, based on historical payment behaviour and extensive analysis of customer credit risk.

31.1.5 Collateral held

The Company does not hold any collateral to secure its financial assets with the exception of trade debts and investment in margin financing amounting to Rs. 82.645 million and Rs. 4.614 million (2019: Rs. 45.662 million and Rs. nil) respectively, which are secured through equity securities.

31.1.6 Changes in impairment allowance for expected credit losses

The changes in impairment allowance for expected credit losses have been presented in note 12.3 and 13.2.

31.2 Liquidity risk

Liquidity risk is the risk that the Company will not be able to meet its financial obligations as they fall due.

HORIZON SECURITIES LIMITED

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED JUNE 30, 2020

31.2.1 Liquidity risk management

The Company's approach to managing liquidity risk is to ensure, as far as possible, that it will always have sufficient liquidity to meet its liabilities when due, under both normal and stressed conditions, without incurring unacceptable losses or risking damage to the Company's reputation. The Company monitors cash flow requirements and produces cash flow projections for the short and long term. Typically, the Company ensures that it has sufficient cash on demand to meet expected operational cash flows, including servicing of financial obligations. This includes maintenance of balance sheet liquidity ratios, debtors and creditors concentration both in terms of overall funding mix and avoidance of undue reliance on large individual customer.

31.2.2 Exposure to liquidity risk

The following presents the Company's remaining contractual maturity for its non-derivative financial liabilities with agreed repayment periods. The analysis have been drawn up based on the undiscounted cash flows of financial liabilities based on the earliest date on which the Company can be required to pay and includes both interest and principal cash flows. To the extent that interest flows are floating rate, the undiscounted amount is derived from interest rate curves at the reporting date.

	2020				
	Carrying amount Rupees	Contractual cash flows Rupees	One year or less Rupees	One to three years Rupees	More than three years Rupees
Lease liabilities	8,373,718	11,442,655	2,603,295	8,358,728	480,632
Trade creditors	17,104,339	17,104,339	17,104,339	-	-
Payable to NCCPL	210,497,626	210,497,626	210,497,626	-	-
Accrued liabilities	2,620,424	2,620,424	2,620,424	-	-
	238,596,107	241,665,044	232,825,684	8,358,728	480,632

	2019				
	Carrying amount Rupees	Contractual cash flows Rupees	One year or less Rupees	One to three years Rupees	More than three years Rupees
Lease liabilities - restated	4,174,454	6,461,739	1,080,000	3,932,280	1,449,459
Trade creditors	17,537,073	17,537,073	17,537,073	-	-
Payable to NCCPL	222,488,433	222,488,433	222,488,433	-	-
Accrued liabilities	4,414,907	4,414,907	4,414,907	-	-
	248,614,867	250,902,152	245,520,413	3,932,280	1,449,459

31.3 Market risk

31.3.1 Currency risk

Currency risk is the risk that fair values or future cash flows of a financial instrument will fluctuate because of changes in foreign exchange rates. Currency risk arises from transactions and resulting balances that are denominated in a currency other than functional currency. The Company is not exposed to currency risk.

31.3.2 Interest rate risk

Interest rate risk is the risk that fair values or future cash flows of a financial instrument will fluctuate because of changes in interest rates.

(a) Interest rate risk management

The Company manages interest rate risk by analysing its interest rate exposure on a dynamic basis. Cash flow interest rate risk is managed by simulating various scenarios taking into consideration refinancing, renewal of existing positions and alternative financing. Based on these scenarios, the Company calculates impact on profit after taxation and equity of defined interest rate shift, mostly 100 basis points.

(b) Interest bearing financial instruments

The effective interest rates for interest bearing financial instruments are mentioned in relevant notes to the financial statements. The Company's interest bearing financial instruments as at the reporting date are as follows:

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NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED JUNE 30, 2020

	2020	2019
	<i>Rupees</i>	<i>Rupees</i> <i>(restated)</i>
Fixed rate instruments		
Financial assets	4,772,771	-
Financial liabilities	-	-
Variable rate instruments		
Financial assets	-	-
Financial liabilities	8,373,718	4,174,454

(c) Fair value sensitivity analysis for fixed rate instruments

The Company does not account for its fixed rate instruments at fair value

(d) Cash flow sensitivity analysis for variable rate instruments

An increase of 100 basis points in interest rates as at the reporting date would have decreased profit for the year and equity as at the reporting date by Rs. 36,009 (2019: Rs. 41,745). A decrease of 100 basis points would have had an equal but opposite effect on profit and equity. The analysis assumes that all other variables, in particular foreign exchange rates, remain constant and ignores the impact, if any, on provision for taxation for the year.

31.3.3 Other price risk

Other price risk represents the risk that the fair value or future cash flows of financial instrument will fluctuate because 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 instrument or its issuer, or factors affecting all similar financial instruments. The Company is exposed to price risk in respect of its investments in equity securities.

(a) Equity price risk management

The Company manages equity price risk by investing a diversified portfolio of securities to reduce the risk of loss from volatility in equity price of an individual security.

(b) Sensitivity analysis

A one percent appreciation in prices of equity securities as at reporting date would have increased profit for the year by Rs. 219,375 (2019: Rs. 201,706). A one percent diminution in prices of equity securities as at the reporting date would have had equal but opposite effect on profit and equity. The analysis assumes that all other variables remain constant and ignores the impact, if any, on provision for taxation for the year.

32 CAPITAL MANAGEMENT

The Company's policy is to maintain a strong capital base so as to maintain investor, creditor and market confidence and to sustain future development of the business. The Board of Directors monitors the return on capital. The Company has minimal reliance on external borrowings as it seeks to enjoy the advantages and security afforded by a sound capital position. The Company monitors capital based on the minimum capital/net-worth requirements of Regulation 6 of Securities Brokers (Licensing and Operations) Regulations 2016 for maintaining Net Capital Balance, Liquid Capital and Net-Worth as prescribed. There was no change in the Company's approach to capital management during the year.

HORIZON SECURITIES LIMITED

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED JUNE 30, 2020

32.1 NET CAPITAL BALANCE

The Company's net capital balance as on June 30, 2020 under Schedule II to the Securities Brokers (Licensing and Operations) Regulations, 2016 read with Regulation 6 thereof is as follows:

		<i>Rupees</i>
CURRENT ASSETS		
Cash and bank balances		
Proprietary accounts		13,608,595
Client accounts		17,541,011
Cash in hand		-
		31,149,606
Investment in listed securities		
Market value		2,294,588
Less: 15% discount		(344,188)
		1,950,400
Securities purchased for customers		4,111,912
FIBs		-
Treasury bills		-
Exposure/margin deposits		19,287,181
Trade receivables		
Book value		235,845,670
Less: Overdue for more than 14 days		(19,221,451)
		216,624,219
TOTAL CURRENT ASSETS	A	273,123,318
CURRENT LIABILITIES		
Trade payables		
Book value		17,104,339
Less: Overdue for more than 30 days		(9,543,731)
		7,560,608
Other liabilities		224,261,915
TOTAL CURRENT LIABILITIES	B	231,822,523
NET CAPITAL BALANCE	A - B	41,300,795

32.2 LIQUID CAPITAL

The Company's liquid capital as on June 30, 2020 under Schedule III to the Securities Brokers (Licensing and Operations) Regulations, 2016 read with Regulation 6 thereof is as follows:

SR.	HEAD OF ACCOUNT	VALUE <i>Rupees</i>	HAIR CUT/ADJUSTMENTS	ADJUSTED VALUE <i>Rupees</i>
1	ASSETS			
1.1	Property and equipment	19,510,977	100.00%	-
1.2	Intangible assets	2,500,000	100.00%	-
1.3	Investment in Government securities	-	Sale value on the basis of PKRV published by NIFT	-
1.4	Investment in debt securities			
	Listed securities			
	Tenure up to 1 year	-	5.00%	-
	Tenure from 1 to 3 years	-	7.50%	-
	Tenure more than 3 years	-	10.00%	-
	Unlisted securities			
	Tenure up to 1 year	-	10.00%	-
	Tenure from 1 to 3 years	-	12.50%	-
	Tenure more than 3 years	-	15.00%	-

HORIZON SECURITIES LIMITED

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED JUNE 30, 2020

SR.	HEAD OF ACCOUNT	VALUE <i>Rupees</i>	HAIR CUT/ADJUSTMENTS	ADJUSTED VALUE <i>Rupees</i>
1.5	Investment in equity securities			
	Listed securities	2,294,588	Higher of 15% or VaR computed by SECP	1,699,595
	Unlisted securities	19,642,940	100.00%	-
1.6	Investment in subsidiaries	-	100.00%	-
1.7	Investment in associated companies/undertakings			
	Listed securities	-	Higher of 20% or VaR computed by SECP	-
	Unlisted securities	-	100.00%	-
1.8	Statutory or regulatory deposits/basic deposits with exchanges, clearing	1,680,000	100.00%	-
1.9	Margin deposits with exchange and clearing house	19,287,181	0.00%	19,287,181
1.10	Deposits with authorized intermediary against borrowed securities under SLB	-	0.00%	-
1.11	Other deposits and prepayments	67,613,187	100.00%	-
1.12	Accrued interest/profit on amounts placed with financial institutions	-	0.00%	-
	on loans to directors, subsidiaries and other related parties	-	100.00%	-
1.13	Dividends receivable	-	0.00%	-
1.14	Amount receivable against REPO financing	-	Amount paid has purchaser under REPO agreement (securities purchased under REPO arrangement excluded from investments)	-
1.15	Receivables other than trade receivables	5,726,938	100.00%	-
1.16	Receivables from clearing house or securities exchange(s)	-	100% value of claims other than those on account of entitlements against trading of securities in all markets including MtM gains. (Reported at lower of balance sheet value or adjusted value)	-
		-	claims on account of entitlements against trading of securities in all markets including MtM gains.	-
1.17	Receivables from customers against margin financing	4,614,490	Aggregate of (i) value of securities held in the blocked account after applying VaR based haircut, (ii) cash deposited as collateral by the finance (iii) market value of any securities deposited as collateral after applying VaR based haircut. (Reported at lower of balance sheet value or adjusted value)	4,456,209
	against margin trading		5.00%	-
	against securities borrowings under SLB trading		Amount paid to NCCPL as collateral upon entering the contract.	-
	other trade receivables not more than 5 days overdue	1,922,370	0.00%	1,922,370
	other trade receivables overdue by 5 days more	1,984,815	Aggregate of (i) the market value of securities purchased for customers and held in sub-accounts after applying VaR based haircuts, (ii) cash deposited as collateral by the respective customer and (iii) the market value of securities held as collateral after applying VaR based haircuts. (Reported at lower of balance sheet value or adjusted value)	1,984,800
	receivable from related parties	211,330,849	100.00%	-
	1.18	Cash and bank balances		
	Bank balances			
	Proprietary accounts	13,608,595	0.00%	13,608,595
	Customer accounts	17,541,011	0.00%	17,541,011
	Cash in hand	-	0.00%	-
	Total Assets	389,257,941		60,499,761
SR.	HEAD OF ACCOUNT	VALUE <i>Rupees</i>	HAIR CUT/ADJUSTMENTS	ADJUSTED VALUE <i>Rupees</i>

HORIZON SECURITIES LIMITED

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED JUNE 30, 2020

2 LIABILITIES				
2.1	Trade payables			
	payable to exchanges and clearing house	210,497,626	0.00%	210,497,626
	payable against leveraged market	-	0.00%	-
	payable to customers	17,104,339	0.00%	17,104,339
2.2	Current liabilities			
	statutory and regulatory dues	184,304	0.00%	184,304
	accruals and other payables	2,620,424	0.00%	2,620,424
	short term borrowings	-	0.00%	-
	current portion of subordinated loans	-	0.00%	-
	current portion of long term liabilities	1,415,830	0.00%	1,415,830
	deferred liabilities	-	0.00%	-
	provision for bad debts	-	0.00%	-
	provision for taxation	766,728	0.00%	766,728
	other liabilities	-	0.00%	-
2.3	Non-current liabilities			
	long term financing	6,957,888	100.00%	-
	staff retirement benefits	-	0.00%	-
	other liabilities	-	0.00%	-
2.4	Subordinated loans	-	100% for loans which fulfil the conditions specified by SECP	-
Total Liabilities		239,547,139		232,589,251

3 RANKING LIABILITIES				
3.1	Concentration in margin financing	-	The amount calculated client-to-client basis by which any amount receivable from any of the finances exceed 10% of the aggregate of amounts receivable from total finances.	2,558,471
3.2	Concentration in securities lending and borrowing	-	The amount by which the aggregate of (i) amount deposited by the borrower with NCCPL (ii) cash margins paid and (iii) market value of securities pledged as margins exceed the 110% of the market value of shares borrowed	-
3.3	Net underwriting commitments in case of right issue	-	If the market value of securities is less than or equal to the subscription price; the aggregate of (i) the 50% of haircut multiplied by the underwriting commitments and (ii) the value by which the underwriting commitments exceeds the market price of the securities. In the case of rights issue where the market price of securities is greater than the subscription price, 5% of the haircut multiplied by the net underwriting.	-
	in any other case	-	12.50%	-
3.4	Negative equity of subsidiary	-	The amount by which the total assets of the subsidiary (excluding any amount due from the subsidiary) exceed the total liabilities of the subsidiary	-
3.5	Foreign exchange agreements and foreign currency positions	-	5% of the net position in foreign currency (difference of total assets denominated in foreign currency less total liabilities denominated in foreign currency)	-
3.6	Amount payable under REPO	-	0.00%	-

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NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED JUNE 30, 2020

SR.	HEAD OF ACCOUNT	VALUE <i>Rupees</i>	HAIR CUT/ADJUSTMENTS	ADJUSTED VALUE <i>Rupees</i>
3.7	REPO adjustment In case of financier/purchaser	-	Total amount receivable under REPO less the 110% of the market value of underlying securities.	-
	In case of finance/seller	-	Market value of underlying securities after applying haircut less the total amount received less value of any securities deposited as collateral by the purchaser after applying haircut less any cash deposited by the purchaser.	-
3.8	Concentrated proprietary positions If the market value of any security is between 25% and 51% of the total proprietary positions	-	5% of the value of such security.	40,675
	If the market of a security exceeds 51% of the proprietary position	-	10% of the value of such security.	-
3.9	Opening positions in futures and options In case of customer positions	-	Total margin requirements in respect of open positions less the amount of cash deposited by the customer and the value of securities held as collateral/ pledged with securities exchange after applying VaR haircuts	-
	In case of proprietary positions	-	Total margin requirements in respect of open positions to the extent not already met	-
3.10	Short sell positions In case of customer positions	-	Market value of shares sold short in ready market on behalf of customers after increasing the same with the VaR based haircuts less the cash deposited by the customer as collateral and the value of securities held as collateral after applying VAR based haircuts.	-
	In case of proprietary positions	-	Market value of shares sold short in ready market and not yet settled increased by the amount of VaR based haircut less the value of securities pledged as collateral after applying haircuts.	-
Total Ranking Liabilities		-		2,599,146

SUMMARY

Total Assets	389,257,941	60,499,761
Less: Total Liabilities	239,547,139	232,589,251
Less: Total Ranking Liabilities	-	2,599,146
Liquid Capital	149,710,802	(174,688,636)

Rupees

32.3 NET WORTH

The Company's net worth as on June 30, 2020 under Regulation 6 of the Securities Brokers (Licensing and Operations) Regulations, 2016 is as follows:

Total assets	388,491,213
Total liabilities	(238,780,411)
	149,710,802
Less: Revaluation reserves	-
	149,710,802

32.3.1 While determining the value of the total assets of the TREC Holder, notional value of the TRE certificate held by the Company as at year ended June 30, 2020 as determined by Pakistan Stock Exchange has been considered.

HORIZON SECURITIES LIMITED

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED JUNE 30, 2020

33 FAIR VALUE MEASUREMENTS

33.1 Financial Instruments

33.1.1 Financial instruments measured at fair value

The Company measures some of its financial assets at fair value. Fair value measurements are classified using a fair value hierarchy that reflects the significance of the inputs used in making the measurements and has the following levels.

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

Level 2 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 (i.e. derived from prices).

Level 3 Inputs for the asset or liability that are not based on observable market data (i.e. unobservable inputs).

The fair value hierarchy of assets measured at fair value and the information about how the fair values of these financial instruments are determined are as follows:

a) Recurring fair value measurements

	Hierarchy	Valuation techniques/Key inputs	2020 Rupees	2019 Rupees
Investments in unlisted				
Investments in unlisted securities	Level 2	Comparable transaction	19,605,539	19,158,233
Short term Investments				
Investments in listed securities	Level 1	Quoted prices in an active market	2,294,588	978,583
Investments in mutual funds	Level 1	Quoted prices in an active market	37,401	33,750

For fair value measurements categorised into Level 2 the following information is relevant:

	Valuation technique	Significant inputs	Sensitivity
Investments in unlisted securities	Net assets value per share as notified	Net assets value per share as notified	A 5% increase in net assets value per share will result in an increase in fair value of investments by Rs. 0.98 million (2019: 0.96 million).

b) Non-recurring fair value measurements

There are no non-recurring fair value measurements as at the reporting date.

33.1.2 Financial instruments not measured at fair value

The management considers the carrying amount of all financial instruments not measured at fair value to approximate their carrying values.

33.2 Assets and liabilities other than financial instruments.

None of the assets and liabilities other than financial instruments are measured at fair value.

34 REMUNERATION OF CHIEF EXECUTIVE, DIRECTORS AND EXECUTIVES

Directors draw Rs. nil (2019: 2,670,000) remuneration from the company. The chief executive do not draw any remuneration from the Company. Further, there are no executives employed by the Company as at the reporting date.

35 SEGMENT INFORMATION

35.1 The Company is a single operating segment.

35.2 All non-current assets of the Company are situated in Pakistan.

35.3 All revenue of the Company have originated from Pakistan.

35.4 Brokerage income includes Rs. 5,080,316 (2019: Rs. 2,624,488) derived from two (2019: two) customers. There is no other single significant external customer from whom brokerage in excess of 10% of the Company's total brokerage income was earned during the year.

36 ASSETS PLEDGED AS SECURITY

Listed securities valued at Rs. 10.658 million (2019: Rs. 10.598 million) are pledged with National Clearing Company of Pakistan Limited and Pakistan Stock Exchange as base minimum capital and exposure margin.

HORIZON SECURITIES LIMITED

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED JUNE 30, 2020

37 NUMBER OF EMPLOYEES

	2020	2019
Total number of employees	14	13
Average number of employees	14	13

38 SHAREHOLDING ABOVE 5%

	2020		2019	
	Rupees	% age	Rupees	% age
Dr. Zafar Iqbal	54,990,000	39.38%	54,990,000	39.38%
Bakhsh Holdings (Private) Limited	84,650,000	60.62%	84,650,000	60.62%

38.1 There was no change (2019: no change) in the shareholding above 5%.

39 ANNUAL TURNOVER

	2020			
	Buying		Selling	
	Rupees	No. of shares	Rupees	No. of shares
Proprietary	1,735,049	12,500	-	-
Client	2,853,933,922	116,044,848	2,854,540,156	129,502,118
Total	2,855,668,971	116,057,348	2,854,540,156	129,502,118

	2019			
	Buying		Selling	
	Rupees	No. of shares	Rupees	No. of shares
Proprietary	34,653	1,000	56,979,969	6,745,000
Client	1,870,202,115	77,210,107	1,996,044,913	72,122,279
Total	1,870,236,768	77,211,107	2,053,024,882	78,867,279

40 RECOVERABLE AMOUNTS AND IMPAIRMENT

As at the reporting date, recoverable amounts of all assets/cash generating units are equal to or exceed their carrying amounts, unless stated otherwise in these financial statements.

41 IMPACT OF COVID - 19 ON THE FINANCIAL STATEMENTS

COVID-19 pandemic started at the end of December 2019 and broke out in China in January 2020. The slow down in Pakistan started in February 2020 following which a nationwide lockdown was imposed in Pakistan. The Company remained unaffected as trading remained open throughout. There is no financial impact of COVID-19 on the carrying amounts of assets and liabilities or items of income and expenses reported in these financial statements.

HORIZON SECURITIES LIMITED

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED JUNE 30, 2020

42 RECLASSIFICATIONS

The following have been reclassified for better presentation:

Particulars	From	To	2020	2019
			Rupees	Rupees
Advances to employees	Loans and advances	Advances, deposits, prepayments and other receivables	325,000	862,449
Advance against purchase of shares	Loans and advances	Advances, deposits, prepayments and other receivables	67,200,000	67,200,000

43 EVENTS AFTER THE REPORTING PERIOD

There are no significant events after the reporting period which may require adjustment and/or disclosure in these financial statements.

44 NON-CASH FINANCING ACTIVITIES

During the year, the Company acquired vehicles of Rs. 6.57 million under finance lease arrangements. Further, lease liabilities of Rs. 4.17 million were recognized on initial application of IFRS 16 - 'Leases'.

45 GENERAL

45.1 Figures have been rounded off to the nearest rupee.

45.2 Comparative figures have been rearranged and reclassified, where necessary, for the purpose of comparison. However, there were no significant reclassifications during the year other than those referred to in note 42.

CHIEF EXECUTIVE

DIRECTOR

rsr/r
for identification only

Horizon Securities Limited
PATTERN OF SHAREHOLDING
As at 30-06-2020

Categories of Shareholders	Shareholders	Shares Held	Percentage
Director and their Spouse(s) and Minor Children	Dr. Zafar Iqbal	5,499,000	39.38
	Mrs. Abida Zafar	500	0.0036
	Mr. Afraz Zafar	500	0.0036
Associated Companies, undertakings and Related Parties			
	Bakhsh Holdings (Pvt) Limited	8,465,000	60.616
Executives		-	0.000
Public Sector Companies and Corporation			0.000
Banks/DFIs/NBFCs, insurance companies, takaful Modaraba and pension funds			
Other			
Total		13,965,000	100.000

Detail of Shareholding 5% & more

		Shares Held	Percentage
	0	5,499,000	39.38
Bakhsh Holdings (Pvt) Limited		8,465,000	60.62



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