

# **HORIZON SECURITIES LIMITED**

## **Financial Statements**

Year ended 30 June 2023

**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, 2023, together with auditor's report thereon.

### **Economic Review**

On the economic front, FY23 has been e marked as the worst year in county's history. Almost all macroeconomic indicators deteriorated during the year with CPI hitting a record 38.0% in May'23 that forced the central bank to hike the policy rate by 825bps to a record high 22.0%. In addition, rising current expenditures drove the fiscal deficit to a record of PKR 6,521bn (7.7% of GDP). Things weren't any better on the external front as a combination of debt repayments and lack of external inflows amid continued deadlock with the IMF caused reserves to fall to an alarmingly low level of USD 2.9bn. Resultantly the Rupee depreciated a massive 28% versus the USD. The restrictions on imports badly affected the production capacities of the many large-scale industries and halted the economic activities in the country. In the backdrop of a challenging fiscal and external account position, the real sector also suffered with GDP growth nosediving to a meager 0.29% as industrial production plummeted (10.26% contraction in LSM) A silver lining in the midst of these macro vulnerabilities was the breakthrough with the IMF on a new 9-month Standby Agreement in June, paving the way for the release of USD 1.0bn first tranche and a further USD 3.2bn of flows from friendly countries which were tied to an IMF endorsement. Resultantly, FX reserves recovered from multi-year lows to around USD 8.6bn and are currently hovering around USD 7.6bn.

### **Equity Market Review**

In FY23, Pakistan's stock market remained at amid a challenging economic environment and political uncertainties throughout the year. The equity market experienced a period of high volatility due to uncertain events triggered by various external and macroeconomic factors, which negatively impacted investor sentiment. These factors included deteriorating external account position, delays in the resumption of an IMF program, a significant increase in the fiscal deficit, record high inflation and a substantial policy rate hike of 825

basis points, with rates reaching a historic high of 22.0%. The benchmark KSE-100 index closed FY23 at 41,453 points, down -0.2% / 88 points YoY. The steep PKR depreciation took the US\$ based return to a negative 28.5%, compared to -32.5% during FY22. As various exogenous and macroeconomic indicators turned south, market participation remained lackluster with average volumes down 34% YoY to 192 million shares while the average traded value declined 54% to US\$25 million. Textiles Weaving (-48% YoY), Cable and Electrical (-43% YoY), Pharmaceuticals (-41% YoY), Miscellaneous (-40% YoY), Auto Parts (-39% YoY), Transport (-31.7% YoY), and Refinery (-27.5% YoY) etc. were major underperformers during FY23. In contrast, leasing (+192% YoY), Sugar (+67% YoY), Synthetic (+62% YoY), Investment Banks (+27% YoY) Power Generation (26%) YoY, Real Estate (+15% YoY), Technology (+15% YoY), Cement (+12% YoY), Fertilizer (+8% YoY), and Oil and Gas Exploration (+4% YoY) etc. remained noticeably outperformers. Foreign investors remained marginal net buyers after seven consecutive years of net outflows with a net inflow of US\$ 2 million (FY22: US\$ -298 million) mainly concentrated in i) Technology (US\$ 43 million), ii) Oil and Gas Exploration (US\$ 27 million), iii) Power generation (US\$ 6 million), iv) Oil and Gas Marketing (US\$ 5 million), and v) Textile (US\$ 3 million). In contrast, foreigners were net sellers in i) Commercial banks (US\$ 54 million), ii) Fertilizer (US\$ 10 million), iii) Food (US\$ 3 million), and iv) Cement (US\$ 1 million).

### **Company's Financial Overview**

Following are the comparative financial results for the year 2023 and 2022.

	<b>2023</b>	<b>2022</b>
	Rs.	Rs.
Gross Revenue	15,488,302	30,757,893
Profit/(Loss) before tax	(11,753,923)	7,109,300
Profit (Loss) after tax	(11,578,578)	5,831,574
Total Equity	143,852,089	162,830,737
Earning per share	0.83	0.42

In the year ended on June 30, 2023, the poor economic condition of the country badly affected the performance of the Company resulting in the decrease in brokerage commission that is Company's principal activity during the year.

The revenues decreased to Rs. 15,488,302/- (2022: Rs 30,757,893). This decrease in revenue was mainly due to a decrease in brokerage commission and other income, along with increase in expected credit losses and operating expenses. The revenue from portfolio investment was also almost zero (2022: Loss Rs 161,219). Resultantly the bottom line of Statement of Profit and Loss was a loss of Rs 11,578,578/-(2022: Profit Rs 5,831,574) with a loss per share of Rs. 0.83 as compared to profit of Rs. 0.42 per share of last year. Further the loss on the Long-Term Investment of Rs. 7,400,070/- (2022; Loss Rs. 4,127,038) routed through the Other Comprehensive Income had also resulted in a decrease in equity. As the economics condition of country are improving the Management is confident of turnaround the results of the Company in next year and expedite the momentum of growth in coming years.

Keeping in view the funds requirement of the Company, the Board of Directors has decided not to declare any dividend or 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.

- The Directors and Chief Executive did not draw any salary/benefit from the Company except waiver of brokerage Commission on shares transaction.
- 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, 2023, is attached.
- The Loss per share is of Rs. 0.83 as compared to Profit of Rs. 0.42 per share of last year
- The Company incurred a loss of Rs. 11,578,578 in year 2022-23 (explained above) but the future prospects of your Company are very encouraging on account of the Management's efforts 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, 2023, 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 accounts have been maintained.
- Appropriate accounting policies have been consistently applied in the 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 no material statutory payment outstanding on account of taxes, duties, levies and charges.

### **Auditors**

The present Auditors Messrs. Rahman Sarfaraz Rahim Iqbal Rafiq, Chartered Accountants, will retire on the conclusion of Annual General Meeting and have offered their services for the year ending on June 30, 2024. 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, 2024, 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: October 02, 2023

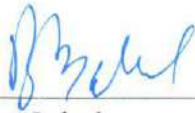
# HORIZON SECURITIES LTD.

TRE CERTIFICATE HOLDER: Pakistan Stock Exchange Limited

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STATEMENT OF COMPLIANCE  
WITH THE CORPORATE GOVERNANCE CODE FOR THE SECURITIES BROKER  
FOR THE YEAR ENDED ON JUNE 30, 2023

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, 2023 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: October 02, 2023

# HORIZON SECURITIES LTD.

TRE CERTIFICATE HOLDER: Pakistan Stock Exchange Limited

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## 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, 2023 which were fraudulent, illegal or in violation of any securities market laws



Dr. Zafar Iqbal  
Chairman & CEO

Place: Lahore

Date: October 02, 2023

## 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 **30 June 2023**, 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 30 June 2023 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.

The engagement partner on the audit resulting in this independent auditor's report is **ALI RAZA JAFFERY**.

  
**RAHMAN SARFARAZ RAHIM IQBAL RAFIQ**  
Chartered Accountants  
Lahore | 02 October 2023

UDIN: AR202310704o1IKeSdCg



# HORIZON SECURITIES LIMITED

## STATEMENT OF FINANCIAL POSITION AS AT 30 JUNE 2023

	Note	30-Jun-23 Rupees	30-Jun-22 Rupees
<b>ASSETS</b>			
<b>NON-CURRENT ASSETS</b>			
Property and equipment	6	1,788,281	2,115,344
Right-of-use assets	7	17,298,176	22,290,978
Intangible assets	8	2,500,000	2,500,000
Long term investments	9	9,006,804	16,406,874
Long term deposits	10	1,680,000	1,680,000
		<b>32,273,261</b>	<b>44,993,196</b>
<b>CURRENT ASSETS</b>			
Trade receivables	11	28,385,940	40,934,941
Short term deposits	12	4,333,050	15,982,792
Advances and other receivables	13	68,262,250	68,287,504
Short term investments	14	468,189	460,986
Current taxation	15	4,125,015	3,475,147
Cash and bank balances	16	32,410,334	38,229,860
		<b>137,984,778</b>	<b>167,371,230</b>
<b>CURRENT LIABILITIES</b>			
Trade and other payables	17	(12,125,044)	(30,738,583)
Current portion of non-current liabilities		(5,337,879)	(4,745,095)
		<b>(17,462,923)</b>	<b>(35,483,678)</b>
<b>NET CURRENT ASSETS</b>		<b>120,521,855</b>	<b>131,887,552</b>
<b>NON-CURRENT LIABILITIES</b>			
Lease liabilities	18	(8,943,027)	(14,050,011)
		<b>(8,943,027)</b>	<b>(14,050,011)</b>
<b>NET ASSETS</b>		<b>143,852,089</b>	<b>162,830,737</b>
<b>REPRESENTED BY:</b>			
<b>SHARE CAPITAL</b>			
<i>Authorized share capital</i>	19	200,000,000	200,000,000
Issued share capital	20	139,650,000	139,650,000
Capital reserve		(1,238,292)	(11,788,316)
Retained earnings		5,440,381	34,969,053
<b>TOTAL EQUITY</b>		<b>143,852,089</b>	<b>162,830,737</b>
<b>CONTINGENCIES AND COMMITMENTS</b>			
<b>TOTAL EQUITY</b>	21	<b>143,852,089</b>	<b>162,830,737</b>

The annexed notes 1 to 43 form an integral part of these financial statements.

Director

Chief Executive

RSRIR  
for identification only

# HORIZON SECURITIES LIMITED

## STATEMENT OF PROFIT AND LOSS FOR THE YEAR ENDED 30 JUNE 2023

	Note	30-Jun-23 Rupees	30-Jun-22 Rupees
Brokerage and commission		14,202,907	15,898,067
Dividend income		515,624	1,439,057
Interest on exposure deposits		1,760,244	1,247,802
Return on margin financing		2,449	437,156
Return on margin trading		-	42,913
Gain/(loss) on disposal of short term investments		115	(161,219)
Impairment (allowance)/reversal for expected credit losses	31.1.6	(993,037)	11,854,117
<b>Net revenue</b>		<b>15,488,302</b>	<b>30,757,893</b>
Administrative expenses	22	(23,655,344)	(22,745,848)
		(8,167,042)	8,012,045
Changes in fair value of financial assets at fair value through profit or loss	14	1,066	(103,342)
		(8,165,976)	7,908,703
Finance cost	23	(3,712,657)	(2,499,173)
Other income	24	124,710	1,699,770
<b>(Loss)/profit before taxation</b>		<b>(11,753,923)</b>	<b>7,109,300</b>
Provision for taxation	25	175,345	(1,277,726)
<b>(Loss)/profit after taxation</b>		<b>(11,578,578)</b>	<b>5,831,574</b>
<b>(Loss)/earnings per share - basic and diluted</b>	26	<b>(0.83)</b>	<b>0.42</b>

The annexed notes 1 to 43 form an integral part of these financial statements.



Director



Chief Executive

RSRIR  
for identification only

# HORIZON SECURITIES LIMITED

## STATEMENT OF COMPREHENSIVE INCOME FOR THE YEAR ENDED 30 JUNE 2023

	Note	30-Jun-23 Rupees	30-Jun-22 Rupees
<i>Items that will not be reclassified to profit or loss</i>			
Financial assets at fair value through OCI	9	(7,400,070)	(4,127,038)
Related taxation		-	-
		(7,400,070)	(4,127,038)
<i>Items that may be reclassified subsequently to profit or loss</i>			
Other comprehensive loss		(7,400,070)	(4,127,038)
(Loss)/profit after taxation		(11,578,578)	5,831,574
<b>Total comprehensive (loss)/income</b>		<b>(18,978,648)</b>	<b>1,704,536</b>

The annexed notes 1 to 43 form an integral part of these financial statements.



Director



Chief Executive

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# HORIZON SECURITIES LIMITED

## STATEMENT OF CHANGES IN EQUITY FOR THE YEAR ENDED 30 JUNE 2023

	Share capital	Capital reserves		Total equity
	Issued share capital Rupees	Reserve for financial assets measured at FVTOCI Rupees	Retained earnings Rupees	
Balance as at 01 July 2022	139,650,000	(7,661,278)	29,137,479	161,126,201
<b>Comprehensive income</b>				
Profit after taxation	-	-	5,831,574	5,831,574
Other comprehensive loss	-	(4,127,038)	-	(4,127,038)
<b>Total comprehensive income</b>	-	(4,127,038)	5,831,574	1,704,536
<b>Other transactions</b>				
Transfer from reserve for financial assets at FVTOCI on derecognition	-	-	-	-
Related taxation	-	-	-	-
	-	-	-	-
<b>Transactions with owners</b>	-	-	-	-
<b>Balance as at 30 June 2022</b>	<b>139,650,000</b>	<b>(11,788,316)</b>	<b>34,969,053</b>	<b>162,830,737</b>
Balance as at 01 July 2022	139,650,000	(11,788,316)	34,969,053	162,830,737
<b>Comprehensive income</b>				
Loss after taxation	-	-	(11,578,578)	(11,578,578)
Other comprehensive loss	-	(7,400,070)	-	(7,400,070)
<b>Total comprehensive loss</b>	-	(7,400,070)	(11,578,578)	(18,978,648)
<b>Other transactions</b>				
Transfer from reserve for financial assets at FVTOCI on derecognition	-	17,950,094	(17,950,094)	-
Related taxation	-	-	-	-
	-	17,950,094	(17,950,094)	-
<b>Transactions with owners</b>	-	-	-	-
<b>Balance as at 30 June 2023</b>	<b>139,650,000</b>	<b>(1,238,292)</b>	<b>5,440,381</b>	<b>143,852,089</b>

The annexed notes 1 to 43 form an integral part of these financial statements.



Director



Chief Executive

RSRIR  
for identification only

# HORIZON SECURITIES LIMITED

## STATEMENT OF CASH FLOWS FOR THE YEAR ENDED 30 JUNE 2023

	Note	30-Jun-23 Rupees	30-Jun-22 Rupees
<b>CASH FLOW FROM OPERATING ACTIVITIES</b>			
Cash generated from operations	27	2,354,033	10,396,315
Payments for:			
Interest on lease liabilities		(3,694,438)	(2,479,778)
Income tax		(474,523)	(684,823)
<b>Net cash (used in)/generated from operating activities</b>		<b>(1,814,928)</b>	<b>7,231,714</b>
<b>CASH FLOW FROM INVESTING ACTIVITIES</b>			
Purchase of short term investments		(4,634,007)	(1,649,895)
Proceeds from disposal of short term investments		4,627,985	1,668,676
Dividend received		515,624	1,439,057
Purchase of property and equipment		-	(38,500)
Proceeds from disposal of property and equipment		-	1,870,000
<b>Net cash generated from investing activities</b>		<b>509,602</b>	<b>3,289,338</b>
<b>CASH FLOW FROM FINANCING ACTIVITIES</b>			
Payment of lease liabilities		(4,514,200)	(8,459,067)
<b>Net cash used in financing activities</b>		<b>(4,514,200)</b>	<b>(8,459,067)</b>
<b>NET (DECREASE)/INCREASE IN CASH AND CASH EQUIVALENTS</b>		<b>(5,819,526)</b>	<b>2,061,985</b>
<b>CASH AND CASH EQUIVALENTS AT BEGINNING OF THE YEAR</b>		<b>38,229,860</b>	<b>36,167,875</b>
<b>CASH AND CASH EQUIVALENTS AT THE END OF THE YEAR</b>	28	<b>32,410,334</b>	<b>38,229,860</b>

The annexed notes 1 to 43 form an integral part of these financial statements.



Director



Chief Executive

RSRIR  
for identification only

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## NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2023

### 1 LEGAL STATUS AND OPERATIONS

Horizon Securities Limited [‘the Company’], was incorporated in Pakistan on 08 January 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 27 May 2011 and subsequently a Public Limited Company with effect from 27 June 2011. The principal activity of the Company is to carry on the business of stock brokerage 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 on the historical cost basis except for the following items, which are measured on an alternative basis as at the reporting date.

Items	Measurement basis
Financial liabilities	Amortized cost
Financial assets	Fair value/amortized cost

#### 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 30.1)*

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. The Company monitors financial assets measured at amortized cost or fair value that are derecognized prior to their maturity to understand the reason for their disposal and whether the reasons are consistent with the objective of the business for which the asset was held. Monitoring is part of the Company’s continuous assessment of whether the business model for which the remaining financial assets are held continues to be appropriate and if it is not appropriate whether there has been a change in business model and so a prospective change to the classification of those assets. No such changes were required during the year.

**NOTES TO THE FINANCIAL STATEMENTS  
FOR THE YEAR ENDED 30 JUNE 2023****(b) Significant increase in credit risk (see note 31.1.1)**

As explained in note 31.1, expected credit losses ['ECL'] are measured, based on the Company's risk grading framework, as an allowance equal to 12-month/lifetime ECL for 'performing' assets, or lifetime ECL for assets categorized as 'doubtful' or 'in default'. An asset is categorized as 'doubtful' when its credit risk has increased significantly since initial recognition. IFRS 9 does not define what constitutes a significant increase in credit risk. In assessing whether the credit risk of an asset has significantly increased the Company takes into account qualitative and quantitative reasonable and supportable forward-looking information.

**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:

**(a) Calculation of impairment allowance for expected credit losses on financial assets (see note 31.1.3)**

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. If the ECL rates on financial assets carried at amortized cost were higher (lower) by 10%, the loss allowance on those assets would have been higher (lower) by Rs. 12.826 million (30-Jun-21: Rs. 13.967 million). Further information on the Company's credit risk management practices and credit quality and impairment of financial assets is referred to in note 34.1.3.

**(b) Taxation provisions (see note 25)**

The Company takes into account the current income tax law and decisions taken by appellate and other relevant legal forums while estimating its provisions for current tax and tax contingencies. The credit (30-Jun-22: provision) for current tax is estimated at Rs. 175,345 (30-Jun-22: Rs. 1,277,726). The management believes that the provision for current tax made in the financial statements is sufficient to discharge related tax liability.

Further information on the taxation provisions is referred to in note 25.

**(c) Deferred tax assets on unused tax losses and credits (see note 25.3)**

Deferred tax assets are recognized for unused tax losses and credits to the extent that it is probable that taxable profit will be available against which the losses can be utilized. Significant management judgement is required to determine the amount of deferred tax assets that can be recognized, based upon the likely timing and the level of future taxable profits, together with future tax planning strategies.

The Company has Rs. 14.524 million (30-Jun-22: Rs. 8.929 million) of tax losses and credits carried forward as at the reporting date and available to the Company against future taxable profits. Out of these, deferred tax asset has been recognized on tax losses and credits amounting to Rs. nil (30-Jun-22: Rs. nil).

If the Company was able to recognize all unrecognized deferred tax assets, deferred tax assets and equity as at the reporting date would have increased by Rs. 7.14 million (30-Jun-22: Rs. 7.42 million).

**2.4 Functional currency**

These financial statements have been prepared in Pak Rupees which is the Company's functional currency. The amounts reported in these financial statements have been rounded to the nearest Rupees unless specified otherwise.

**2.5 Date of authorization for issue**

These financial statements were authorized for issue on 02 October 2023 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 Reference to the Conceptual Framework (Amendments to IFRS 3 - Business Combinations)**

**NOTES TO THE FINANCIAL STATEMENTS  
FOR THE YEAR ENDED 30 JUNE 2023**

The amendments update an outdated reference to the Conceptual Framework in IFRS 3 without significantly changing the requirements in the standard.

**3.2 Property, Plant and Equipment - Proceeds before Intended Use (Amendments to IAS 16 - Property, Plant and Equipment)**

The amendments prohibit deducting from the cost of an item of property, plant and equipment any proceeds from selling items produced while bringing that asset to the location and condition necessary for it to be capable of operating in the manner intended by management. Instead, an entity recognises the proceeds from selling such items, and the cost of producing those items, in profit or loss.

**3.3 Onerous Contracts - Cost of Fulfilling a Contract (Amendments to IAS 37 - Impairment of Assets)**

The amendments specify that the 'cost of fulfilling' a contract comprises the 'costs that relate directly to the contract'. Costs that relate directly to a contract can either be incremental costs of fulfilling that contract (examples would be direct labour, materials) or an allocation of other costs that relate directly to fulfilling contracts (an example would be the allocation of the depreciation charge for an item of property, plant and equipment used in fulfilling the contract).

**3.4 Annual Improvements to IFRS Standards 2018–2020**

The annual improvements have made amendments to the following standards:

- **IFRS 1 - First Time Adoption of International Financial Reporting Standards** - The amendment permits a subsidiary that applies paragraph D16(a) of IFRS 1 to measure cumulative translation differences using the amounts reported by its parent, based on the parent's date of transition to IFRSs.
- **IFRS 9 - Financial Instruments** - The amendment clarifies which fees an entity includes when it applies the '10 per cent' test in paragraph B3.3.6 of IFRS 9 in assessing whether to derecognise a financial liability. An entity includes only fees paid or received between the entity (the borrower) and the lender, including fees paid or received by either the entity or the lender on the other's behalf.
- **IFRS 16 - Leases** - The amendment to Illustrative Example 13 accompanying IFRS 16 removes from the example the illustration of the reimbursement of leasehold improvements by the lessor in order to resolve any potential confusion regarding the treatment of lease incentives that might arise because of how lease incentives are illustrated in that example.
- **IAS 41 - Agriculture** - The amendment removes the requirement in paragraph 22 of IAS 41 for entities to exclude taxation cash flows when measuring the fair value of a biological asset using a present value technique.

**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.

	<b>Effective date (annual periods beginning on or after)</b>
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
Disclosure of Accounting Policies (Amendments to IAS 1 - Presentation of Financial Statements and IFRS Practice Statement 2 - Making Materiality Judgements)	01 January 2023
Definition of Accounting Estimates (Amendments to IAS 8 - Accounting Policies, Changes in Accounting Estimates and Errors)	01 January 2023
Deferred Tax related to Assets and Liabilities arising from a Single Transaction (Amendments to IAS 12 - Income Taxes)	01 January 2023
International Tax Reform — Pillar Two Model Rules (Amendments to IAS 12 - Income Taxes)	01 January 2023
Classification of Liabilities as Current or Non-Current (Amendments to IAS 1 - Presentation of Financial Statements).	01 January 2024
Lease Liability in a Sale and Leaseback (Amendments to IFRS 16 - Leases)	01 January 2024
Non-current Liabilities with Covenants (Amendments to IAS 1 - Presentation of Financial Statements)	01 January 2024
Supplier Finance Arrangements (Amendments to IAS 7 - Statement of Cash Flows and IFRS 7 - Financial Instruments : Disclosures)	01 January 2024

Other than afore mentioned standards, interpretations and amendments, IASB has also issued the following standards which have not been notified by the Securities and Exchange Commission of Pakistan ['SECP']:

## NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2023

IFRS 1 - First Time Adoption of International Financial Reporting Standards

IFRS 17 - Insurance contracts

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 not have a material impact on the Company's financial statements other than in presentation/disclosures.

### 5 SIGNIFICANT ACCOUNTING POLICIES

The accounting policies set out below have been applied consistently to all periods presented in these financial statements.

#### 5.1 Property and equipment

Property and equipment assets held for use in the supply of services or for administrative purposes, are stated in the statement of financial position at their cost less accumulated depreciation and accumulated impairment losses, except for freehold land, which is not depreciated.

Assets in the course of construction for supply or administrative purposes, or for purposes not yet determined, are carried at cost, less any recognized impairment loss. Cost includes the cost of material, labour and appropriate overheads directly relating to the construction, erection and installation of the asset and, for qualifying assets, borrowing costs capitalized in accordance with the Company's accounting policy. Depreciation of these assets, determined on the same basis as other assets of the same class, commences when the assets are ready for their intended use.

Depreciation is recognized in statement of income and expenditure, using rates specified in note 6, so as to write off the cost of assets (other than freehold land and assets under construction) over their useful lives, using the reducing balance method, with the exception of right-of-use assets, for which the lease does not transfer ownership of the underlying asset to the Company at the end of lease term, which are depreciated over the shorter of lease term and useful lives of the underlying assets, using straight line method. Depreciation commences from the month in which the item is ready for intended use and is discontinued from the month in which the asset is disposed or classified as held for disposal.

The estimated useful lives, residual values and depreciation method are reviewed at the end of each reporting period, with the effect of any changes in estimate accounted for on a prospective basis.

A property and equipment asset is derecognized upon disposal or when no future economic benefits are expected to arise from its continued use. The gain or loss arising on the disposal or retirement of such assets is determined as the difference between the sales proceeds and the carrying amount of the asset and is recognized in statement of income and expenditure.

#### 5.2 Intangible assets

Intangible assets with finite useful lives that are acquired separately or in a business combination are carried at cost less accumulated amortization and accumulated impairment losses. Amortization is recognized in statement of income and expenditure, over their estimated useful lives. The estimated useful life and amortization method are reviewed at the end of each reporting period, with the effect of any changes in estimate being accounted for on a prospective basis. Intangible assets with indefinite useful lives that are acquired separately or in a business combination are carried at cost less accumulated impairment losses.

#### 5.3 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.

#### 5.4 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.

#### 5.5 Financial instruments

##### 5.5.1 Recognition

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

##### 5.5.2 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:

## NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2023

**(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.

**(e) Financial liabilities at fair value through profit or loss**

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

### 5.5.3 Measurement

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

### 5.5.4 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.

### 5.5.5 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.

### 5.5.6 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.

### 5.6 Ordinary share capital

Ordinary share capital is recognized as equity. Transaction costs directly attributable to the issue of ordinary shares are recognized as deduction from equity.

### 5.7 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.

**NOTES TO THE FINANCIAL STATEMENTS  
FOR THE YEAR ENDED 30 JUNE 2023****5.8 Leases as 'lessee'**

The Company assesses whether a contract is or contains a lease, at inception of the contract. A contract is, or contains, a lease if the contract conveys the right to control the use of an identifiable asset for a period of time in exchange for consideration. The Company recognises a right-of-use asset and a corresponding lease liability with respect to all lease arrangements in which it is the lessee, except for the short-term leases and leases of low value assets. For these leases, the Company recognises the lease payments as an operating expense on a straight-line basis over the term of the lease unless another systematic basis is more representative of the time pattern in which economic benefits from the leased assets are consumed.

A right-of-use asset is initially measured at cost, which comprises the initial amount of the lease liability adjusted for any lease payments made at or before the commencement date, plus any initial direct costs incurred and an estimate of costs to dismantle and remove the underlying asset or to restore the underlying asset or the site on which it is located, less any lease incentives received.

Subsequent to initial recognition, a right-of-use asset is measured at cost less accumulated depreciation and accumulated impairment losses, if any. Depreciation is recognized using straight-line method over the shorter of lease term and useful life of the right-of-use asset, unless the lease transfers ownership of the underlying asset to the Company by the end of lease term or the cost of the right-of-use asset reflects that the Company will exercise a purchase option. In that case, the right-of-use asset is depreciated over the useful life of the underlying asset, which is determined on the same basis as those of operating fixed assets. In addition, the right-of-use asset is adjusted for certain remeasurements of the related lease liability.

Lease liability is initially measured at the present value of the lease payments that are not paid at the commencement date, discounted by using the rate implicit in the lease. If this rate cannot be readily determined, the Company uses its incremental borrowing rate. Lease payments included in measurement of lease liability comprise:

- Fixed lease payments, including in-substance fixed payments, less any lease incentives receivable;
- Variable lease payments that depend on an index or rate, initially measured using the index or rate at the commencement date;
- The amount expected to be payable by the lessee under residual value guarantees;
- The exercise price of purchase options, if the lessee is reasonably certain to exercise the options; and
- Payments of penalties for terminating the lease, if the lease term reflects the exercise of an option to terminate the lease.

Subsequent to initial recognition, lease liability is measured at amortized cost using effective interest method whereby the carrying amount of lease liability is increased to reflect the interest thereon and decreased to reflect lease payments made. Interest is recognized in profit or loss.

Lease liability is remeasured whenever:

- The lease term has changed or there is a significant event or change in circumstances resulting in a change in the assessment of exercise of a purchase option, in which case the lease liability is remeasured by discounting the revised lease payments using a revised discount rate;
- The lease payments change due to changes in an index or rate or a change in expected payment under a guaranteed residual value, in which cases the lease liability is remeasured by discounting the revised lease payments using an unchanged discount rate, unless the lease payments change is due to a change in a floating interest rate, in which case a revised discount rate is used; or
- A lease contract is modified and the lease modification is not accounted for as a separate lease, in which case the lease liability is remeasured based on the lease term of the modified lease by discounting the revised lease payments using a revised discount rate at the effective date of the modification.

When the lease liability is remeasured, a corresponding adjustment is made to the carrying amount of the related right-of-use asset, except where the carrying amount of right-of-use asset is reduced to zero. In that case, any adjustment exceeding the carrying amount of the right-of use asset is recognized in profit or loss.

Variable rents that do not depend on an index or rate are not included in the measurement of the lease liability and the right-of-use asset. The related payments are recognized as an expense in the period in which the event or condition that triggers those payments occurs.

**5.9 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.

**5.10 Trade and other payables****5.10.1 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.

**NOTES TO THE FINANCIAL STATEMENTS  
FOR THE YEAR ENDED 30 JUNE 2023****5.10.2 Non-financial liabilities**

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

**5.11 Trade and other receivables****5.11.1 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 receivables 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.

**5.11.2 Non-financial assets**

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

**5.12 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.

**5.13 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.

**5.14 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.

**5.15 Contracts with Customers****5.15.1 Revenue**

Revenue is measured based on the consideration specified in a contract with a customer. The Company recognises revenue from a contract with customer when the Company satisfies an obligation specified in that contract. The following table provides information about the nature and timing of the satisfaction of performance obligations in contracts with customers, including significant payment terms, and the related revenue recognition policies.

<b>Source of revenue</b>	<b>Nature and timing of satisfaction of performance obligations, including significant payment terms</b>	<b>Revenue recognition policies</b>
Brokerage income	Performance obligations are satisfied when trades are executed by or on behalf of customer. Payments are typically due on settlement.	Revenue is recognised at a point in time when trades are executed by or on behalf of customers.
Return on margin financing/trading	Performance obligations are satisfied over time as credit is utilized by customer. Payments are typically due on settlement.	Revenue is recognised over time as credit is utilized by customer.

**5.15.2 Contract assets**

Contract assets represent work performed up to the reporting date which has not been invoiced to customers because the related performance obligations remain partially unsatisfied as at the reporting date.

**5.15.3 Contract liabilities**

A contract liability is the obligation to transfer goods or services to a customer for which the Company has received consideration from the customer. A contract liability is recognized at earlier of when the payment is made or the payment is due if a customer pays

## NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2023

consideration before the Company transfers goods or services to the customer.

### 5.16 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'.

### 5.17 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.

### 5.18 Income tax

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.

#### 5.18.1 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.

#### 5.18.2 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.

### 5.19 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.

### 5.20 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.

### 5.21 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. The amount recognized as provision is the best estimate of the consideration required to settle the present obligation at the reporting date, taking into account the risk and uncertainties surrounding the obligation. Where a provision is measured using cash flows estimated to settle the present obligation, its carrying amount is the present value of those cash flows. Where outflow of resources embodying economic benefits is not probable, or where a reliable estimate of the amount of obligation cannot be made, a contingent liability is disclosed, unless the possibility of outflow is remote.

## NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2023

### 5.22 Segment reporting

Segment reporting is based on the operating segments that are reported in the manner consistent with internal reporting of the Company. An operating segment is a component of the Company that engages in business activities from which it may earn revenues and incur expenses, including revenues and expenses that relate to transactions with any of the Company's other components. An operating segment's operating results are reviewed regularly by the Chief Executive Officer to make decisions about resources to be allocated to the segment and assess its performance and for which discrete financial information is available. The Company is a single operating segment based on internal reporting to the Chief Executive Officer of the Company.

### 5.23 Impairment

#### 5.23.1 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 receivables, 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.

#### 5.23.2 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.

### 5.24 Fair value measurements

'Fair value' is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date in the principal or, in its absence, the most advantageous market to which the Company has access at that date. The fair value of a liability reflects its non-performance risk.

A number of the Company's accounting policies and disclosures require the measurement of fair values.

## NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2023

The best evidence of the fair value of a financial instrument on initial recognition is normally the transaction price - i.e. the fair value of the consideration given or received. If the Company determines that the fair value on initial recognition differs from the transaction price and the fair value is evidenced neither by a quoted price in an active market for an identical asset or liability nor based on a valuation technique for which any unobservable inputs are judged to be insignificant in relation to the measurement, then the financial instrument is initially measured at fair value, adjusted to defer the difference between the fair value on initial recognition and the transaction price. Subsequently, that difference is recognised in profit or loss on an appropriate basis over the life of the instrument but no later than when the valuation is wholly supported by observable market data or the transaction is closed out.

When one is available, the Company measures the fair value of an instrument using the quoted price in an active market for that instrument. A market is regarded as 'active' if transactions for the asset or liability take place with sufficient frequency and volume to provide pricing information on an ongoing basis.

If there is no quoted price in an active market, then the Company uses valuation techniques that maximise the use of relevant observable inputs and minimise the use of unobservable inputs. The chosen valuation technique incorporates all of the factors that market participants would take into account in pricing a transaction.

If an asset or a liability measured at fair value has a bid price and an ask price, then the Company measures assets and long positions at a bid price and liabilities and short positions at an ask price.

Fair values are categorised into different levels in a fair value hierarchy based on the inputs used in the valuation techniques as follows.

- *Level 1*: quoted prices (unadjusted) in active markets for identical assets or liabilities.
- *Level 2*: inputs other than quoted prices included in Level 1 that are observable for the asset or liability, either directly (i.e. 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 (unobservable inputs).

If the inputs used to measure the fair value of an asset or a liability fall into different levels of the fair value hierarchy, then the fair value measurement is categorised in its entirety in the same level of the fair value hierarchy as the lowest level input that is significant to the entire measurement.

The Company recognises transfers between levels of the fair value hierarchy at the end of the reporting period during which the change has occurred.

# HORIZON SECURITIES LIMITED

## NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2023

### 6 PROPERTY AND EQUIPMENT

	30-Jun-23										
	COST					Rate %	DEPRECIATION				Net book value as at 30-Jun-23 Rupees
	As at 01-Jul-22 Rupees	Additions Rupees	Disposals Rupees	Transfers Rupees	As at 30-Jun-23 Rupees		As at 01-Jul-22 Rupees	For the year Rupees	Adjustment Rupees	As at 30-Jun-23 Rupees	
Furniture and fixtures	953,599	-	-	-	953,599	10	716,532	23,707	-	740,239	213,360
Office equipment	1,860,956	-	-	-	1,860,956	10	1,000,642	86,031	-	1,086,673	774,283
Electric installations and equipment	508,917	-	-	-	508,917	10	358,866	15,005	-	373,871	135,046
Computer	2,230,308	-	-	-	2,230,308	30	1,942,939	86,211	-	2,029,150	201,158
Vehicles	2,657,514	-	-	-	2,657,514	20	2,076,971	116,109	-	2,193,080	464,434
	<b>8,211,294</b>	-	-	-	<b>8,211,294</b>		<b>6,095,950</b>	<b>327,063</b>	-	<b>6,423,013</b>	<b>1,788,281</b>

	30-Jun-22										
	COST					Rate %	DEPRECIATION				Net book value as at 30-Jun-22 Rupees
	As at 01-Jul-21 Rupees	Additions Rupees	Disposals Rupees	Transfers Rupees	As at 30-Jun-22 Rupees		As at 01-Jul-21 Rupees	For the year Rupees	Adjustment Rupees	As at 30-Jun-22 Rupees	
Furniture and fixtures	953,599	-	-	-	953,599	10	690,191	26,341	-	716,532	237,067
Office equipment	1,860,956	-	-	-	1,860,956	10	905,052	95,590	-	1,000,642	860,314
Electric installations and equipment	508,917	-	-	-	508,917	10	342,194	16,672	-	358,866	150,051
Computer	2,191,808	38,500	-	-	2,230,308	30	1,822,531	120,408	-	1,942,939	287,369
Vehicles	4,620,846	-	(1,963,332)	-	2,657,514	20	3,694,896	175,177	(1,793,102)	2,076,971	580,543
	<b>10,136,126</b>	<b>38,500</b>	<b>(1,963,332)</b>	-	<b>8,211,294</b>		<b>7,454,864</b>	<b>434,188</b>	<b>(1,793,102)</b>	<b>6,095,950</b>	<b>2,115,344</b>

## HORIZON SECURITIES LIMITED

### NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2023

6.1 No disposals are made by the Company during the year ended 30 June 2023. Details of disposals for the year ended 30 June 2022 are as follows:

Particulars	30-Jun-22					Mode of disposal	Particulars of buyer
	Cost	Accumulated depreciation	Net book value	Disposal proceeds	Gain/(loss) on disposal		
	<i>Rupees</i>	<i>Rupees</i>	<i>Rupees</i>	<i>Rupees</i>	<i>Rupees</i>		
<b>Vehicles</b>							
Honda Civic	1,963,332	1,793,102	170,230	1,870,000	1,699,770	Negotiation	Muhammad Hassan, Sheikhpura.
	1,963,332	1,793,102	170,230	1,870,000	1,699,770		

# HORIZON SECURITIES LIMITED

## NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2023

### 7 RIGHT-OF-USE ASSETS

	30-Jun-23										
	COST					Rate %	DEPRECIATION				Net book value as at 30-Jun-23 Rupees
	As at 01-Jul-22 Rupees	Additions Rupees	Adjustment Rupees	Transfers Rupees	As at 30-Jun-23 Rupees		As at 01-Jul-22 Rupees	For the year Rupees	Adjustment Rupees	As at 30-Jun-23 Rupees	
Vehicles	26,783,131	-	-	-	26,783,131	20	6,153,763	4,125,874	-	10,279,637	16,503,494
Office premises	4,334,640	-	-	-	4,334,640	20	2,673,030	866,928	-	3,539,958	794,682
	<b>31,117,771</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>31,117,771</b>		<b>8,826,793</b>	<b>4,992,802</b>	<b>-</b>	<b>13,819,595</b>	<b>17,298,176</b>

	30-Jun-22										
	COST					Rate %	DEPRECIATION				Net book value as at 30-Jun-22 Rupees
	As at 01-Jul-21 Rupees	Additions Rupees	Adjustment Rupees	Transfers Rupees	As at 30-Jun-22 Rupees		As at 01-Jul-21 Rupees	For the year Rupees	Adjustment Rupees	As at 30-Jun-22 Rupees	
Vehicles	6,567,000	20,216,131	-	-	26,783,131	20	1,838,760	4,315,003	-	6,153,763	20,629,368
Office premises	4,334,640	-	-	-	4,334,640	20	1,806,102	866,928	-	2,673,030	1,661,610
	<b>10,901,640</b>	<b>20,216,131</b>	<b>-</b>	<b>-</b>	<b>31,117,771</b>		<b>3,644,862</b>	<b>5,181,931</b>	<b>-</b>	<b>8,826,793</b>	<b>22,290,978</b>

# HORIZON SECURITIES LIMITED

## NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2023

	<i>Note</i>	<b>30-Jun-23</b>	30-Jun-22
		<i>Rupees</i>	<i>Rupees</i>
<b>8 INTANGIBLE ASSETS</b>			
Gross carrying amount	8.1	<b>5,000,000</b>	5,000,000
Accumulated impairment		<b>(2,500,000)</b>	(2,500,000)
		<b>2,500,000</b>	2,500,000
<b>8.1</b>	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>	<b>30-Jun-23</b>	30-Jun-22
		<i>Rupees</i>	<i>Rupees</i>
<b>9 LONG TERM INVESTMENTS</b>			
<b>LSE Financial Services Limited</b>			
Nil (30-Jun-22: 843,975) ordinary shares of Rs. nil each			
Cost of investment	9.1	-	28,195,190
Changes in fair value		-	(11,788,316)
		-	16,406,874
<b>LSE Ventures Limited</b>			
842,809 (30-Jun-22: nil) ordinary shares of Rs. 10 each			
Market value: Rs. 9.00 (30-Jun-22: Rs. nil) per share			
Cost of investment	9.2	<b>7,585,281</b>	-
Changes in fair value		-	-
		<b>7,585,281</b>	-
<b>LSE Proptech Limited</b>			
295,535 (30-Jun-22: nil) ordinary shares of Rs. 10 each			
Market value: Rs. 4.81 (30-Jun-22: Rs. nil) per share			
Cost of investment	9.2	<b>2,659,815</b>	-
Changes in fair value		<b>(1,238,292)</b>	-
		<b>1,421,523</b>	-
		<b>9,006,804</b>	16,406,874
<b>9.1</b>	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 cancellation/surrender of membership of Lahore Stock Exchange. During the year, LSE was de-merged as result of which, the Company received shares in two new companies against its shareholding in LSE (See note 9.2).		
<b>9.2</b>	During the year, LSE Financial Services Limited demerged into two companies LSE Ventures Limited and LSE Proptech Limited. The Company received 842,809 shares of LSE Ventures Limited and 295,535 shares of LSE Proptech Limited under the demerger scheme against 843,975 unquoted ordinary shares of LSE Financial Services Limited. These investments has been classified as ‘financial asset at fair value through OCI’ with the changes in fair value recognized in other comprehensive income.		
	<i>Note</i>	<b>30-Jun-23</b>	30-Jun-22
		<i>Rupees</i>	<i>Rupees</i>
<b>10 LONG TERM DEPOSITS</b>			
Central Depository Company of Pakistan Limited	10.1	<b>100,000</b>	100,000
National Clearing Company of Pakistan Limited	10.1	<b>1,400,000</b>	1,400,000
Other deposits	10.2	<b>180,000</b>	180,000
		<b>1,680,000</b>	1,680,000
<b>10.1</b>	These represent security deposits 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.		
<b>10.2</b>	These represents security deposits for rented office premises. These are classified as ‘financial assets at amortized cost’ under IFRS 9		

# HORIZON SECURITIES LIMITED

## NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2023

which are required to be carried at amortized cost. However, these have been carried at historical cost as the difference between historical cost and amortized cost is considered immaterial.

	<i>Note</i>	<b>30-Jun-23</b>	30-Jun-22
		<i>Rupees</i>	<i>Rupees</i>
<b>11 TRADE RECEIVABLES</b>			
Gross amount due	11.2	<b>33,472,618</b>	45,035,619
Impairment allowance for expected credit losses	11.3	<b>(5,086,678)</b>	(4,100,678)
		<b>28,385,940</b>	40,934,941

**11.1** Securities pertaining to the clients held in sub-accounts of the Company comprise 22,221,149 shares (30-Jun-22: 24,153,495 shares) valued at Rs. 155.60 million (30-Jun-22: Rs. 211.35 million). 7,000 shares (30-Jun-22: nil shares) valued at Rs. 302,540 (30-Jun-22: Rs. nil) are pledged with NCCPL against margin exposure.

**11.2** These include Rs. 26,517,526 (30-Jun-22: Rs. 35,781,839) receivable from related parties against trading of shares carried out by them. The ageing of receivables from related parties is as follows:

	<i>Note</i>	<b>30-Jun-23</b>	30-Jun-22
		<i>Rupees</i>	<i>Rupees</i>
Due by less than 5 days		-	200,600
Due by more than 5 days		<b>26,517,526</b>	35,581,239
		<b>26,517,526</b>	35,781,839

**11.3 Impairment allowance for expected credit loss**

As at beginning of the year		<b>4,100,678</b>	15,954,795
Recognized during the year	31.1.6	<b>5,093,715</b>	4,100,678
Reversed during the year	31.1.6	<b>(4,100,678)</b>	(15,954,795)
Written off during the year	31.1.6	<b>(7,037)</b>	-
As at end of the year		<b>5,086,678</b>	4,100,678

**12 SHORT TERM DEPOSITS**

These represents deposits and margin with PSX and NCCPL.

**13 ADVANCES AND OTHER RECEIVABLES**

Advances to employees		<b>430,000</b>	464,625
Advance against purchase of shares	13.1	<b>67,200,000</b>	67,200,000
Prepaid Insurance		<b>404,367</b>	348,736
Other receivables		<b>227,883</b>	274,143
		<b>68,262,250</b>	68,287,504

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

**14 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>	<b>30-Jun-23</b>	30-Jun-22
		<i>Rupees</i>	<i>Rupees</i>
Investments in listed equity securities	14.1	<b>418,920</b>	417,930
Investments in mutual funds	14.2	<b>49,269</b>	43,056
		<b>468,189</b>	460,986

**14.1 Investments in listed equity securities**

# HORIZON SECURITIES LIMITED

## NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2023

	30-Jun-23		30-Jun-22	
	Carrying value	Fair value	Carrying value	Fair value
	Rupees	Rupees	Rupees	Rupees
Dawood Hercules Corporation Limited 1,000 (30-Jun-22: 1,000) ordinary shares of Rs. 10 each Market value: Rs. 100 (30-Jun-22: Rs. 92.56) per share	92,560	100,000	115,020	92,560
Engro Corporation Limited 1,000 (30-Jun-22: 1,000) ordinary shares of Rs. 10 each Market value: Rs. 259.89 (30-Jun-22: Rs. 257.09) per share	257,090	259,890	294,610	257,090
Frieslandcampina Engro Pakistan Limited 1,000 (30-Jun-22: 1,000) ordinary shares of Rs. 10 each Market value: Rs. 59.03 (30-Jun-22: Rs. 68.28) per share	68,280	59,030	115,080	68,280
	<b>417,930</b>	<b>418,920</b>	<b>524,710</b>	<b>417,930</b>
<b>14.2 Investments in mutual funds</b>				
MCB Cash Management Optimizer 485.5903 (30-Jun-22: 425.0363) units Market value: Rs. 101.4625 (30-Jun-22: Rs. 101.2998) per unit	49,193	49,269	39,618	43,056
	<b>49,193</b>	<b>49,269</b>	<b>39,618</b>	<b>43,056</b>
		<i>Note</i>	<b>30-Jun-23</b>	<b>30-Jun-22</b>
			<i>Rupees</i>	<i>Rupees</i>
<b>15 CURRENT TAXATION</b>				
Advance income tax/income tax refundable			4,401,946	4,363,606
Provision for taxation		25	(276,931)	(888,459)
			<b>4,125,015</b>	<b>3,475,147</b>
<b>16 CASH AND BANK BALANCES</b>				
Cash in hand			55	580
Cash at banks - current accounts - local currency				
Proprietary accounts			21,142,811	9,305,786
Client accounts			11,267,468	28,923,494
			<b>32,410,279</b>	<b>38,229,280</b>
			<b>32,410,334</b>	<b>38,229,860</b>
<b>17 TRADE AND OTHER PAYABLES</b>				
Trade creditors			11,110,070	28,809,249
Accrued liabilities			861,147	1,720,387
Punjab sales tax payable			106,827	176,947
Withholding tax payable			47,000	32,000
			<b>12,125,044</b>	<b>30,738,583</b>
<b>18 LEASE LIABILITIES</b>				
Present value of minimum lease payments		18.1 & 18.2	14,280,906	18,795,106
Current portion presented under current liabilities		18.1 & 18.2	(5,337,879)	(4,745,095)
			<b>8,943,027</b>	<b>14,050,011</b>

18.1 These represent liabilities against right-of-use assets comprising vehicles and office premises.

# HORIZON SECURITIES LIMITED

## NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2023

Vehicle leases are priced at six months KIBOR plus 6% (30-Jun-22: six months KIBOR plus 6%) per annum. Lease rentals are payable monthly over a tenor of 5 years. The Company also has the option to acquire these vehicles at the end of their respective lease terms by adjusting the deposit amount against the residual value of the vehicles and intends to exercise the option. Under the terms of agreement, taxes, repairs, replacements and insurance costs in respect of these vehicles are borne by the Company.

Lease of office premises has been recognized using a discount rate of 13.24% (30-Jun-22: 13.24%) per annum. Lease rentals are payable monthly over the lease term of five years.

18.2 The amount of future payments under the lease arrangements and the period in which these payments will become due are as follows:

	30-Jun-23	30-Jun-22
	<i>Rupees</i>	<i>Rupees</i>
Not later than one year	8,154,091	7,542,717
Later than one year but not later than five years	11,321,365	17,571,130
<b>Total future minimum lease payments</b>	<b>19,475,456</b>	<b>25,113,847</b>
Finance charge allocated to future periods	(5,194,550)	(6,318,741)
<b>Present value of future minimum lease payments</b>	<b>14,280,906</b>	<b>18,795,106</b>
Not later than one year	(5,337,879)	(4,745,095)
Later than one year but not later than five years	8,943,027	14,050,011

### 19 AUTHORIZED SHARE CAPITAL

30-Jun-23	30-Jun-22		30-Jun-23	30-Jun-22
<i>No. of shares</i>	<i>No. of shares</i>		<i>Rupees</i>	<i>Rupees</i>
20,000,000	20,000,000	Ordinary shares of Rs. 10 each	200,000,000	200,000,000
<b>20,000,000</b>	<b>20,000,000</b>		<b>200,000,000</b>	<b>200,000,000</b>

### 20 ISSUED SHARE CAPITAL

30-Jun-23	30-Jun-22		30-Jun-23	30-Jun-22
<i>No. of shares</i>	<i>No. of shares</i>		<i>Rupees</i>	<i>Rupees</i>
<b>Ordinary shares of Rs. 10 each</b>				
9,965,000	9,965,000	Issued for cash	99,650,000	99,650,000
4,000,000	4,000,000	Issued for other than cash	40,000,000	40,000,000
<b>13,965,000</b>	<b>13,965,000</b>		<b>139,650,000</b>	<b>139,650,000</b>

### 21 CONTINGENCIES AND COMMITMENTS

There are no known contingencies and commitments as at the reporting date.

	<i>Note</i>	30-Jun-23	30-Jun-22
		<i>Rupees</i>	<i>Rupees</i>
<b>22 ADMINISTRATIVE EXPENSES</b>			
Salaries and benefits		11,688,201	11,513,156
Printing and stationery		93,327	89,665
Repair and maintenance		786,269	591,371
Auditor's remuneration	22.1	410,000	370,000
Fee and subscription		797,833	602,173
Legal and professional		509,910	543,344
Traveling and conveyance		731,809	413,471
Entertainment		969,065	960,171
Insurance		541,043	588,302
Communication		545,459	474,493
Electricity		1,262,563	983,583
Depreciation on property and equipment	6	327,063	434,188
Depreciation on right-of-use assets	7	4,992,802	5,181,931
		<b>23,655,344</b>	<b>22,745,848</b>
	<i>Note</i>	<b>30-Jun-23</b>	<b>30-Jun-22</b>

# HORIZON SECURITIES LIMITED

## NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2023

		<i>Rupees</i>	<i>Rupees</i>
<b>22.1 Auditor's remuneration</b>			
Annual statutory audit		<b>250,000</b>	230,000
Certifications		<b>150,000</b>	130,000
Out of pocket expenses		<b>10,000</b>	10,000
		<b>410,000</b>	370,000
<b>23 FINANCE COST</b>			
Interest on lease liabilities		<b>3,694,438</b>	2,479,778
Bank charges		<b>18,219</b>	19,395
		<b>3,712,657</b>	2,499,173
<b>24 OTHER INCOME</b>			
Gain on disposal of property and equipment		-	1,699,770
Miscellaneous		<b>124,710</b>	-
		<b>124,710</b>	1,699,770
<b>25 PROVISION FOR TAXATION</b>			
Current taxation			
for current year	25.1	<b>276,931</b>	888,459
for prior years		<b>(452,276)</b>	389,267
		<b>(175,345)</b>	1,277,726

**25.1** Provision for current tax has been made under section 113 and 150 (30-Jun-22: 113 and 150) of the Income Tax Ordinance, 2001 [‘the Ordinance’], accordingly no numerical reconciliation has been presented.

**25.2** The income tax assessments of the Company up to and including tax year 2022 have been completed by the concerned income tax authorities or are deemed to have been so completed under the provisions of section 120 of the Ordinance.

**25.3 Unrecognized deferred tax assets**

The Company has deferred tax asset of Rs. 7.14 million (30-Jun-22: Rs. 7.42 million) which has not been recognized as future taxable profits are not expected to be available against which the asset could be utilized. The Company has Rs. 14.524 million (30-Jun-22: Rs. 8.929 million) of tax losses carried forward as at the reporting date and available to the Company for utilization against future taxable profits.

Unused tax losses and credits for which no deferred tax asset has been recognized, expire as follows:

<b>Tax year</b>	<b>Nature</b>	<b>30-Jun-23</b>	<b>30-Jun-22</b>
		<i>Rupees</i>	<i>Rupees</i>
2025	Tax losses	<b>4,324,628</b>	4,324,628
2026	Tax losses	<b>923,040</b>	923,040
2029	Tax losses	<b>5,395,848</b>	-
		<b>10,643,516</b>	5,247,668
2025	Tax credits	<b>220,324</b>	220,324
2026	Tax credits	<b>199,570</b>	-
2027	Tax credits	<b>1,921,364</b>	1,921,364
2030	Tax credits	<b>273,456</b>	273,456
2031	Tax credits	<b>1,266,264</b>	1,266,264
		<b>3,880,978</b>	3,681,408
		<b>14,524,494</b>	8,929,076

# HORIZON SECURITIES LIMITED

## NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2023

	<i>Units</i>	30-Jun-23	30-Jun-22
<b>26 (LOSS)/EARNING PER SHARE - BASIC AND DILUTED</b>			
(Loss)/profit attributable to ordinary shareholders	<i>Rupees</i>	<b>(11,578,578)</b>	5,831,574
Weighted average number of ordinary shares outstanding during the year	<i>No. of shares</i>	<b>13,965,000</b>	13,965,000
(Loss)/earnings per share - <i>basic and diluted</i>	<i>Rupees</i>	<b>(0.829)</b>	0.418
There is no dilutive effect on the basic earnings per share of the Company.			
		<b>30-Jun-23</b>	30-Jun-22
		<i>Rupees</i>	<i>Rupees</i>
<b>27 CASH GENERATED FROM OPERATIONS</b>			
(Loss)/profit before taxation		<b>(11,753,923)</b>	7,109,300
<b>Adjustments for non-cash and other items</b>			
Interest on lease liabilities		<b>3,694,438</b>	2,479,778
Impairment allowance/(reversal) for expected credit losses		<b>993,037</b>	(11,854,117)
Changes in fair value of financial assets at fair value through profit or loss		<b>(1,066)</b>	103,342
Dividend income		<b>(515,624)</b>	(1,439,057)
Depreciation on property and equipment		<b>327,063</b>	434,188
Depreciation on right-of-use assets		<b>4,992,802</b>	5,181,931
Gain on disposal of property and equipment		<b>-</b>	(1,699,770)
(Gain)/loss on disposal of short term investments		<b>(115)</b>	161,219
		<b>9,490,535</b>	(6,632,486)
		<b>(2,263,388)</b>	476,814
<b>Changes in working capital</b>			
Trade receivables		<b>11,555,964</b>	(1,904,657)
Investment in margin financing		<b>-</b>	4,227,018
Investment in margin trading		<b>-</b>	8,990,081
Short term deposits		<b>11,649,742</b>	9,590,801
Advances and other receivables		<b>25,254</b>	(522,470)
Trade and other payables		<b>(18,613,539)</b>	(10,461,272)
		<b>4,617,421</b>	9,919,501
<b>Cash generated from operations</b>		<b>2,354,033</b>	10,396,315
<b>28 CASH AND CASH EQUIVALENTS</b>			
Cash and bank balances		<b>32,410,334</b>	38,229,860
		<b>32,410,334</b>	38,229,860
<b>29 CHANGES FROM FINANCING CASH FLOWS</b>			
		<b>30-Jun-23</b>	30-Jun-22
		<b>Lease liabilities</b>	Lease liabilities
		<i>Rupees</i>	<i>Rupees</i>
As at beginning of the year		<b>18,795,106</b>	7,038,042
Lease liabilities recognized		<b>-</b>	20,216,131
Interest on lease liabilities		<b>3,694,438</b>	2,479,778
Payment of lease liabilities		<b>(8,208,638)</b>	(10,938,845)
As at end of the year		<b>14,280,906</b>	18,795,106

# HORIZON SECURITIES LIMITED

## NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2023

### 29 TRANSACTIONS AND BALANCES WITH RELATED PARTIES

Related parties from the Company's perspective comprise key management personnel and their 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:

Name of related party	Nature of relationship	Basis of relationship	Aggregate %age of shareholding in the Company
Zafar Iqbal	Key management personnel	Chief Executive	99.99%
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%

Key management personnel do not draw any compensation from the Company. The Company in the normal course of business provides brokerage services to key management personnel and their close family members at mutually agreed rates.

There is no transaction with related parties during the year. Balances with related parties are as follows:

		30-Jun-23	30-Jun-22
		Rupees	Rupees
<b>29.1 Balances with related parties</b>			
<b>Nature of relationship</b>	<b>Nature of balances</b>		
Key management personnel and their family members	Advance against purchase of shares	67,200,000	67,200,000
	Trade receivables	26,517,526	35,781,839
	Trade creditors	248,307	436,776

### 30 FINANCIAL INSTRUMENTS

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

	Note	30-Jun-23	30-Jun-22
		Rupees	Rupees
<b>30.1 Financial assets</b>			
<b>Cash in hand</b>		55	580
<b>Financial assets at amortized cost</b>			
Long term deposits	10	1,680,000	1,680,000
Trade receivables	11	28,385,940	40,934,941
Short term deposits	12	4,333,050	15,982,792
Advances to employees	13	430,000	464,625
Advance against purchase of shares	13	67,200,000	67,200,000
Cash at banks	16	21,142,811	9,305,786
		123,171,801	135,568,144
<b>Financial assets designated as fair value through OCI</b>			
Investments in unlisted equity securities	9	9,006,804	16,406,874
<b>Financial assets at fair value through profit or loss</b>			
Investments in listed equity securities	14	418,920	417,930
Investments in mutual funds	14	49,269	43,056
		468,189	460,986
		132,646,849	152,436,584
	Note	30-Jun-23	30-Jun-22

**NOTES TO THE FINANCIAL STATEMENTS  
FOR THE YEAR ENDED 30 JUNE 2023**

		<i>Rupees</i>	<i>Rupees</i>
<b>30.2 Financial liabilities</b>			
<b><i>Financial liabilities at amortized cost</i></b>			
Trade creditors	17	<b>11,110,070</b>	28,809,249
Accrued liabilities	17	<b>861,147</b>	1,720,387
Lease liabilities	18	<b>14,280,906</b>	18,795,106
		<b>26,252,123</b>	49,324,742

**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.

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 5 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 5 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 receivables 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:

# HORIZON SECURITIES LIMITED

## NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2023

Category	Description	Basis for recognizing ECL
Performing	The counterparty has low credit risk	Trade receivables: Lifetime ECL Other assets: 12-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:

	Notes	30-Jun-23 Rupees	30-Jun-22 Rupees
<b>Financial assets at amortized cost</b>			
Long term deposits	10	1,680,000	1,680,000
Trade receivables	11	33,472,618	45,035,619
Short term deposits	13	4,333,050	15,982,792
Advances to employees	13	430,000	464,625
Advance against purchase of shares	13	67,200,000	67,200,000
Cash at banks	16	21,142,811	9,305,786
		<b>128,258,479</b>	<b>139,668,822</b>

### 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 rating	Internal credit risk grading	12-month or life-time ECL	Gross carrying amount Rupees	Loss allowance Rupees
Long term deposits	10	N/A	N/A	12-month ECL	1,680,000	-
Trade receivables	11	N/A	Performing	Lifetime ECL	33,472,618	5,086,678
Short term deposits	12	N/A	Performing	12-month ECL	4,333,050	-
Advances to employees	13	N/A	Performing	12-month ECL	430,000	-
Advance against purchase of shares	13	N/A	Performing	12-month ECL	67,200,000	-
Cash at banks	16	A2 - A1+	N/A	12-month ECL	21,142,811	-
					<b>128,258,479</b>	<b>5,086,678</b>

#### (a) Long term deposits

These represent security deposits for rented office premises. No credit risk has been associated with these financial assets and accordingly no loss allowance has been made.

#### (b) Trade receivables

For trade receivables, 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 receivables by using internal credit risk gradings. As at the reporting date, all trade receivables 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 receivables since initial recognition. The ageing analysis of trade receivables as at the reporting date is as follows:

30-Jun-23		30-Jun-22	
Gross carrying amount Rupees	Accumulated Impairment Rupees	Gross carrying amount Rupees	Accumulated Impairment Rupees

# HORIZON SECURITIES LIMITED

## NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2023

Due by less than 5 days	664,462	-	448,487	-
Due by more than 5 days	32,808,156	5,086,678	44,587,132	4,100,678
	<b>33,472,618</b>	<b>5,086,678</b>	45,035,619	4,100,678

**(c) Advances to employees**

Advances to employees have been given against future salaries. No credit risk has been associated with these financial assets and accordingly no loss allowance has been made.

**(d) Short term deposits**

These deposits are placed with Pakistan Stock Exchange Limited and National Clearing Company of Pakistan Limited in accordance with the applicable regulations. No credit risk has been associated with these financial assets and accordingly no loss allowance has been made.

**(e) 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. No credit risk has been associated with these financial assets and accordingly no loss allowance has been made.

**(f) Cash at banks**

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. No credit risk has been associated with these financial assets and accordingly no loss allowance has been made.

### 31.1.4 Concentrations of credit risk

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

	30-Jun-23	30-Jun-22
	<i>Rupees</i>	<i>Rupees</i>
Customers	33,472,618	45,035,619
Director	67,200,000	67,200,000
Regulatory authorities and others	6,443,050	18,127,417
Banking companies and financial institutions	21,142,811	9,305,786
	<b>128,258,479</b>	139,668,822

The Company's four (30-Jun-22: three) significant customer accounts for Rs. 26.11 million (30-Jun-22: Rs. 35.06 million) of trade receivables as at the reporting date, apart from which, exposure to any single customer does not exceed 10% (30-Jun-22: 10%) of trade receivables 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 receivables 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 receivables amounting to Rs. 1.22 million (30-Jun-22: Rs. 1.09 million) 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 are as follows:

# HORIZON SECURITIES LIMITED

## NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2023

	Note	30-Jun-23 Rupees	30-Jun-22 Rupees
As at beginning of the year		4,100,678	15,954,795
Impairment loss for expected credit losses			
- recognized during the year	11.3	5,093,715	4,100,678
- reversed during the year	11.3	(4,100,678)	(15,954,795)
Net change in impairment allowance		993,037	(11,854,117)
Written off during the year	11.3	(7,037)	-
As at end of the year		5,086,678	4,100,678

### 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.

#### 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.

	30-Jun-23				
	Carrying amount Rupees	Contractual cash flows Rupees	One year or less Rupees	One to three years Rupees	More than three years Rupees
Lease liabilities	14,280,906	19,475,456	8,154,091	10,887,592	433,773
Trade creditors	11,110,070	11,110,070	11,110,070	-	-
Accrued liabilities	861,147	861,147	861,147	-	-
	<b>26,252,123</b>	<b>31,446,673</b>	<b>20,125,308</b>	<b>10,887,592</b>	<b>433,773</b>

	30-Jun-22				
	Carrying amount Rupees	Contractual cash flows Rupees	One year or less Rupees	One to three years Rupees	More than three years Rupees
Lease liabilities	18,795,106	25,113,847	7,542,717	13,111,448	4,459,682
Trade creditors	28,809,249	28,809,249	28,809,249	-	-
Accrued liabilities	1,720,387	1,720,387	1,720,387	-	-
	<b>49,324,742</b>	<b>55,643,483</b>	<b>38,072,353</b>	<b>13,111,448</b>	<b>4,459,682</b>

### 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.

**NOTES TO THE FINANCIAL STATEMENTS  
FOR THE YEAR ENDED 30 JUNE 2023****(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:

	<b>30-Jun-23</b>	<b>30-Jun-22</b>
	<i>Rupees</i>	<i>Rupees</i>
<b>Fixed rate instruments</b>	-	-
<b>Variable rate instruments</b>		
Financial assets	-	-
Financial liabilities	<b>14,280,906</b>	18,795,106

**(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. 142,809 (30-Jun-22: Rs. 187,951). 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. 94,750 (30-Jun-22: Rs. 168,679). 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/Capital Adequacy as prescribed. There was no change in the Company's approach to capital management during the year.

**33 LIQUID CAPITAL**

The Company's liquid capital as on 30 June 2023 under Schedule III to the Securities Brokers (Licensing and Operations) Regulations, 2016 read with Regulation 6 thereof is as follows:

# HORIZON SECURITIES LIMITED

## NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2023

SR.	HEAD OF ACCOUNT	VALUE	HAIR CUT/ADJUSTMENTS	NET ADJUSTED VALUE
		<i>Rupees</i>		<i>Rupees</i>
<b>1</b>	<b>ASSETS</b>			
1.1	Property and equipment	19,086,457	19,086,457	Balance Sheet Value net of depreciation -
1.2	Intangible assets	2,500,000	2,500,000	Balance Sheet Value net of amortization -
1.3	Investment in Government securities	-	-	Balance Sheet -
1.4	Investment in debt securities	-	-	If listed than i. 5% of the balance sheet value in the case of tenure up to 1 year - ii. 7.5% of the balance sheet value, in the case of tenure from 1-3 years - iii. 10% of the balance sheet value, in the case of tenure of more than 3 years. - If unlisted than i. 10% of the balance sheet value in the case of tenure up to 1 year - ii. 12.5% of the balance sheet value, in the case of tenure from 1-3 years - iii. 15% of the balance sheet value, in the case of tenure of more than 3 years. -
1.5	Investment in equity securities	9,425,724	9,070,233	i. If listed 15% or VaR of each 137[security] on the cutoff date as computed by the 138[clearing house] for respective ^security] whichever is higher139[Provided that if any of these securities are pledged with the securities exchange for maintaining Base Minimum Capital Requirement, 100% haircut on the value of eligible securities to the extent of minimum required value of Base Minimum Capital.] 355,491 ii. If unlisted, 100% of carrying value -
1.6	Investment in subsidiaries	49,269	49,269	100% of net value -
1.7	Investment in associated companies/undertakings	-	-	i. If listed 20% or VaR of each securities as computed by the Securities Exchange for respective securities whichever is higher - ii. If unlisted, 100% of net value -
1.8	Statutory or regulatory deposits/basic deposits with exchanges, clearing houses, central depository or any other entity.	1,680,000	1,680,000	100% of net value, 140[however, any excess amount of cash deposited with securities exchange to comply with requirements of Base minimum capital, may be taken in the calculation of LC.] -
1.9	Margin deposits with exchange and clearing house	4,333,050	-	Nil 4,333,050
1.10	Deposits with authorized intermediary against borrowed securities under SLB	-	-	Nil -
1.11	Other deposits and prepayments	404,367	404,367	100% of carrying value -
1.12	Accrued interest, profit or mark-up on amounts placed with financial institutions or debt securities etc.	-	-	Nil 100% in respect of markup accrued on loans to directors, subsidiaries and other related parties -
1.13	Dividends receivable	-	-	Nil -

# HORIZON SECURITIES LIMITED

## NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2023

SR.	HEAD OF ACCOUNT	VALUE	HAIR CUT/ADJUSTMENTS	NET ADJUSTED VALUE
		<i>Rupees</i>		<i>Rupees</i>
1.14	Amount receivable against REPO financing	-	-	-
1.15	Advances and Receivables other than trade receivables	4,125,015	-	4,125,015
		-	-	-
		67,857,883	67,857,883	-
1.16	Receivables from clearing house or securities exchange(s)	361,926		361,926
1.17	Receivables from customers	-	-	-
		-	-	-
		664,462	-	664,462
		842,026	-	842,026
		26,517,526	26,517,526	-

SR.	HEAD OF ACCOUNT	VALUE	HAIR CUT/ADJUSTMENTS	NET ADJUSTED
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# HORIZON SECURITIES LIMITED

## NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2023

SR.	HEAD OF ACCOUNT	VALUE	HAIR CUT/ADJUSTMENTS	NET ADJUSTED VALUE
		<i>Rupees</i>		<i>Rupees</i>
2.5	Advance against shares for increase in capital of securities brokers	-	-	-
			<p>100% Haircut may be allowed in respect of advance against shares if :</p> <p>(a) The existing authorized share capital allows the proposed enhanced share capital</p> <p>(b) Board of Directors of the company has approved the increase in capital</p> <p>(c) Relevant Regulatory approvals have been obtained</p> <p>(d) There is no unreasonable delay in issue of shares against advance and all regulatory requirements relating to the increase in paid up capital have been completed</p> <p>(e) Auditor is satisfied that such advance is against the increase of capital.</p>	
	<b>Total Liabilities</b>	<b>26,405,950</b>	<b>8,943,027</b>	<b>17,462,923</b>
<b>3</b>	<b>RANKING LIABILITIES</b>			
3.1	Concentration in margin financing	-	-	-
			The amount calculated 150[on] client-to-client basis by which any amount receivable from any of the financees exceed 10% of the aggregate of amounts receivable from total financees 151[Provided that above prescribed adjustments shall not be applicable where the aggregate amount of receivable against margin financing does not exceed Rs. 5 million. Note: Only amount exceeding by 10% of each financee from aggregate amount shall be included in the ranking liabilities.]	
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) the market value of securities pledged as margins exceed the 110% of the market value of shares borrowed. 152[Note: Only amount exceeding by 110% of each borrower from market value of shares borrowed shall be included in the ranking liabilities.]	
3.3	Net underwriting Commitments	-	-	-
		-	-	-
			<p>(a) <b>in the case of rights issue:</b> 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 commitment 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 commitment</p> <p>(b) <b>in any other case:</b> 12.5% of the net underwriting commitments</p>	

# HORIZON SECURITIES LIMITED

## NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2023

SR.	HEAD OF ACCOUNT	VALUE	HAIR CUT/ADJUSTMENTS	NET ADJUSTED VALUE
		<i>Rupees</i>		<i>Rupees</i>
3.4	Negative equity of subsidiary	-	-	-
3.5	Foreign exchange agreements and foreign currency positions	-	-	-
3.6	Amount payable under REPO	-	-	-
3.7	Repo adjustment	-	-	-
3.8	Concentrated proprietary positions	-	-	-
3.9	Opening Positions in futures and options	-	-	-
3.10	Short sell positions	-	-	-
<b>Total Ranking Liabilities</b>		-	-	-

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SR.	HEAD OF ACCOUNT	VALUE	HAIR CUT/ADJUSTMENTS	NET ADJUSTED VALUE
		<i>Rupees</i>		<i>Rupees</i>
<b>SUMMARY</b>				
	Total Assets	170,258,039		43,092,304
	Less: Total Liabilities	26,405,950		17,462,923
	Less: Total Ranking Liabilities	-		-
	Liquid Capital	143,852,089		25,629,381

### 33.1 NET WORTH/CAPITAL ADEQUACY

The Company's net worth as on 30 June 2023 under Regulation 6 of the Securities Brokers (Licensing and Operations) Regulations, 2016 and capital adequacy level as required by Central Depository Company of Pakistan Limited is as follows:

	<i>Rupees</i>
Total assets	170,258,039
Total liabilities	(26,405,950)
	143,852,089
Less: Revaluation reserves	-
Net worth/capital adequacy level	143,852,089

33.1.1 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 30 June 2023 as determined by Pakistan Stock Exchange has been considered.

### 34 FAIR VALUE MEASUREMENTS

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.

#### 34.1 Financial instruments measured at fair value

##### 34.1.1 Recurring fair value measurements

Financial instruments	Hierarchy	Valuation techniques/Key inputs	30-Jun-23	30-Jun-22
			<i>Rupees</i>	<i>Rupees</i>
<b>Investments in unlisted</b>				
Investments in listed securities	Level 1	Quoted prices in an active market	9,006,804	-
Investments in unlisted securities	Level 2	Net assets value	-	16,406,874
<b>Short term Investments</b>				
Investments in listed securities	Level 1	Quoted prices in an active market	418,920	417,930
Investments in mutual funds	Level 1	Quoted prices in an active market	49,269	43,056

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. nil (30-Jun-22: Rs. 0.82 million).

##### 34.1.2 Non-recurring fair value measurements

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

#### 34.2 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.

#### 34.3 Assets and liabilities other than financial instruments.

# HORIZON SECURITIES LIMITED

## NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2023

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

### 35 REMUNERATION OF CHIEF EXECUTIVE, DIRECTORS AND EXECUTIVES

The chief executive and directors do not draw any remuneration from the Company. Further, there are no executives employed by the Company as at the reporting date.

### 36 SEGMENT INFORMATION

36.1 The Company is a single operating segment.

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

36.3 All revenue of the Company have originated from Pakistan.

36.4 Brokerage income includes Rs.5,740,104 (30-Jun-22: Rs. 5,974,265) derived from two (30-Jun-22: three) customers, Mr. Sultan Mehboob and Mr. Shehzad Saeed (30-Jun-22: Mr. Sultan Mehboob, Mr. Saqib Hussain and Mr. Shehzad Saeed). 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.

### 37 ASSETS PLEDGED AS SECURITY

Securities valued at Rs. 11.507 million (30-Jun-22: Rs. 9.062 million) are pledged with National Clearing Company of Pakistan Limited and Pakistan Stock Exchange as base minimum capital and exposure margin.

### 38 NUMBER OF EMPLOYEES

	30-Jun-23	30-Jun-22
Total number of employees	14	13
Average number of employees	14	13

### 39 SHAREHOLDING ABOVE FIVE (5) PERCENT

	30-Jun-23		30-Jun-22	
	Rupees	% age	Rupees	% age
Dr. Zafar Iqbal	139,640,000	99.99%	139,640,000	99.99%

### 40 ANNUAL TURNOVER

	30-Jun-23			
	Buying		Selling	
	Rupees	No. of shares	Rupees	No. of shares
Proprietary	4,627,870	217,150	4,627,985	217,150
Client	10,564,247,137	202,683,680	10,497,747,065	202,551,337
Total	10,568,875,007	202,900,830	10,502,375,050	202,768,487

	30-Jun-22			
	Buying		Selling	
	Rupees	No. of shares	Rupees	No. of shares
Proprietary	7,654,974	563,500	9,255,665	612,488
Client	7,944,372,544	303,399,654	7,999,319,124	310,913,772
Total	7,952,027,518	303,963,154	8,008,574,789	311,526,260

# HORIZON SECURITIES LIMITED

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## NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2023

### 41 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.

### 42 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.

### 43 GENERAL

Comparative figures have been rearranged and reclassified, where necessary, for the purpose of comparison. However, there were no significant reclassifications during the year.



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Director



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Chief Executive

**PATTERN OF SHAREHOLDING AS ON**

30-06-2023

CATEGORIES OF SHAREHOLDERS	SHAREHOLDERS	SHARES HELD	PERCENTAGE
Directors and their spouse(s) and minor children Name: 1. Mr. Zafar Iqbal 2. Mrs. Abida Zafar 3. Mr. Afraz Zafar 4. _____ 5. _____ 6. _____ 7. _____	1. Mr. Zafar Iqbal 2. Mrs. Abida Zafar 3. Mr. Afraz Zafar	13,964,000 500 500	99.9928% 0.0036% 0.0036%
Associated companies, undertakings and related parties	Nil	Nil	Nil
Executives	Nil	Nil	Nil
Public Sector Companies and Corporations	Nil	Nil	Nil
Banks, Development Finance Institutions, Non- Banking Finance Companies, Insurance Companies, Takaful, Modarabas and Pension Funds	Nil	Nil	Nil
Others	Nil	Nil	Nil
<b>Total</b>		<b>13,965,000</b>	<b>10.00%</b>

**Shareholders holding 5% or more**

Name	Shares held	Percentage
Mr. Zafar Iqbal	13,964,000	99.9928%

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Company Secretary / CFO



Chief Executive Officer