

**PUNJAB CAPITAL SECURITIES
(PRIVATE) LIMITED**

Financial Statements

For the Year Ended 30 June, 2018

TO THE MEMBERS OF PUNJAB CAPITAL SECURITIES (PRIVTAE) LIMITED

Opinion

We have audited the annexed financial statements of **Punjab Capital Securities (Private) Limited** ("the Company"), which comprise the statement of financial position as at June 30, 2018, and the statement of profit and loss account and other comprehensive income, the statement of changes in equity, the statement of cash flows for the year then ended, and notes to the financial statements, including a summary of significant accounting policies and other explanatory information, and we state that we have obtained all the information and explanations which, to the best of our knowledge and belief, were necessary for the purposes of the audit.

In our opinion and to the best of our information and according to the explanations given to us, the statement of financial position, statement of profit and loss account and other comprehensive income, the statement of changes in equity and the statement of cash flows together with the notes forming part thereof conform with the accounting and reporting standards as applicable in Pakistan and give the information required by the Companies Act, 2017 (XIX of 2017), in the manner so required and respectively give a true and fair view of the state of the Company's affairs as at June 30, 2018 and of the loss and 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.

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 are 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 and other comprehensive income, the statement of changes in equity and the statement of cash flows together with the notes thereon have been drawn up in conformity with the Companies Act, 2017 (XIX of 2017) and are in agreement with the books of account and returns;
- c) investments made, expenditure incurred and guarantees extended during the year were for the purpose of the Company's business; and
- d) no zakat was deductible at source under the Zakat and Ushr Ordinance, 1980 (XVIII of 1980).

The engagement partner on the audit resulting in this independent auditor's report is Muhammad Ali Rafique.


(Chartered Accountants)

Lahore:

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PUNJAB CAPITAL SECURITIES (PRIVATE) LIMITED
STATEMENT OF FINANCIAL POSITION
AS AT JUNE 30, 2018

	Note	2018 Rupees	2017 Rupees
<u>ASSETS</u>			
NON - CURRENT ASSETS			
Property and equipment	5	1,798,158	2,213,599
Intangible assets	6	7,175,000	9,374,500
Long term security deposits	7	2,078,409	301,500
Long term investment	8	14,891,894	-
Deferred taxation	9	-	-
		<u>25,943,461</u>	<u>11,889,599</u>
CURRENT ASSETS			
Trade debts	10	9,531,173	-
Advances, deposits, prepayments and other receivables	11	8,690,805	15,322,204
Tax refund due from Government		480,166	3,837
Cash and bank balances	12	30,959,104	17,954,610
		<u>49,661,248</u>	<u>33,280,651</u>
TOTAL ASSETS		<u><u>75,604,709</u></u>	<u><u>45,170,250</u></u>
<u>EQUITY AND LIABILITIES</u>			
SHARE CAPITAL AND RESERVES			
Share capital	13	76,500,000	50,000,000
Revaluation surplus	6	300,500	-
Revenue reserve-Accumulated losses		(11,520,265)	(5,192,377)
		<u>65,280,235</u>	<u>44,807,623</u>
CURRENT LIABILITIES			
Trade and other payables	14	10,268,605	362,627
Provision for taxation	20	55,870	-
		<u>10,324,475</u>	<u>362,627</u>
TOTAL EQUITY AND LIABILITIES		<u><u>75,604,709</u></u>	<u><u>45,170,250</u></u>
CONTINGENCIES AND COMMITMENTS	15		

The annexed notes from 1 to 27 form an integral part of these financial statements. *Rs.*

[Signature]
CHIEF EXECUTIVE OFFICER

[Signature]
DIRECTOR

PUNJAB CAPITAL SECURITIES (PRIVATE) LIMITED
PROFIT AND LOSS ACCOUNT
FOR THE YEAR ENDED JUNE 30, 2018

		2018	From November 29, 2016 to June 30, 2017
	Note	Rupees	Rupees
Operating revenues	16	3,573,195	-
Administrative expenses and operating expenses	17	(8,656,785)	(5,191,978)
Operating (loss)		<u>(5,083,590)</u>	<u>(5,191,978)</u>
Other income	18	1,318,361	-
Impairment loss on TREC	6.2	(2,500,000)	-
Finance charges	19	(6,790)	(399)
(Loss) before taxation		<u>(6,272,019)</u>	<u>(5,192,377)</u>
Taxation	20	(55,870)	-
(Loss) after taxation		<u><u>(6,327,888)</u></u>	<u><u>(5,192,377)</u></u>

The annexed notes from 1 to 27 form an integral part of these financial statements.



CHIEF EXECUTIVE OFFICER


DIRECTOR

PUNJAB CAPITAL SECURITIES (PRIVATE) LIMITED
STATEMENT OF COMPREHENSIVE INCOME
FOR THE YEAR ENDED JUNE 30, 2018

		2018	From November 29, 2016 to June 30, 2017
	Note	Rupees	Rupees
(Loss) for the year/period		(6,327,888)	(5,192,377)
Other comprehensive income:			
Items not to be reclassified to profit or loss in subsequent periods			
Revaluation surplus	6	300,500	-
Other comprehensive income		300,500	-
Total comprehensive (loss) for the year/period		(6,027,388)	(5,192,377)

The annexed notes from 1 to 27 form an integral part of these financial statements.


CHIEF EXECUTIVE OFFICER


DIRECTOR

PUNJAB CAPITAL SECURITIES (PRIVATE) LIMITED
STATEMENT OF CHANGES IN EQUITY
FOR THE YEAR ENDED JUNE 30, 2018

	Issued, subscribed and paid-up capital	Share deposit money	Capital reserve	Revenue reserve	Total Equity
	Rupees	Rupees	Revaluation surplus	Accumulated (loss)	Rupees
Balance as at November 29, 2017	-	-	-	-	-
Share issued during the period	50,000,000	-	-	-	50,000,000
(Loss) for the period	-	-	-	(5,192,377)	(5,192,377)
Balance as at June 30, 2017	50,000,000	-	-	(5,192,377)	44,807,623
Share deposit money received	-	26,500,000	-	-	26,500,000
Right Shares Issued	26,500,000	(26,500,000)	-	-	-
(Loss) for the year	-	-	-	(6,327,888)	(6,327,888)
Revaluation surplus	-	-	300,500	-	300,500
Balance as at June 30, 2018	76,500,000	-	300,500	(11,520,265)	65,280,235

The annexed notes from 1 to 27 form an integral part of these financial statements.

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CHIEF EXECUTIVE

Director

DIRECTOR

PUNJAB CAPITAL SECURITIES (PRIVATE) LIMITED
CASH FLOWS STATEMENT
FOR THE YEAR ENDED JUNE 30, 2018

		2018	From November 29, 2016 to June 30, 2017
	Note	Rupees	Rupees
CASH FLOWS FROM OPERATING ACTIVITIES			
(Loss) before taxation		(6,272,019)	(5,192,377)
Adjustments for non-cash charges and other items:			
Depreciation	5	486,381	319,128
Accrued markup	11	(159,447)	-
Impairment of TREC		2,500,000	-
Dividend income		(421,988)	-
Financial charges	19	6,790	399
Operating loss before working capital changes		(3,860,283)	(4,872,850)
Effect on cash flow due to Working capital changes			
(Increase)/decrease in current assets			
Advances, deposits, prepayments and other receivables		6,790,846	(15,322,204)
Trade debts		(9,531,173)	-
Increase in current liabilities			
Trade and other payables		9,905,978	362,627
Cash flows from operations		3,305,368	(19,832,427)
Income tax paid		(476,329)	(3,837)
Financial charges paid		(6,790)	(399)
Dividend income received		421,988	-
Net cash generated from/(used in) operating activities		3,244,237	(19,836,663)
CASH FLOWS FROM INVESTING ACTIVITIES			
Payment for acquisition of property and equipment		(70,940)	(2,532,727)
Intangible assets		-	(9,374,500)
Short term investment made		(14,891,894)	-
Security deposited		(1,776,909)	(301,500)
Net cash (used in) investing activities		(16,739,743)	(12,208,727)
CASH FLOWS FROM FINANCING ACTIVITIES			
Share deposit money received		26,500,000	50,000,000
Net cash generated from financing activities		26,500,000	50,000,000
Net increase in cash and cash equivalents		13,004,494	17,954,610
Cash and cash equivalents at the beginning of the period		17,954,610	-
Cash and cash equivalents at the end of the year/period	12	30,959,104	17,954,610

The annexed notes from 1 to 27 from an integral part of these financial statements.


CHIEF EXECUTIVE OFFICER


DIRECTOR

PUNJAB CAPITAL SECURITIES (PRIVATE) LIMITED
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 2018

1. INTRODUCTION

The Punjab Capital Securities (Private) Limited ("the Company") is registered under the repealed Companies Ordinance, 1984 (which is replaced by Companies Act 2017) a company limited by shares on the 29th day of November 2016. The Company is mainly engaged in business of brokerage services, portfolio management and consultancy services. The registered office of the Company is situated at Room No 319, 3rd Floor, Lahore stock exchange (LSE) Building, Lahore.

The Company is wholly-owned subsidiary of First Punjab Modarba ("the Parent") by virtue of 100% holding of the Company.

2. SUMMARY OF SIGNIFICANT EVENTS AND TRANSACTIONS IN THE CURRENT REPORTING PERIOD

- 1) The Company issued further share capital as right issue to First Punjab Modarba.
- 2) The Company increased its authorized share capital of ordinary shares of Rs.10 each from 10,000,000 to 20,000,000.
- 3) During the year, the Company starts brokerage services and also deals in margin trading system and margin financing system.
- 4) To work in regular and future market, the Company has deposited Rs.1,200,000/- to National Clearing Company of Pakistan Limited.

3. BASIS OF PREPARATION

3.1 Statement of compliance

These financial statements have been prepared in accordance with approved accounting standards as applicable in Pakistan and the requirements of the Companies Act, 2017. Approved accounting standards comprise of such International Financial Reporting Standards (IFRS) issued by the International Accounting Standard Board as are notified under the provisions of the Companies Act, 2017, the requirements of the Companies Act, 2017 and the directives issued by the Securities and Exchange Commission of Pakistan (SECP) and the Securities Brokers (Licensing and Operations) Regulations, 2016 (the Regulation). Wherever, the requirements of the Companies Act, 2017 or directives issued by the SECP differ with the requirements of these IFRS, the Regulation and the requirements of the Companies Act, 2017 or the requirements of the said directives take precedence.

3.2 Basis of measurement

These financial statements have been prepared under the historical cost convention except for certain financial assets and liabilities which are stated at their fair value or amortized cost as applicable.

3.3 Accounting estimates

The preparation of financial statements in conformity with approved accounting standards requires management to make judgments, estimates and assumptions that affect the application of policies and reported amounts of assets and liabilities, income and expenses. The estimates and associated assumptions are based on historical experience and various other factors that are believed to be reasonable under the circumstances, the results of which form the basis of making the judgments about carrying values assets and liabilities that are not readily apparent from other sources. Actual results may differ from these estimates. The estimates and

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underlying assumptions are reviewed on an ongoing basis. Revisions to accounting estimates are recognized in the period in which the estimates are revised, if the revision affects only that period, or in the period of the revision and future periods if the revision affects both current and future periods. The areas involving a high degree of judgment or complexity, or areas where assumptions and estimates are significant to the financial statements, are documented in the following accounting policies and notes, and relate primarily to:

- Useful lives, residual values and depreciation method of property and equipment – Note 4.1
- Impairment loss of non-financial assets other than inventories – Note 4.2
- Estimation of provisions - Note 4.6
- Current income tax expense, provision for current tax

3.4 Functional and presentation currency

These financial statements are presented in Pakistan rupees, which is the functional and presentation currency for the Company

3.5 New standards, amendments to approved accounting standards and new interpretations

3.5.1. IFRS adopted by SECP

After the enactment of the Companies Act on May 30, 2018 SECP has adopted following IFRS.

New pronouncement	SECP notified Effective date	IASB Effective date
IFRS 9 Financial Instruments	July 1, 2018	Jan 1, 2018
IFRS 15 Revenue from Contracts with Customers	July 1, 2018	Jan 1, 2018
IFRS 16 Leases	Jan 1, 2019	Jan 1, 2019

3.5.2. Amendments to approved accounting standards and an interpretation which became effective during the year ended June 30, 2018

New pronouncement	IASB Effective date
Amendments to IAS 7: Disclosure Initiative	Jan 1, 2017
Amendments to IAS 12: Recognition of Deferred Tax Assets for Unrealized Losses	Jan 1, 2017
Amendments to IFRS 12: Annual Improvements to IFRS Standards 2014-2016 Cycle	Jan 1, 2017

3.5.3. New standards and amendments to approved accounting standards that are not yet effective and have not been early adopted by the Company

IASB Effective date is Jan 1, 2018

New pronouncement

Amendments to IFRS 2: Classification and Measurement of Share based Payment Transactions
 Amendments to IFRS 4: Applying IFRS 9 Financial Instruments with IFRS 4 Insurance Contracts
 IFRIC Interpretation 22: Foreign Currency Transactions and Advance Consideration
 Amendments to IFRS 1: Annual Improvements to IFRS Standards 2014-2016 Cycle
 Amendments to IAS 28: Annual Improvements to IFRS Standards 2014-2016 Cycle
 Amendments to IFRS 9: Financial Instruments

Amendments to IFRS 15: Revenue from Contracts with Customers

IASB Effective date is Jan 1, 2019

New pronouncement

Amendments to IFRS 16: Leases

IFRIC interpretation 23: Uncertainty over Income Tax Treatments

Amendments to IFRS 9: Prepayment Features with Negative Compensation

Amendments to IAS 19: Plan Amendment, Curtailment or Settlement

Amendments to IAS 28: Long term interests in Associates and Joint Ventures

Amendments to IFRS 3: Annual Improvements to IFRS Standards 2015-2017 Cycle

Amendments to IFRS 11: Annual Improvements to IFRS Standards 2015-2017 Cycle

Amendments to IAS 12: Annual Improvements to IFRS Standards 2015-2017 Cycle

Amendments to IAS 23: Annual Improvements to IFRS Standards 2015-2017 Cycle

4. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

4.1 Property and equipment

These are stated at cost less accumulated depreciation and impairment, if any. Cost comprises acquisition and other directly attributable costs. Depreciation is charged to the profit and loss account by applying the reducing balance method at the rates specified in note 5. Depreciation on additions is charged from the day in which the asset is put to use and on disposals, up to the day the asset has been in use.

The assets' residual values, useful lives and methods are reviewed, and adjusted if appropriate, at each financial year end. The effect of any adjustment to residual values, useful lives and methods is recognized prospectively as a change of accounting estimate.

An item of property and equipment is derecognized upon disposal or when no future economic benefits are expected from its use or disposal. Any gain or loss arising on de-recognition of the asset is included in the profit and loss account in the year the asset is derecognized.

Maintenance and normal repairs are charged to profit and loss account as and when incurred. Subsequent cost are included in the assets' carrying amount or recognizes as a separate asset, as appropriate, only when it is probable that future economic benefits associated with the item will flow to the entity and its cost can be reliably measured. The carrying amount of the asset replaced is de-recognized.

4.2 Impairment

Financial assets

A financial asset is assessed at each reporting date to determine whether there is any objective evidence that it is impaired. Individually significant financial assets are tested for impairment on an individual basis. The remaining financial assets are assessed collectively in groups that share similar credit risk characteristics. A financial asset is considered to be impaired if objective evidence indicates that one or more events have had a negative effect on the estimated future cash flows of the asset.

Non-financial assets

The carrying amounts of non-financial assets are assessed at each reporting date to ascertain whether there is any indication of impairment. If such an indication exists, the asset's recoverable amount is estimated to determine the extent of impairment loss, if any. An impairment loss is recognized as an expense in the profit and loss account. The recoverable

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amount is the higher of an asset's fair value less cost of disposal and value-in-use. Value-in-use is ascertained through discounting of the estimated future cash flows using a discount rate that reflects current market assessments of the time value of money and the risk specific to the assets. For the purpose of assessing impairment, assets are grouped at the lowest levels for which there are separately identifiable cash flows (cash-generating units).

4.3 Intangibles

These are stated at cost less impairments, if any except LSE room which are stated at revalued amount less subsequent accumulated depreciation and subsequent accumulated impairment losses. The carrying amounts are reviewed at each balance sheet date to assess whether these are recorded in excess of their recoverable amounts, and where carrying value is in excess of recoverable amount, these are written down to their estimated recoverable amount.

4.3.1 Surplus on revaluation of Intangibles

Revaluation surplus is credited to the " revaluation surplus " except to the extent that it reverses a revaluation decrease of the same asset previously recognized in profit and loss account, in which case the increase is recognized in profit and loss account. Upon disposal, any revaluation reserve relating to the particular asset being sold is transferred to unappropriated profit.

This surplus is not free for setting-off or reducing any deficit of the Company. However, it can only be utilized:

- a) To the extent actually realized on disposal of the assets which are revalued;
- b) Setting-off or in diminution of any deficit arising from the revaluation of any other Intangible asset of the Company.

4.4 Cash and cash equivalents

For the purpose of cash flow statement, cash and cash equivalents comprise of cash in hand, balance with banks on current and deposit accounts.

4.5 Revenue recognition

- a) Brokerage income recognized on trade date basis and other income are accrued as and when due.
- b) Dividend income on equity investments is recognized, when the right to receive the same is established.
- c) Unrealized capital gains / (losses) arising from marking to market of investments classified as 'financial assets at fair value through profit or loss - held for trading' are included in profit and loss account in the period in which they arise.

4.6 Provisions

Provisions are recognized when the Company has a present obligation (legal or constructive) as a result of a past event, it is probable that an outflow of resources embodying economic benefits will be required to settle the obligation and a reliable estimate can be made of the amount of the obligation. Provisions are reviewed at each balance sheet date and adjusted to reflect the current best estimate. Where the Company expects some or all of a provision to be reimbursed, the reimbursement is recognized as a separate asset but only when the reimbursement is virtually certain. The expense relating to any provision is presented in the profit and loss account net of any reimbursement.

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4.7 Taxation

4.7.1 Current

Provision of current tax is based on the taxable income for the year determined in accordance with the prevailing law for taxation of income. The charge for current tax is calculated using prevailing tax rates or tax rates expected to apply to the profit for the year if enacted after taking into account tax credits, rebates and exemptions, if any. The charge for current tax also includes adjustments, where considered necessary, to provision for tax made in previous years arising from assessments framed during the year for such years.

4.7.2 Deferred

Deferred tax is accounted for using the balance sheet liability method in respect of all temporary differences arising from differences between the carrying amount of assets and liabilities in the financial statements and the corresponding tax bases used in the computation of the taxable profit. Deferred tax liabilities are generally recognized for all taxable temporary differences and deferred tax assets are recognized to the extent that it is probable that taxable profits will be available against which the deductible temporary differences, unused tax losses and tax credits can be utilized.

Deferred tax is calculated at the rates are expected to apply to the period when the differences reverse based on tax rates that have been enacted or substantively enacted by the balance sheet date. Deferred tax is charged or credited in the profit and loss account, except in the case of items credited or charged to equity in which case it is included in equity.

4.8 Related party transactions

The Company enters into transactions with related parties on an arm's length basis except in extremely rare circumstances where, subject to approval of the Board of Directors, it is in the interest of the Company to do so.

4.9 Financial instruments

4.9.1 Financial assets

The management of the Company determines the appropriate classification of its financial assets (including investments) in accordance with the requirements of International Accounting Standards (IAS) 39: "Financial Instruments Recognition and Measurement", at the time of the purchase and re-evaluates this classification on a regular basis. The Company classifies its financial assets in following categories:

4.9.2 Classification

1) Available-for-sale financial assets

Available-for-sale financial assets are non-derivatives that are either designated in this category or not classified in any of the other categories. They are included in non-current assets unless management intends to dispose of the investments within twelve months from the balance sheet date in response to need for liquidity.

2) Loans and receivables

Loans and receivables are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market. The Company's loans and receivables comprise of trade debts, advances, deposits, cash and bank balances, and other receivables in the balance sheet.

4.9.3 Initial recognition and measurement

Financial assets are initially recognized at fair value plus transaction cost.

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4.9.4 Subsequent measurement

1) Available-for-sale financial assets

After initial recognition, these are stated at fair value (except for unquoted financial assets for which active market does not exist) with any resulting gain or losses being taken directly to statement of other comprehensive income, until the available for sale financial assets are disposed or impaired. At this time, the cumulative gain or loss previously recognized directly in other comprehensive income is reclassified from other comprehensive income to profit or loss as a reclassification adjustment.

Unquoted financial assets (investments), for which active market does not exist and fair value cannot be reasonably calculated, are carried at cost. Impairment in value, if any, is taken to profit and loss account currently.

2) Loans and receivables

Loans and receivables are carried at amortized cost.

4.9.5 Financial liabilities

All financial liabilities are recognized at the time when the Company becomes a party to the contractual provisions of the instrument. A financial liability is derecognized when the obligation under the liability is discharged or cancelled or expired. Financial liabilities include trade and other payables.

4.10 Recognition and de-recognition

All the financial assets and financial liabilities are recognized at the time when the Company becomes party to the contractual provisions of the instrument. Financial assets are derecognized when the Company loses control of the contractual rights that comprise the financial assets. Financial liabilities are derecognized when they are extinguished i.e. when the obligation specified in the contract is discharged, cancelled or expires. Any gain or loss on de-recognition of the financial assets and financial liabilities are taken to accordingly.

4.11 Staff retirement benefits

The Company operates unrecognized provident fund scheme for its employees. Equal monthly contributions are made by the employees and the Company at the rate of 8.33 percent of basic salary.

4.12 Offsetting

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

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5. Property and equipment
Operating fixed assets-Owned

Note	2018	2017
	Rupees	Rupees
5.1	1,798,158	2,213,599

5.1 Reconciliation of the carrying amounts at the end of the year is as follows:

Particulars	Cost			Rate %	Accumulated Depreciation			Carrying amount at June 30, 2018
	As at July 01, 2017	Additions	As at June 30, 2018		As at July 01, 2017	Charge for the year	As at June 30, 2018	
	Rupees-----				Rupees-----			
Furniture and fixtures	667,635	53,850	721,485	15	53,541	94,051	147,592	573,893
Computers	1,170,180	5,000	1,175,180	30	204,782	290,881	495,663	679,518
Office equipments	694,912	12,090	707,002	15	60,805	101,449	162,254	544,748
	2,532,727	70,940	2,603,667		319,128	486,381	805,509	1,798,158

5.2 Reconciliation of the carrying amounts at the beginning of the year is as follows:

Particulars	Cost			Rate %	Accumulated Depreciation			Carrying amount at June 30, 2017
	As at November 29, 2016	Additions	As at June 30, 2017		As at November 29, 2016	Charge for the period	As at June 30, 2017	
	Rupees-----				Rupees-----			
Furniture and fixtures	-	667,635	667,635	15	-	53,541	53,541	614,094
Computers	-	1,170,180	1,170,180	30	-	204,782	204,782	965,399
Office equipments	-	694,912	694,912	15	-	60,805	60,805	634,107
	-	2,532,727	2,532,727		-	319,128	319,128	2,213,599

	Note	2018 Rupees	2017 Rupees
6. Intangible assets			
LSE room	6.1	4,675,000	4,374,500
Trading right entitlement certificate (TREC)	6.2	2,500,000	5,000,000
		<u>7,175,000</u>	<u>9,374,500</u>

- 6.1 This represent cost of offices given by LSE Financial Services Limited with indefinite useful life. These are considered to be indefinite as there is no foreseeable limit on the period during which an entity expects to consume the future economic benefits.

LSE room of the Company is revalued in the financial year ended 30 June, 2018 by independent valuer Al- Wazzan Associates (Private) Limited, the financial statements resulting in surplus of Rs. 300,500/- and forced sale value is Rs.4,675,000.

- 6.2 SECP has approved amendment in PSX Regulation relating to Base Minimum Capital (BMC) Pakistan Stock Exchange through its notification PSX/N-7178 dated November 10, 2017 has informed all TRE Certificate holder, the notional value of transferable TRE Certificate has been reduced from Rs.5.00 million to Rs.2.50 million for the purpose of BMC. The Company has marked lien on TREC in favor of PSX to meet the requirement of Base Minimum Capital (BMC) of the Risk Management Regulation of PSX Rule Book.

7. Long term security deposits			
National clearing company of Pakistan limited (NCCPL)		1,400,000	200,000
Central depository company		100,000	100,000
Pakistan stock exchange (PSX)	7.1	576,909	-
Others		1,500	1,500
		<u>2,078,409</u>	<u>301,500</u>

- 7.1 Paid to Pakistan stock exchange for Base Minimum Capital (BMC) to meet the requirement of the Risk Management Regulation of PSX Rule Book.

8. Long term investment			
Available for sale			
843,975 (2017: Nil) Shares of LSE Financial Services Limited	8.1	<u>14,891,894</u>	-

- 8.1 Long term investment is measured at cost instead of fair value as there is no trading market to trade shares of LSE Financial Services Ltd. Further, at the date of authorization for issue of these financials, Net Asset value per share (NAV) can not be disclosed due to non availability of audited and unaudited financial statements of LSE Financial Services Ltd. However, NAV for the Half-yearly reviewed accounts for the period ended December 31, 2017 is Rs.18.08/-.

- 8.2 Company pledge 843,975/- shares of LSE Financial Services Ltd. against Base Minimum Capital (BMC) to meet the requirement of the Risk Management Regulation of PSX Rule Book having clause 19.2.

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	Note	2018 Rupees	2017 Rupees
9.	Deferred taxation		
	Deferred tax liability on taxable temporary difference arising in respect of:		
	Accelerated tax depreciation on operating fixed assets	(135,927)	-
	Accelerated tax amortization on intangible assets	(215,250)	-
	Deferred tax assets on deductible temporary difference arising in respect of:		
	Un absorbed tax loss	3,917,092	-
	Un-recognized deferred tax assets	<u>3,565,915</u>	<u>-</u>
9.1	Due to uncertainty of availability of future taxable profits for utilization of deferred tax assets, the management has not recognized deferred tax assets amounting to Rs. 3.917 million (2017: Nil) for the year.		
10.	Trade debts		
	Unsecured:		
	- Considered good	10.1 240,798	-
	Receivable from NCCPL	3,128,974	-
	Receivable against margin financing	6,161,402	-
		<u>9,531,173</u>	<u>-</u>
10.1	This amount includes Rs.27,573/- receivable from The Bank of Punjab (a related party).		
		2018 Rupees	2017 Rupees
	Aging Analysis		
	Within 5 days	86,849	-
	Above 5 days	153,949	-
		<u>240,798</u>	<u>-</u>
	Receivables above 5 days net-off collateral (after applying haircut)	<u>142,478</u>	<u>-</u>
10.2	As per clarifications issued by PSX in its notice PSX/N-6741 this information is required as additional disclosure and does not provide accounting treatment hence no provision was recorded.		
11.	Advances, deposits, prepayments and other receivables		
	Advance for shares	-	14,891,894
	Advances to suppliers	430,310	430,310
	Advances to employees	11.1 137,500	-
	Prepayment	3,428	-
	Security deposit	11.2 7,960,120	-
	Accrued markup	159,447	-
		<u>8,690,805</u>	<u>15,322,204</u>

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11.1 This amount receivable from Irfan Aslam (a related party). The maximum amount outstanding at any time during the year calculated by reference to month end balances was Rs. 150,000 (2017: Nil). These are past due more than 3 month and up to 12 months but not impaired.

11.2 This represents deposits with the National Clearing Company of Pakistan Limited and Pakistan Stock Exchange Limited against MTS and exposure.

	Note	2018 Rupees	2017 Rupees
12. Cash and bank balances			
Cash at hand		-	11,412
Cash at bank			
Current accounts:			
Deposits with conventional banks	12.1	11,278,747	17,943,198
Saving account:			
Deposits with Islamic bank	12.2	19,680,357	-
		<u>30,959,104</u>	<u>17,954,610</u>

12.1 The bank balance includes customer's bank balance held in designated bank accounts amounting to Rupees 9.047 million (2017: Nil)

12.2 The balance in saving account bear mark-up at the rate of 3.54 % to 3.94% per annum.

	2018 Rupees	2017 Rupees
13. Share Capital		
Authorized		
20,000,000 (2017: 10,000,000) ordinary shares of Rs.10 each	<u>200,000,000</u>	<u>100,000,000</u>
13.1. Issued, subscribed and Paid up share capital		
7,650,000 (2017: 5,000,000) ordinary shares of Rs.10 each fully paid-up in cash	<u>76,500,000</u>	<u>50,000,000</u>
Opening Balance		
5,000,000 (2017: 5,000,000) ordinary shares of Rs.10 each fully paid-up in cash	50,000,000	50,000,000
Movement during the year		
2,650,000 (2017: Nil) Right shares of Rs.10 each fully paid-up in cash	26,500,000	-
Closing Balance	<u>76,500,000</u>	<u>50,000,000</u>

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13.2. Pattern of share holding

Share holders	Number of shares holder held as at 1 July,2017	% of shares	Right shares issued during the year	Number of shares holder held as at 30 June,2018	% of shares
Zeeshan Yaqoob	1	0%	-	1	0%
Mudassar Kaiser Pal	1	0%	-	1	0%
Maqsood Ahmed	1	0%	-	1	0%
Asim Jahangir Seth	1	0%	-	1	0%
First Punjab Modarba	4,999,994	100%	2,650,000	7,649,994	100%
Muhammad Imran Butt	1	0%	-	1	0%
Arslan Muhammad Iqbal	1	0%	-	1	0%
	<u>5,000,000</u>	<u>100%</u>	<u>2,650,000</u>	<u>7,650,000</u>	<u>100%</u>

14. Trade and other payables

Trade payables	14.1.	9,392,002	-
Others payable	14.2.	876,603	362,627
		<u>10,268,605</u>	<u>362,627</u>

- 14.1. The above balance of Rs.9,392,002/- has been reported under trade date basis while the balance under settlement date basis amounts to Rs. 7,218,757/-.
- This amount includes amount Rs.11,625/- payable to Aamir Malik and Rs.5,126/- to Irfan Aslam (a related party).

14.2. Others payable

Provident fund payable	579,158	186,052
Audit fee payable	100,000	100,000
Others	197,445	76,575
	<u>876,603</u>	<u>362,627</u>

15. Contingencies and commitments

The Company is not exposed to any material contingency and commitments as on reporting date.



		2018	From November 29, 2016 to June 30, 2017
		Rupees	Rupees
16. Operating revenues			
Gross brokerage income	16.1	4,139,067	-
Federal excise duty		(565,872)	-
		<u>3,573,195</u>	<u>-</u>
16.1. Gross brokerage income			
Retail clients		3,674,521	-
Institutional clients		464,546	-
		<u>4,139,067</u>	<u>-</u>
16.2. Turnover			
Retail clients		806,283,331	-
Institutional clients		45,834,583	-
Proprietary trades		-	-
17. Administrative expenses and operating expenses			
Salaries, allowances and other benefits	17.1	5,842,958	3,497,949
Rent, rates and taxes		12,412	-
Repairs and maintenance		151,027	151,358
Utilities		310,547	33,750
Fees & subscription		73,000	319,500
PSX, clearing house and CDC charges, etc.		164,305	-
Insurance charges		84,479	5,879
Travelling and conveyance		13,200	-
Depreciation	5.1	486,381	319,128
Communication, printing and stationery		134,057	153,211
Legal and professional charges		830,140	546,950
Entertainment		67,323	14,253
Commission paid to traders		342,655	-
Auditor remuneration	17.2.	142,000	150,000
Misc. expenses		2,300	-
		<u>8,656,785</u>	<u>5,191,978</u>
17.1	Salaries, wages and other benefits include Rs.196,553/- (2017: Rs. 93,026/-) in respect of provident fund contribution paid by the Company.		
17.2. Auditor Remuneration			
Statutory audit		100,000	100,000
Others		42,000	50,000
		<u>142,000</u>	<u>150,000</u>
18. Other Income			
Income from financial assets			
Profit on bank deposit		390,785	-
Margin finance Income		322,651	-
Margin trading Income		54,263	-
Return on exposure deposit with PSX		128,674	-
Dividend income		421,988	-
		<u>1,318,361</u>	<u>-</u>

		2018	From November 29, 2016 to June 30, 2017
	Note	Rupees	Rupees
19. Finance charges			
Bank charges		5,126	187
FED charges		1,664	212
		<u>6,790</u>	<u>399</u>
20. Taxation			
Current period		55,870	-
Deferred tax	9	-	-
		<u>55,870</u>	<u>-</u>

20.1 Relationship between federal tax expense and accounting profit

In view of available income tax losses, provision for current taxation for the period ended June 30, 2018 is based on "Minimum Tax" u/s 113 of Income Tax Ordinance, 2001, there was no relationship between aggregate tax expense and accounting profit. Owing to accounting and tax losses and charging minimum tax, the reconciliation of average effective tax rate with applicable tax rate is not given.

21. Remuneration of Chief executive, Director and Executives

The aggregate amount charged in the financial statements for the year for remuneration, including all benefits, to the Chief Executive, Director and Executives of the Company are as follows:

	Chief Executive	
	2018	2017
	Rupees	Rupees
Managerial remuneration	2,400,000	2,420,956
Other benefits	888,209	611,956
Provident fund	124,950	93,026
	<u>3,413,159</u>	<u>3,125,938</u>
No. of persons	<u>1</u>	<u>1</u>

- 21.1 No remuneration is paid to any Director other than Chief Executive and no employee fall under the definition of Executive.

22. Related party transaction

The related parties comprise parent, Key management personnel, directors and post employment benefit plans. The Company in the normal course of business carries out transactions with various related parties. Amounts due from and to related parties are shown under respective notes of these financials statement. Other significant transactions with related parties are as follows:

Relationship with the Company	Nature of transactions	2018	2017
		Rupees	Rupees
Parent Company	Preliminary expenses	-	4,987,863
	Right share issued	26,500,000	-
Other related parties	Brokerage income	387,972	-
Key management personnel	Brokerage income	33,006	-

- 22.1 For remuneration and other benefits of Chief Executive, refer note 21.

23. Financial instruments and related disclosures

23.1 Maturities of financial assets and liabilities

As At June 30, 2018

	Mark-up bearing maturity				Non-mark-up bearing maturity				
	Upto one year	Over one year upto five years	Over five years	Sub-total	Upto one year	Over one year upto five years	Over five years	Sub-total	Total
	-----Rupees-----								
Financial assets									
Long term security deposits	-	-	-	-	-	-	2,078,409	2,078,409	2,078,409
Trade debts	-	-	-	-	9,531,173	-	-	9,531,173	9,531,173
prepayments and other receivables	7,960,120	-	-	-	730,685	-	-	730,685	8,690,805
Long term investment	-	-	-	-	-	-	14,891,894	14,891,894	14,891,894
Cash and bank balances	19,680,357	-	-	19,680,357	11,278,747	-	-	11,278,747	30,959,104
	<u>27,640,477</u>	<u>-</u>	<u>-</u>	<u>19,680,357</u>	<u>21,540,605</u>	<u>-</u>	<u>16,970,303</u>	<u>38,510,908</u>	<u>66,151,385</u>
Financial liabilities									
On balance sheet									
Trade and other payables	-	-	-	-	10,268,605	-	-	10,268,605	10,268,605
	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>10,268,605</u>	<u>-</u>	<u>-</u>	<u>10,268,605</u>	<u>10,268,605</u>
Off balance sheet									
	-	-	-	-	-	-	-	-	-
	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>10,268,605</u>	<u>-</u>	<u>-</u>	<u>10,268,605</u>	<u>10,268,605</u>

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As At June 30, 2017

	Mark-up bearing maturity				Non-mark-up bearing maturity				
	Upto one year	Over one year upto five years	Over five years	Sub-total	Upto one year	Over one year upto five years	Over five years	Sub-total	Total
	Rupees-----								
Financial assets									
Long term security deposits	-	-	-	-	-	-	301,500	301,500	301,500
prepayments and other receivables	-	-	-	-	-	-	-	-	15,322,204
Cash and bank balances	-	-	-	-	17,954,610	-	-	17,954,610	17,954,610
	-	-	-	-	33,276,814	-	301,500	18,256,110	33,578,314
Financial liabilities									
On balance sheet									
Trade and other payables	-	-	-	-	362,627	-	-	362,627	362,627
	-	-	-	-	362,627	-	-	362,627	362,627
Off balance sheet	-	-	-	-	362,627	-	-	362,627	362,627
	-	-	-	-					0

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23.2 Interest / mark-up rate risk

Interest / mark-up rate risk is the risk that value of a financial instrument or future cash flows of a financial instrument will fluctuate due to changes in the market interest / mark-up rates. Sensitivity to interest / mark up rate risk arises from mismatches of financial assets and liabilities that mature or re-price in a given period. The Company manages these mismatches through risk management strategies where significant changes in gap position can be adjusted. The Company is not exposed to any short term borrowing arrangements having variable rate pricing.

23.3 Liquidity risk

Liquidity risk is the risk that the Company will not be able to meet its financial obligations as they fall due. Prudent liquidity risk management implies maintaining sufficient cash & cash equivalents and marketable securities and the ability to close out market positions due to dynamic nature of the business. Currently, there is no liquidity risk.

23.4 Credit risk

Credit risk is the risk of financial loss to the Company if a counterparty to a financial instrument fails to meet its contractual obligations. Company believes that it is not exposed to major concentration of credit risk. To manage exposure to credit risk, Company applies credit limits and deal with credit worthy parties. It makes full provision against those balances considered doubtful and by dealing with variety of major banks and financial institutions.. The Company is not materially exposed to credit risk.

The credit quality of financial assets that are neither past due nor impaired can be assessed by reference to external credit ratings or to historical information about counterparty default rate. The table below shows the bank balances held with some major counterparties at the balance sheet date:

Banks	Rating			2018	2017
	Short term	Long term	Agency	Rupees	Rupees
Bank Alfalah Ltd.	A1+	AA+	PACRA	11,122,970	17,943,198
Bank AL Habib Ltd.	A1+	AA+	PACRA	19,836,134	-

23.5 Fair values of financial instruments

Fair value is the amount for which an asset could be exchanged, or a liability settled, between knowledgeable, willing parties in an arm's length transaction. The estimated fair values of all the financial assets and liabilities are not materially different from their book values as at the balance sheet date.

Level 1: quoted (unadjusted) prices in active markets for identical assets or liabilities

Level 2: other techniques for which all inputs which have a significant effect on the recorded fair value are observable either, directly or indirectly

Level 3: techniques which use inputs that have a significant effect on the recorded fair value that are not based on observable market data

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The following table presents the Company's assets and liabilities that are measured at fair value as at June 30, 2018:

Assets	Level 1	Level 2	Level 3
Non-financial assets			
Intangible assets			
LSE room	-	4,675,000	-

The Company obtains independent valuations for LSE room . At the end of each reporting period, the management updates its assessment of the fair value of each asset mentioned above, taking into account the most recent independent valuation. The management determines an asset's value within a range of reasonable fair value estimates. Level 2 fair value of LSE room has been derived using a sales comparison approach. Sale prices of comparable land in close proximity are adjusted for differences in key attributes such as location, frontage and size of the property. The most significant input into this valuation approach is price per square feet.

23.6 Foreign exchange 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 sales, purchases and resulting balances that are denominated in a currency other than functional currency. The Company is currently not exposed to foreign exchange risk.

23.7 Capital Risk Management

The Company's prime objective when managing capital is to safeguard its ability to continue as a going concern in order to provide adequate returns for shareholders and benefits for other shareholders and to maintain an optimal capital structure to reduce the cost of capital. Currently, the Company has zero borrowing at balance sheet thus minimizing the gearing ratio.

24. Provident fund and related disclosures

The following information is based on latest unaudited financial statements of the Fund as on 30th June:

	2018 Rupees	2017 Rupees
Size of the fund	579,158	186,052
Cost of investments made	-	-
Percentage of investments made	-	-
Fair value of investments	-	-

The investments out of the provident fund have not been made in accordance with the provisions of Section 218 of the Companies Act, 2017 and rules formulated for this purpose.

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25. **No. of employees**

The total and average number of employees respectively are as follows:

	2018 Number	2017 Number
Number of employees	10	4
Average number of employees	7	4

26. **Date of authorization**

These financial statements have been authorized for issue by the Board of Directors of the Company on 04-10-2018

27. **General**

27.1 Figures have been rounded off to the nearest rupees.

27.2 **Corresponding Figures**

Corresponding figures have been re-arranged and re-classified, wherever necessary, for the purposes of comparison effect of which is not material.

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CHIEF EXECUTIVE OFFICER



DIRECTOR