

**PUNJAB CAPITAL SECURITIES
(PRIVATE) LIMITED**

FINANCIAL STATEMENTS

FOR THE YEAR ENDED

JUNE 30, 2017

AUDITORS' REPORT TO THE MEMBERS


We have audited the annexed balance sheet of **PUNJAB CAPITAL SECURITIES (PRIVATE) LIMITED** as at June 30, 2017 and the related statement of comprehensive income, cash flow statement and statement of changes in equity together with the notes forming part thereof, for the year then ended 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 our audit.

It is the responsibility of the company's management to establish and maintain a system of internal control, and prepare and present the above said statements in conformity with the approved accounting standards and the requirements of the Companies Ordinance, 1984. Our responsibility is to express an opinion on these statements based on our audit.

We conducted our audit in accordance with the auditing standards as applicable in Pakistan. These standards require that we plan and perform the audit to obtain reasonable assurance about whether the above said statements are free of any material misstatement. An audit includes examining on a test basis, evidence supporting the amounts and disclosures in the above said statements. An audit also includes assessing the accounting policies and significant estimates made by management, as well as, evaluating the overall presentation of above said statements. We believe that our audit provides a reasonable basis for our opinion and after due verification, we report that:

- (a) in our opinion, proper books of accounts have been kept by the Company as required by the Companies Ordinance, 1984;
- (b) in our opinion:
 - (i) the balance sheet and statement of comprehensive income together with the notes thereon have been drawn up in conformity with the Companies Ordinance, 1984, and are in agreement with the books of account and are further in accordance with accounting policies consistently applied;
 - (ii) the expenditure incurred during the year was for the purpose of the Company's business; and
 - (iii) the business conducted, investments made and the expenditure incurred during the year were in accordance with the objects of the Company;
- (c) in our opinion and to the best of our information and according to the explanations given to us, the balance sheet, statement of comprehensive income, statement of changes in equity and cash flow statement together with the notes forming part thereof conform with approved accounting standards as applicable in Pakistan, and give the information required by the Companies Ordinance, 1984, 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, 2017 and of the loss and its total comprehensive income, its cash flows and changes in equity for the year then ended; and
- (d) in our opinion, no Zakat was deductible at source under the Zakat and Ushr Ordinance, 1980.

Lahore : **04 OCT 2017**


Chartered Accountants
Muhammad Ali Rafique

PUNJAB CAPITAL SECURITIES (PRIVATE) LIMITED
BALANCE SHEET
AS AT JUNE 30, 2017

	Note	2017 Rupees
<u>ASSETS</u>		
NON - CURRENT ASSETS		
Property and Equipment	4	2,213,599
Cards and rooms	5	9,374,500
Long term security deposits	6	300,000
		<u>11,888,099</u>
CURRENT ASSETS		
Advances and deposits	7	15,323,704
Income tax refund due from Government		3,837
Cash and bank balances	8	17,954,610
		<u>33,282,151</u>
TOTAL ASSETS		<u><u>45,170,250</u></u>
<u>EQUITY AND LIABILITIES</u>		
SHARE CAPITAL AND RESERVES		
Share capital	9	50,000,000
Accumulated loss		(5,192,377)
		<u>44,807,623</u>
CURRENT LIABILITIES		
Accrued and other liabilities	10	362,627
CONTINGENCIES AND COMMITMENTS		
	11	-
TOTAL EQUITY AND LIABILITIES		<u><u>45,170,250</u></u>

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The annexed notes from 1 to 20 form an integral part of these financial statements.


CHIEF EXECUTIVE OFFICER


DIRECTOR

PUNJAB CAPITAL SECURITIES (PRIVATE) LIMITED
STATEMENT OF COMPREHENSIVE INCOME
FOR THE PERIOD FROM NOVEMBER 29, 2016 TO JUNE 30, 2017

		From November 29, 2016 to June 30, 2017
	<i>Note</i>	<i>Rupees</i>
Operating and administrative expenses	12	(5,191,978)
Operating loss		(5,191,978)
Finance charges		(399)
Net loss before taxation		(5,192,377)
Provision for taxation		-
Net loss after taxation		(5,192,377)
Other comprehensive income for the period		-
Total comprehensive income for the period		(5,192,377)

The annexed notes from 1 to 20 form an integral part of these financial statements.


 CHIEF EXECUTIVE OFFICER


 DIRECTOR

PUNJAB CAPITAL SECURITIES (PRIVATE) LIMITED
CASH FLOW STATEMENT
FOR THE PERIOD FROM NOVEMBER 29, 2016 TO JUNE 30, 2017

From November 29,
2016 to June 30,
2017
Rupees

CASH FLOWS FROM OPERATING ACTIVITIES

Net loss before taxation (5,192,377)

Adjustments for non-cash charges and other items:

Depreciation 319,128

Financial charges 399

Operating loss before working capital changes (4,872,850)

Effect on cashflow due to Working capital changes

(Increase) in current assets

Advances and deposits (15,323,704)

Increase in current liabilities

Accrued and other liabilities 362,627

Cash flows from operations

(19,833,927)

Income tax paid (3,837)

Financial charges (399)

Net cash (used in) operating activities (19,838,163)

CASH FLOWS FROM INVESTING ACTIVITIES

Purchase of operating fixed assets (2,532,727)

Purchase of cards and rooms (9,374,500)

Security deposit (300,000)

Net cash (used in) investing activities (12,207,227)

CASH FLOWS FROM FINANCING ACTIVITIES

Share capital issued 50,000,000

Net cash flow generated from financing activities 50,000,000

Net increase in cash and cash equivalents 17,954,610

Cash and cash equivalents at the beginning of the period -

Cash and cash equivalents at the end of the period 17,954,610

The annexed notes from 1 to 20 form an integral part of these financial statements.


CHIEF EXECUTIVE OFFICER


DIRECTOR

PUNJAB CAPITAL SECURITIES (PRIVATE) LIMITED
STATEMENT OF CHANGES IN EQUITY
FOR THE PERIOD FROM NOVEMBER 29, 2016 TO JUNE 30, 2017

	Issued, Subscribed and paid-up capital	Accumulated loss	Total
		<i>Rupees</i>	
Capital 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	<u>50,000,000</u>	<u>(5,192,377)</u>	<u>44,807,623</u>

The annexed notes from 1 to 20 form an integral part of these financial statements.


CHIEF EXECUTIVE OFFICER


DIRECTOR

PUNJAB CAPITAL SECURITIES (PRIVATE) LIMITED
NOTES TO THE FINANCIAL STATEMENTS
FOR THE PERIOD FROM NOVEMBER 29, 2016 TO JUNE 30, 2017

1. INTRODUCTION

The Punjab Capital Securities (Private) Limited ("the Company") is registered under the Companies Ordinance, 1984 as company limited by shares from 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, LSE Building, Lahore.

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

2. BASIS OF PREPARATION

These financial statements have been prepared to comply with the requirements of the Companies Ordinance, 1984.

2.1 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 Ordinance, 1984. 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 Ordinance, 1984, the requirements of the Companies Ordinance, 1984 and the directives issued by the Securities and Exchange Commission of Pakistan (SECP). Wherever, the requirements of the Companies Ordinance, 1984 or directives issued by the SECP differ with the requirements of these IFRS, the requirements of the Companies Ordinance, 1984 or the requirements of the said directives take precedence.

2.2 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.

2.3 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 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.

2.4 Functional and presentation currency

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

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

2.5.1. Amendments to approved accounting standards and an interpretation which became effective during the year ended June 30, 2017

There were certain amendments to the approved accounting standards and a new interpretation issue by International Financial Reporting Interpretations Committee (IFRIC) which became effective during the year but are considered not to be relevant or have any significant effect on the Company's operations and are, therefore, not disclosed in these financial statements.

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

There are certain new standards and amendments to the approved accounting standards which will be effective for the Company for annual periods beginning on or after July 1, 2016 but are considered not to be relevant or are expected to have any significant effect on the Company's operations and are, therefore, not disclosed in these financial statements.

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

3.1 Property and equipment

These are stated at cost less accumulated depreciation and impairment, if any. Depreciation is charged on reducing balance method at the rates specified in note 4. 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 statement of comprehensive income in the year the asset is derecognized.

Maintenance and normal repairs are charged to statement of comprehensive income as when incurred. Major renewals and improvements are capitalized and the assets so replace, if any, are retired.

3.2 Impairment of assets

The carrying amounts of the Company's assets are reviewed at each balance sheet date to determine whether there is any indication of impairment loss. If such indication exists, the recoverable amount of such asset is estimated. An impairment loss is recognized whether the carrying amount of the asset exceeds its recoverable amount. Impairment losses are recognized in statement of comprehensive income. A previously recognized impairment loss is reversed only if there has been a change in the estimates used to determine the asset's recoverable amount since the last impairment loss has recognized. If that is the case, the carrying amount of the asset is increased to its recoverable amount. That increased amount cannot exceed the carrying amount that would have been determined, net of depreciation, had no impairment loss been recognized for the asset in prior years. Such reversal is recognized in statement of comprehensive income.

3.3 Cards and Rooms

These are stated at cost less impairments, if any. 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.

3.4 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 and short term running finance account.

3.5 Provisions

Provisions are recognized when the Company has a present legal or constructive obligation as a result of past events, it is probable that an outflow of resources will be required to settle the obligation, and a reliable estimate of the amount can be made.

3.6 Taxation

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.

3.7 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.

3.8 Financial instruments

Financial assets

Significant financial assets include advances, receivables and cash & bank balances. Finances and receivables from clients are stated at their nominal value as reduced by provision for doubtful finances and receivable, while other financial assets are stated at cost.

Financial liabilities

Financial liabilities are classified according to the substance of the contractual arrangements entered into. Significant financial liabilities include short and long term finances, lease finances, interest and mark up accrued and trade and other payables. Markup based financial liabilities are recorded at gross proceeds received. Other liabilities are stated at their nominal value.

Recognition and derecognition

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 derecognition of the financial assets and financial liabilities is taken to income currently.

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.

4. Property and Equipment

Particulars	Cost			Rate %	Accumulated Depreciation		Written down value as at June 30, 2017
	As at November 29, 2016	Additions during the year	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	614,094
Computers	-	1,170,180	1,170,180	30	-	204,782	965,399
Office equipments	-	694,912	694,912	15	-	60,805	634,107
2017	-	2,532,727	2,532,727		-	319,128	2,213,599

for

		2017
	Note	Rupees
5. Cards and rooms		
LSE room		4,374,500
Trading Right Entitlement Certificate(TREC)		5,000,000
		<u>9,374,500</u>
6. Long term security deposits		
National Clearing Company of Pakistan Limited		200,000
Central Depository Company		100,000
		<u>300,000</u>
7. Advances and deposits		
Advance for shares	7.1	14,891,894
Advances to suppliers		430,310
Security deposit		1,500
		<u>15,323,704</u>
7.1	This advance is against purchase of shares of LSE Financial Services Limited.	
8. Cash and bank balances		
Cash at hand		11,412
Cash at bank		
Current account		17,943,198
		<u>17,954,610</u>
9. Share Capital		
Authorized		
10,000,000 Ordinary shares of Rs.10 each		<u>100,000,000</u>
Issued,subscribed and Paid up		
5,000,000 Ordinary shares of Rs.10 each fully paid-up in Cash		<u>50,000,000</u>
10. Accrued expenses		
Accrued liabilities		76,575
Provident fund payable		186,052
Audit fee payable		100,000
		<u>362,627</u>
11. Contingencies and commitments		
There are no material contingencies and commitments at the balance sheet date.		



From November
29, 2016 to June
30, 2017
Rupees

Note

12. Operating and administrative expenses

Salaries, allowances and benefits		3,404,923
Provident fund		93,026
Internet charges		4,000
Communication charges		101,851
Courier charges		761
Utility charges		27,950
Printing and stationary		46,599
Fee and subscription		319,500
Kitchen expense		10,153
Entertainment		4,100
Repair and maintenance		146,558
Legal and professional		546,950
Auditor's remuneration	12.1	150,000
Water charges		5,800
Depreciation expense	4	319,128
Insurance charges		5,879
Computer printer maintenance		4,800
		<u>5,191,978</u>

12.1 Auditor's remuneration

Statutory audit	100,000
Others	50,000
	<u>150,000</u>

13. 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	Executives	Total
	Rupees		
Managerial remuneration	2,420,956	959,067	3,380,023
Provident fund	93,026	-	93,026
	<u>2,513,982</u>	<u>959,067</u>	<u>3,473,049</u>
No. of persons	<u>1</u>	<u>2</u>	<u>3</u>

13.1 No remuneration is paid to any Director other than Chief Executive.

14. Related party transaction

The related parties comprise parent, associates, 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	2017
		Rupees
Parent Company	Preliminary expenses	4,987,863
Provident fund	Employer contribution	93,026
	Employee contribution	93,026

for

15. Financial instruments and related disclosures
15.1 Maturities of financial assets and liabilities

As At June 30, 2017

	Mark-up bearing maturity				Non-mark-up bearing maturity				
	L upto one year	Over one year upto five years	Over five years	Sub-total	L upto one year	Over one year upto five years	Over five years	Sub-total	Total
Rupees									
Financial assets									
Long term security deposits	-	-	-	-	-	-	300,000	300,000	300,000
Advances and deposits	-	-	-	-	-	3,837	-	3,837	3,837
Income tax refund due from Government	-	-	-	-	-	-	-	-	-
Cash and bank balances	-	-	-	-	17,954,610	-	-	17,954,610	17,954,610
	-	-	-	-	17,954,610	3,837	300,000	18,258,447	18,258,447
Financial liabilities									
On balance sheet									
Accrued and other liabilities	-	-	-	-	362,627	-	-	362,627	362,627
	-	-	-	-	362,627	-	-	362,627	362,627
Off balance sheet	-	-	-	-	362,627	-	-	362,627	362,627

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15.2 Interest rate risk

Interest rate risk is the risk that the fair value or future cash flows of a financial instrument will fluctuate because of changes in market interest rates. The Company's income and operating cash flows are dependent on changes in market interest rates to the extent of Company's investment in interest-bearing assets. There is no interest rate risk because there is no interest bearing financial assets.

15.3 Liquidity risk

Liquidity risk is the risk that the Company will be unable to meet its net funding requirements. To guard against this risk the Company has formulated policies to maintain healthy balance of cash and cash equivalents. Cuurently, there is no liquidity risk.

15.4 Credit risk

Credit risk is the risk that one party to a financial instruments will fail to discharge an obligation and cause the other party to incur a financial loss. The Company is not materially exposed to credit risk.

15.5 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.

15.6 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.

15.7 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.



16. Provident fund and related disclosures

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

	2017 Rupees
Size of the fund	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 227 of the Companies Ordinance, 1984 and rules formulated for this purpose.

17. No. of employees

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

	2017 Number
Number of employees	4
Average number of employees	4

18. Comparative figures

Comparison of figures with last year is not shown because the Company was incorporated on November 29, 2016.

19. Date of authorization

These financial statements have been authorized for issue by the Board of Directors of the Company on Oct 04, 2017.

20. General

Figures have been rounded off to the nearest rupees.

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CHIEF EXECUTIVE OFFICER


DIRECTOR