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PUNJAB CAPITAL SECURITIES (PRIVATE) LIMITED

FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2019

EY Ford Rhodes
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Punjab Capital Securities (Pvt.) Limited

(The Guardian of Your Investment)

A Group Company
of the Bank Of Punjab

Director's Report

On behalf of the Board of Directors of the Company, it gives me immense pleasure to present the Annual Report of the Company for the year ended June 30, 2019 together with the audited financial statements.

During the year under consideration, the Board of Directors comprised following directors:

Name	Designation
Mr. Asim Jahangir Seth	Chairman / Non-Executive Director
Muhammad Imran Butt	CEO / Executive Director
Mr. Maqsood Ahmad	Non-Executive Director
Mr. ArslanMuhammad Iqbal	Non-Executive Director
Mr. Mudassar Kaiser Pal	Non-Executive Director
Mr. ZeeshanYaqoob	Non-Executive Director

Business Environment

The outgoing fiscal year started with burgeoning macroeconomic imbalances alongside being an election year. The current political setup came into power after the general elections held on July 25, 2018. While the initiatives of the new government seemed to serve a noble cause, the seemingly haphazard approach to policy making and implementation created a tense environment for all stakeholders of the economy and the economic indicators worsened further before showing signs of improvement. The external account deterioration was the immediate challenge before the new government where foreign exchange reserves depleted to as low as USD13.8 billion by December 2018 including USD7.2 billion held by the SBP that were enough to cover only 1.5 months of the country's imports. PKR that succumbed to external pressures, continued its weakness against the USD from December 2017 and depreciated further by 31.7% during the period under review. Current Account of Balance of Payments posted a deficit of USD13.5 billion compared to a deficit of USD19.9 billion during the previous year. Major improvements in Current Account were seen during the second half of the period under review.

On the monetary front, continuing with a hawkish monetary policy stance, SBP raised the Policy Rate by 575bps to 12.25% by the end of FY19 in order to counter inflationary expectations. Interest rates were raised further by 100bps in the subsequent Monetary Policy announcement taking the real interest rate at around 3.25%. In total interest rates have been increased by 750bps since January 2018.

Inflationary pressures further surged during the period under review with average annual inflation during the year increasing to 7.4% compared to 3.9% a year ago. Monthly inflation made a high of 9.4% in March 2019, which subsequent to year-end has entered the double-digit territory. Key culprits include higher food, energy and utilities' prices where gas and electricity prices have witnessed a major surge.

Stock Market

The benchmark KSE100 index during the outgoing fiscal year remained extremely volatile dictated by uncertain macroeconomic and political environment of the country and eventually closed the year on a negative note losing 8,009 points to close at 33,902 points, a decline of 19.1%, In USD terms, the KSE100 Index posted a negative return of 39.6%. The KSE100 index made a high of 43,557 as the PTI's victory was announced in the general elections held on July 25, 2018. However, the delays in policymaking, rising interest rates, and frequent devaluations put the index in a downward spiral with some bounce-backs on developments like foreign assistance, but those too remained short-lived. During the year, PSX managed to keep its place in the MSCI Emerging Market index despite the majority of the constituent stocks falling short of criteria. Foreigners remained net sellers with a net outflow of USD356 million. The selling of foreigners was mainly absorbed by individual investors followed by insurance companies. Apart from Textiles, all major sectors dragged the index performance. As far as trading activity is concerned, the average daily turnover of shares fell to 155 million during the period under review compared to 175 million of the previous year and the average traded value declined 21.9% to PKR6,359 million compared to PKR8, 141 million.

Financial Performance

	2019 (Rupees)	2018(Rupees)
Operating Revenue	9,753,404	3,573,195
Other Income	4,196,385	1,318,361
Administrative & Other Expenses	(12,976,307)	(8,656,785)
Profit/(Loss) before tax	964,729	(6,272,019)
Profit/(Loss) After Tax	795,940	(6,327,888)
Earnings Per Share	0.10	(1.32)
Earnings Per Share (diluted)	0.10	(2.21)

During the financial year, The Company earned the Operative revenue of Rs. 9,753,404/- in year ended June 30, 2019 as compared to Rs. 3,573,195 in the corresponding year. A profit after tax of Rs.795,940/- was posted as compared to loss after tax of Rs.6,327,888/- in the same period for year ended June 30, 2018. Brokerage income was increased by 273% as compared last year in the dull market scenario and administration expenses increased by 150% as it as first full financial year of the company after start of its operations.

Pattern of Share Holding

Share Holders	Number of Shareholders as at June 30, 2019	%age of shares
Mr. Asim Jahangir Seth	1	0.00001%
Muhammad Imran Butt	1	0.00001%
Mr. Maqsood Ahmad	1	0.00001%
Mr. ArslanMuhammad Iqbal	1	0.00001%

Mr. Mudassar Kaiser Pal	1	0.00001%
Mr. ZeeshanYaqoob	1	0.00001%
First Punjab Modaraba	7,649,994	99.99994%
TOTAL	**7,650,000**	

The directors own the qualifying shares only which are mandatory under the regulatory framework of the Company.

Corporate and Financial Frame Work

The Directors are pleased to report that:

1. The financial statements, prepared by the Management of the company, present fairly its state of affairs, the result of its operations, cash flows and changes in equity.
2. Proper books of account of the company have been maintained.
3. Appropriate accounting policies have been consistently applied in preparation of the financial statements except for changes resulting on initial application of standards and amendments or interpretations to existing standards accounting estimate are based on reasonable prudent judgment.
4. International Financial reporting standards, as applicable in Pakistan, have been followed in preparation of the financial statements and any departures have been adequately disclosed.
5. The system of internal control is sound in design and has been effectively implemented and monitored.
6. There is no significant doubt upon the company's ability to continue as going concern.
7. There are no transactions entered into by the company during the year which are fraudulent, illegal, or in violation of any securities market law.
8. There is no material departure from the best practices of corporate governance.

Future Outlook

The future direction of Pakistan's equities market is largely dependent on the overall macroeconomic performance of the country and the decision by the FATF regarding placement of Pakistan in Grey or Black List. Although investors' sentiments have greatly improved subsequent to the period under review with expectations of peaking of interest rates and visible improvements in the external account position, going forward however, fiscal performance in terms of meeting the ambitious revenue collection target would be the key element in driving inflation, growth and interest rates.

Going forward, your Company aims at achieving a long-term sustainable growth through optimization of business strategies across its business lines in equities brokerage. On our brokerage side we are continuously in the process of building a solid clientele base by adding the new high worth clients. The process of controlling and monitoring the expenses will remain one of our top priorities. The Company is foreseeing more market share. INSHA ALLAH, we are going to expand our branch network in the metropolitan cities like Karachi, Islamabad and Faisalabad.

Appreciation and Acknowledgements

The Board of Directors of Punjab Capital Securities (Private) Limited would like to thank the Pakistan Stock Exchange, the Securities & Exchange Commission of Pakistan and other regulatory bodies for their continuous support, all shareholders and clients of the company for their trust, and our employees for their continuous dedication and commitment.

Muhammad Imran Butt

(CEO/ Director)

October 07, 2019

EY
Building a better working world

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INDEPENDENT AUDITOR'S REPORT

To the Members Of Punjab Capital Securities (Private) Limited

Report on the Audit of the Financial Statements as at 30 June 2019

Opinion

We have audited the annexed financial statements of **Punjab Capital Securities (Private) Limited**, which comprise the statement of financial position as at 30 June 2019, and the the statement of comprehensive income, the statement of changes in equity for the year then ended, the statement of cash flows, 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 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 2019 and total 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 Directors' report, but does not include the financial statements and our auditors' 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 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 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).

Other Matters

The financial statements for the year ended 30 June 2018 were audited by another firm of chartered accountants. The audit report dated 04 October 2018 expressed an unmodified opinion.

The engagement partner on the audit resulting in this independent auditor's report is Farooq Hameed.

EY Ford Rhodes

EY Ford Rhodes
Chartered Accountants
Lahore: 29 October 2019

PUNJAB CAPITAL SECURITIES (PRIVATE) LIMITED
STATEMENT OF FINANCIAL POSITION
AS AT 30 JUNE 2019

	Note	2019 Rupees	2018 Rupees
ASSETS			
Non current assets			
Property and equipment	5	**1,465,449**	1,798,159
Intangible assets	6	**7,140,225**	7,175,000
Long term investments	7	**19,155,066**	14,891,894
Long term security deposits	8	**2,078,409**	2,078,409
Deferred tax asset	9	**-**	-
		29,839,149	25,943,462
Current assets			
Trade receivables	10	**6,535,096**	9,531,173
Advances, prepayments and other receivables	11	**10,527,878**	8,690,805
Tax refund due from Government		**1,726,020**	480,166
Cash and bank balances	12	**34,695,271**	30,959,104
		53,484,265	49,661,248
Total assets		**83,323,414**	75,604,710
EQUITY AND LIABILITIES			
Share capital and reserves			
Share capital	13	**76,500,000**	76,500,000
Revaluation surplus		**-**	300,500
Fair value reserve		**4,263,172**	-
Accumulated losses		**(10,724,325)**	(11,520,265)
Equity		**70,038,847**	65,280,235
Current liabilities			
Trade and other payables	14	**13,059,908**	10,268,605
Provision for taxation		**224,659**	55,870
		13,284,567	10,324,475
Total liabilities		**13,284,567**	10,324,475
Total equity and liabilities		**83,323,414**	75,604,710
Contingencies and commitments	15		

The annexed notes from 1 to 26 form an integral part of these financial statements.

CHIEF EXECUTIVE

DIRECTOR

PUNJAB CAPITAL SECURITIES (PRIVATE) LIMITED
STATEMENT OF COMPREHENSIVE INCOME
FOR THE YEAR ENDED 30 JUNE 2019

	Note	2019 Rupees	2018 Rupees
Revenue from contract with customers	16	9,753,404	3,573,195
Administrative and operating expenses	17	(12,976,307)	(8,656,784)
Operating Loss		(3,222,903)	(5,083,589)
Other income	18	4,196,385	1,318,361
Impairment loss on TREC	6.2	-	(2,500,000)
Finance cost	19	(8,753)	(6,790)
Profit / (Loss) before tax		964,729	(6,272,018)
Tax	20	(168,789)	(55,870)
Profit / (Loss) for the year		795,940	(6,327,888)
Other comprehensive income			
Other comprehensive income that will not be reclassified to profit or loss in subsequent periods			
Revaluation surplus		-	300,500
Gain on equity instrument designated at fair value through other comprehensive income		837,362	-
Total comprehensive income for the year		1,633,302	(6,027,388)

The annexed notes from 1 to 26 form an integral part of these financial statements.

CHIEF EXECUTIVE

DIRECTOR

PUNJAB CAPITAL SECURITIES (PRIVATE) LIMITED
STATEMENT OF CHANGES IN EQUITY
FOR THE YEAR ENDED 30 JUNE 2019

	Issued, subscribed and paid-up capital	Capital Reserve			Revenue reserve	Total Equity
		Share deposit money	Fair value reserve	Revaluation surplus	Accumulated (loss)	
	Rupees	Rupees	Rupees	Rupees	Rupees	Rupees
Balance as at July 01, 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)
Other comprehensive income	-	-	-	-	-	-
Total comprehensive income	-	-	-	-	(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
Effect of application of change in accounting policy resulting from adoption of IFRS 9 - (note 3.1)	-	-	3,425,810	-		3,425,810
Balance as on 1 July 2018 - restated	**76,500,000**	**-**	**3,425,810**	**300,500**	**(11,520,265)**	**68,706,045**
Reversal of revaluation surplus on LSE room	**-**	**-**	**-**	**(300,500)**	**-**	**(300,500)**
Profit for the year	**-**	**-**	**-**	**-**	**795,940**	**795,940**
Other comprehensive income	**-**	**-**	**837,362**	**-**	**-**	**837,362**
Total comprehensive income	**-**	**-**	**837,362**	**-**	**795,940**	**1,633,302**
Balance as at June 30, 2019	**76,500,000**	**-**	**4,263,172**	**-**	**(10,724,325)**	**70,038,847**

The annexed notes from 1 to 26 form an integral part of these financial statements.

CHIEF EXECUTIVE

DIRECTOR

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

	Note	2019	2018
		Rupees	Rupees
CASH FLOWS FROM OPERATING ACTIVITIES			
Profit / (Loss) before taxation		**964,729**	(6,272,019)
Adjustments for non-cash charges and other items:			
Depreciation	5	**374,060**	486,381
Accrued markup	11	**(390,129)**	(159,447)
Impairment of TREC		-	2,500,000
Dividend income		**(421,988)**	(421,988)
Financial charges	19	**8,753**	6,790
Operating Profit / (loss) before working capital changes		**535,425**	(3,860,283)
Working capital adjustments			
(Increase) / decrease in current assets			
Advances, prepayments and other receivables	11	**(1,446,944)**	6,790,846
Trade receivables	10	**2,996,077**	(9,531,173)
		1,549,133	(2,740,327)
Increase in current liabilities			
Trade and other payables	14	**2,791,303**	9,905,978
Cash flows from operations		**4,875,861**	3,305,368
Income tax paid		**(1,245,854)**	(476,329)
Financial charges paid		**(8,753)**	(6,790)
Dividend income received		**421,988**	421,988
Net cash generated from operating activities		**4,043,242**	3,244,237
CASH FLOWS FROM INVESTING ACTIVITIES			
Payment for acquisition of property and equipment	5	**(41,350)**	(70,940)
Intangible assets purchased	6	**(265,725)**	-
Short term investment made		-	(14,891,894)
Security deposited		-	(1,776,909)
Net cash used in investing activities		**(307,075)**	(16,739,743)
CASH FLOWS FROM FINANCING ACTIVITIES			
Share deposit money received		-	26,500,000
Net cash generated from financing activities		-	26,500,000
Net increase in cash and cash equivalents		**3,736,167**	13,004,494
Cash and cash equivalents at the beginning of the year		**30,959,104**	17,954,610
Cash and cash equivalents at the end of the year	12	**34,695,271**	30,959,104

The annexed notes from 1 to 26 form an integral part of these financial statements.

CHIEF EXECUTIVE

DIRECTOR

PUNJAB CAPITAL SECURITIES (PRIVATE) LIMITED
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 30 JUNE 2019

1 GENERAL INFORMATION

The Punjab Capital Securities (Private) Limited ("the Company") is registered under the repealed Companies Ordinance, 1984 (which is replaced by Companies Act 2017) as 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, 3" Floor, Lahore stock exchange (LSE) Building, Lahore.

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

2 BASIS OF PREPARATION

2.1 Statement of compliance

These financial statements have been prepared in accordance with the accounting and reporting standards as applicable in Pakistan. The accounting and reporting standards applicable in Pakistan comprise of:

International Financial Reporting Standards (IFRS Standards) issued by the International Accounting Standards Board (IASB) as notified under Companies Act, 2017;

Provisions of and directives issued under the Companies Act, 2017; 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.

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 the use of certain critical accounting estimates. It also requires management to exercise its judgment in the process of applying the Company's accounting policies. Estimates and judgments are continually evaluated and are based on the historical experience and other factors involving a higher degree of expectations of future events that are believed to be reasonable under the circumstances. The areas involving a higher degree of judgments or complexity or areas where assumptions and estimates are significant to the financial statements are as follows:

- Useful lives, residual values and depreciation method of property and equipment — Note 3.2
- Impairment loss of non-financial assets
- Estimation of provisions - Note 3.5
- Current income tax expense, provision for current tax

2.4 Functional and presentation currency

These financial statements are presented in Pakistan rupees, which is the functional and presentation currency for the Company. The figures have been rounded-off to nearest rupees, unless otherwise stated.

2.5 Standard note for standards, interpretations and amendments to approved accounting standards that are not yet effective

The following standards, amendments and interpretations with respect to the approved accounting standards as applicable in Pakistan would be effective from the dates mentioned below against the respective standard or interpretation.

Standard or Interpretation	Effective dates (Annual periods beginning on or after)
IFRS 16 - Leases	01 Jan 2019
IFRIC 23 - Uncertainty over Income Tax Treatments	01 Jan 2019
IFRS 9 - Prepayment Features with Negative Compensation — (Amendments)	01 Jan 2019
IAS 28 - Long-term Interests in Associates and Joint Ventures — (Amendments)	01 Jan 2018
IAS 19 - Plan Amendment, Curtailment or Settlement — (Amendments)	01 Jan 2018
IFRS 3 - Business Combinations - Previously held Interests in a joint operation — (Amendments)	01 Jan 2019
IFRS 11 - Joint Arrangements - Previously held Interests in a joint operation	01 Jan 2019
IAS 12 - Income Taxes - Income tax consequences of payments on financial instruments classified as equity	01 Jan 2019
IAS 23 - Borrowing Costs - Borrowing costs eligible for capitalization	01 Jan 2019
IAS 1 - Presentation of Financial Statements — (Amendments)	01 Jan 2020
IAS 8 - Accounting Policies, Changes in Accounting Estimates and Errors — (Amendments)	01 Jan 2020

The above standards and amendments are not expected to have any material impact on the Company's financial statements in the period of initial application.

In addition to the above standards and amendments, improvements to various accounting standards have also been issued by the IASB. Such improvements are generally effective for accounting periods beginning on or after January,01 2019. The Company expects that such improvements to the standards will not have any impact on the Company's financial statements in the period of initial application.

Further, following new standards have been issued by IASB which are yet to be notified by the SECP for the purpose of applicability in Pakistan.

Standard or Interpretation	Effective Dates (Annual periods beginning on or after)
IFRS 14 - Regulatory Deferral Accounts	01 Jan 2016
IFRS 17 - Insurance Contracts	01 Jan 2021

The Company expects that the adoption of the above standards will have no material effect on the Company's financial statements, in the period of initial application.

2.6 STANDARDS, INTERPRETATIONS AND AMENDMENTS TO PUBLISHED APPROVED ACCOUNTING STANDARDS

The Company has adopted the following revised standard, amendments and interpretation of IFRSs which became effective for the current year:

IFRS 9 - Financial Instruments
IFRS 15 - Revenue from Contracts with Customers
IAS 12 - Income Taxes- Income Tax consequences of payment on financial instruments classified as equity

IAS 28 - Investment in Associates and Joint Ventures- Clarification that measuring investees at fair value through profit or loss is an investment by investment choice
IAS 23 - Borrowing Cost eligible for capitalization
IFRS 1 - Joint Arrangements –previously held interests in Joint operations
IFRS 3 - Previously held Interests in joint operations

The adoption of the above standard does not have any material impact except for IFRS 9 and IFRS 15. The nature and effect of the changes as a result of adoption of IFRS 9 and IFRS 15 are described in note 3.1.

3 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The accounting policies adopted in the preparation of these financial statements are consistent with those of the previous year except for the change explained below:

3.1 Change in accounting policy

IFRS 15 – Revenue from contracts with customers

IFRS 15 supersedes IAS 11 Construction Contracts, IAS 18 Revenue and related interpretations and it applies, with limited exceptions, to all revenue arising from contracts with its customers. IFRS 15 establishes a five-step model to account for revenue arising from contracts with customers and requires that revenue be recognized at an amount that reflects the consideration to which an entity expects to be entitled in exchange for transferring goods or services to a customer.

IFRS 15 requires entities to exercise judgement, taking into consideration all of the relevant facts and circumstances when applying each step of the model to contracts with their customers. The standard also specifies the accounting for the incremental costs of obtaining a contract and the costs directly related to fulfilling a contract. In addition, the standard requires extensive disclosures.

The adoption of IFRS 15 does not have a material impact on the Company financial statements.

IFRS 9 - Financial Instruments

IFRS 9 Financial Instruments replaces IAS 39 Financial Instruments: Recognition and Measurement for annual periods beginning on or after 1 July 2018, bringing together all three aspects of the accounting for financial instruments: classification and measurement; impairment; and hedge accounting.

The Company applied IFRS 9 prospectively, with an initial application date of 1 July 2018. The Company has not restated the comparative information, which continues to be reported under IAS 39. Differences (if any) arising from the adoption of IFRS 9 have been recognized directly in retained earnings and other components of equity.

Classification and measurement

Under IFRS 9, debt instruments are subsequently measured at fair value through profit or loss, amortized cost, or fair value through OCI. The classification is based on two criteria: the Company's business model for managing the assets; and whether the instruments' contractual cash flows represent 'solely payments of principal and interest' on the principal amount outstanding.

The assessment of the Company's business model was made as of the date of initial application, 1 July 2018. The assessment of whether contractual cash flows on debt instruments are solely comprised of principal and interest was made based on the facts and circumstances as at the initial recognition of the assets.

The Company has not designated any financial liabilities as at fair value through profit or loss. There are no changes in classification and measurement of the Company financial liabilities.

Upon the adoption of IFRS 9, the Company has made the following reclassifications as at 1 July 2018:

IAS 39 measurement category		**IFRS 9 measurement category**	
		Fair Value through OCI	**Amortized Cost**
	Rupees	**Rupees**	**Rupees**
Long term deposits	2,078,409	-	2,078,409
Trade receivables	6,535,096	-	6,535,096
Advances, prepayments and other receivables	10,290,129	-	10,290,129
Long term investments	14,891,894	18,317,704	-
Bank balances	30,959,104	-	30,959,104
	64,754,632	18,317,704	49,862,738

Equity investments in shares of LSE Financial Services Limited, previously classified as AFS financial assets are now classified and measured as Equity instruments designated at fair value through OCI. The Company elected to classify irrevocably its equity investment in shares of LSE Financial Services Limited under this category as it intends to hold this investment for the foreseeable future with no recycling of cumulative gains and losses upon derecognition. There were no impairment losses recognised in profit or loss for this investment in prior periods.

The effect of above election as at 1 July 2018 is given below

	Carrying amount as stated	**Restatement**	**IFRS 9 Carrying amount**
	Rupees	**Rupees**	**Rupees**
Fair value reserve	-	**3,425,810**	**3,425,810**
Long term investments	**14,891,894**	**3,425,810**	**18,317,704**

Set out below, are the amounts by which each financial statement line item is affected as at and for the year ended June 30, 2019 as a result of the adoption of IFRS 19;

	IFRS 9	**Previous IFRS**	**Increase / (decrease)**
	Rupees	**Rupees**	**Rupees**
Other comprehensive income	**837,362**	-	**837,362**
Fair value reserve	**4,263,172**	-	**4,263,172**
Long term investment	**19,155,066**	**14,891,894**	**4,263,172**

Impairment

The adoption of IFRS 9 has fundamentally changed the Company's accounting for impairment losses for financial assets by replacing IAS 39's incurred loss approach with a forward-looking expected credit loss (ECL) approach as mentioned in note 3.6. IFRS 9 requires the Company to recognize an allowance for ECLs for all debt instruments not held at fair value through profit or loss and contract assets.

Hedge accounting

As at year end, the Company does not have hedge relationships. Accordingly, IFRS 9 will not have an impact on Company's financial statements.

The assessment of the Company's business model was made as of the date of initial application, 1 July 2018. The assessment of whether contractual cash flows on debt instruments are solely comprised of principal and interest was made based on the facts and circumstances as at the initial recognition of the assets.

The Company has not designated any financial liabilities as at fair value through profit or loss. There are no changes in classification and measurement of the Company financial liabilities.

Upon the adoption of IFRS 9, the Company has made the following reclassifications as at 1 July 2018:

IAS 39 measurement category		IFRS 9 measurement category	
		Fair Value through OCI	Amortized Cost
	Rupees	Rupees	Rupees
Long term deposits	2,078,409	-	2,078,409
Trade receivables	6,535,096	-	6,535,096
Advances, prepayments and other receivables	10,290,129	-	10,290,129
Long term investments	14,891,894	18,317,704	-
Bank balances	30,959,104	-	30,959,104
	64,754,632	18,317,704	49,862,738

Equity investments in shares of LSE Financial Services Limited, previously classified as AFS financial assets are now classified and measured as Equity instruments designated at fair value through OCI. The Company elected to classify irrevocably its equity investment in shares of LSE Financial Services Limited under this category as it intends to hold this investment for the foreseeable future with no recycling of cumulative gains and losses upon derecognition. There were no impairment losses recognised in profit or loss for this investment in prior periods.

The effect of above election as at 1 July 2018 is given below

	Carrying amount as stated	Restatement	IFRS 9 Carrying amount
	Rupees	Rupees	Rupees
Fair value reserve	-	3,425,810	3,425,810
Long term investments	14,891,894	3,425,810	18,317,704

Set out below, are the amounts by which each financial statement line item is affected as at and for the year ended June 30, 2019 as a result of the adoption of IFRS 19;

	IFRS 9	Previous IFRS	Increase / (decrease)
	Rupees	Rupees	Rupees
Other comprehensive income	837,362	-	837,362
Fair value reserve	4,263,172	-	4,263,172
Long term investment	19,155,066	14,891,894	4,263,172

Impairment

The adoption of IFRS 9 has fundamentally changed the Company's accounting for impairment losses for financial assets by replacing IAS 39's incurred loss approach with a forward-looking expected credit loss (ECL) approach as mentioned in note 3.6. IFRS 9 requires the Company to recognize an allowance for ECLs for all debt instruments not held at fair value through profit or loss and contract assets.

Hedge accounting

As at year end, the Company does not have hedge relationships. Accordingly, IFRS 9 will not have an impact on Company's financial statements.

3.2 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 follow to the entity and its cost can be reliably measured. The carrying amount of the asset replaced is de-recognized.

3.3 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.

3.4 Revenue from contract with customers

a) Brokerage income is recognized on satisfaction of performance obligation over time i.e on trade date basis.

b) Dividend income on equity investments is recognized, when the right to receive the same is established.

a) Interest income on margin financing is recognized on outstanding balance using effective interest rate.

3.5 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.

3.6 Financial Instruments – initial recognition and subsequent measurement

A financial instrument is any contract that gives rise to a financial asset of one entity and a financial liability or equity instrument of another entity.

3.6.1 Financial assets

Financial assets - initial recognition

The Company has adopted IFRS 9 Financial Instruments with effect from 1 July 2018. Accordingly, financial assets are classified, at initial recognition, and subsequently measured at amortized cost, fair value through other comprehensive income (OCI), and fair value through profit or loss.

The classification of financial assets at initial recognition depends on the financial asset's contractual cash flow characteristics and the Company's business model for managing them. With the exception of trade debts and bank balance that do not contain a significant financing component or for which the Company has applied the practical expedient, the Company initially measures a financial asset at its fair value plus, in the case of a financial asset not at fair value through profit or loss, transaction costs. Trade debts that do not contain a significant financing component or for which the Company has applied the practical expedient are measured at the transaction price determined under IFRS 15. Refer to the accounting policy in Revenue from contracts with customers.

In order for a financial asset to be classified and measured at amortized cost or fair value through OCI, it needs to give rise to cash flows that are 'solely payments of principal and interest (SPPI)' on the principal amount outstanding.

This assessment is referred to as the SPPI test and is performed at an instrument level.

The Company's business model for managing financial assets refers to how it manages its financial assets in order to generate cash flows. The business model determines whether cash flows will result from collecting contractual cash flows, selling the financial assets, or both.

Purchases or sales of financial assets that require delivery of assets within a time frame established by regulation or convention in the market place (regular way trades) are recognized on the trade date, i.e., the date that the Company commits to purchase or sell the asset.

The Company's financial assets include long-term deposits, trade debts, loans and advances, other receivables and bank balances.

Financial assets - subsequent measurement

For purposes of subsequent measurement, financial assets are classified in four categories:

a) Financial assets at fair value through profit or loss
b) Financial assets at amortized cost (debt instruments)
c) Financial assets designated at fair value through OCI with no recycling of cumulative gains and losses upon derecognition (equity instruments)
d) Financial assets at fair value through OCI with recycling of cumulative gains and losses (debt instruments)

Financial assets at fair value through profit or loss

Financial assets at fair value through profit or loss include financial assets held for trading, financial assets designated upon initial recognition at fair value through profit or loss, or financial assets mandatorily required to be measured at fair value. Financial assets are classified as held for trading if they are acquired for the purpose of selling or repurchasing in the near term.

Derivatives, including separated embedded derivatives, are also classified as held for trading unless they are designated as effective hedging instruments. Financial assets with cash flows that are not solely payments of principal and interest are classified and measured at fair value through profit or loss, irrespective of the business model. Notwithstanding the criteria for debt instruments to be classified at amortized cost or at fair value through OCI, as described above, debt instruments may be designated at fair value through profit or loss on initial recognition if doing so eliminates, or significantly reduces, an accounting mismatch.

Financial assets at fair value through profit or loss are carried in the statement of financial position at fair value with net changes in fair value recognized in the statement of profit or loss.

This category includes derivative instruments and listed equity investments which the Company had not irrevocably elected to classify at fair value through OCI. Dividends on listed equity investments are also recognized as other income in the statement of profit or loss when the right of payment has been established.

Financial assets at amortized cost (debt instruments)

This category is the most relevant to the Company. The Company measures financial assets at amortized cost if both of the following conditions are met:

a) The financial asset is held within a business model with the objective to hold financial assets in order to collect contractual cash flows; and

b) 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

Financial assets at amortized cost are subsequently measured using the effective interest (EIR) method and are subject to impairment. Gains and losses are recognized in profit or loss when the asset is derecognized, modified or impaired.

The Company's financial assets at amortized costs includes long term deposits, trade debts, advance to employees against salary and other receivables excluding sales tax refund bonds.

Financial assets designated at fair value through OCI with no recycling of cumulative gains and losses upon derecognition (equity instruments)

Upon initial recognition, the Company can elect to classify irrevocably its equity investments as equity instruments designated at fair value through OCI when they meet the definition of equity under IAS 32 Financial Instruments: Presentation and are not held for trading. The classification is determined on an instrument-by-instrument basis.

Gains and losses on these financial assets are never recycled to profit or loss. Dividends are recognized as other income in the statement of profit or loss when the right of payment has been established, except when the Company benefits from such proceeds as a recovery of part of the cost of the financial asset, in which case, such gains are recorded in OCI. Equity instruments designated at fair value through OCI are not subject to impairment assessment.

Financial assets at fair value through OCI with recycling of cumulative gains and losses (debt instruments)

The Company measures debt instruments at fair value through OCI if both of the following conditions are met:

a) The financial asset is held within a business model with the objective of both holding to collect contractual cash flows and selling; and

b) 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

For debt instruments at fair value through OCI, interest income, foreign exchange revaluation and impairment losses or reversals are recognized in the statement of profit or loss and computed in the same manner as for financial assets measured at amortized cost. The remaining fair value changes are recognized in OCI. Upon derecognition, the cumulative fair value change recognized in OCI is recycled to profit or loss.

The Company does not have debt instruments recorded at fair value through OCI with recycling of cumulative gains and losses.

Financial assets - Derecognition

A financial asset (or, where applicable a part of a financial asset or part of a Company of similar financial assets) is primarily derecognized when:

a) The rights to receive cash flows from the asset have expired; or

b) The Company has transferred its rights to receive cash flows from the asset or has assumed an obligation to pay the received cash flows in full without material delay to a third party under a 'pass-through' arrangement; and either (a) the Company has transferred substantially all the risks and rewards of the asset, or (b) the Company has neither transferred nor retained ubstantially all the risks and rewards of the asset, but has transferred control of the asset.

When the Company has transferred its rights to receive cash flows from an asset or has entered into a pass-through arrangement, it evaluates if, and to what extent, it has retained the risks and rewards of ownership. When it has neither transferred nor retained substantially all the risks and rewards of the asset nor transferred control of the asset, the asset is recognized to the extent of the Company's continuing involvement in the asset. In that case, the Company also recognizes an associated liability. The transferred asset and the associated liability are measured on a basis that reflects the rights and obligations that the Company has retained.

Continuing involvement that takes the form of a guarantee over the transferred asset, is measured at the lower of the original carrying amount of the asset and the maximum amount of consideration that the Company could be required to repay.

Financial assets - Impairment

The Company recognizes an allowance for expected credit losses ("ECL") for all debt instruments not held at fair value through profit or loss. ECLs are based on the difference between the contractual cash flows due in accordance with the contract and all the cash flows that the Company expects to receive. The shortfall is then discounted at an approximation to the asset's original effective interest rate.

ECLs are recognized in two stages. For credit exposures for which there has not been a significant increase in credit risk since initial recognition, ECLs are provided for credit losses that result from default events that are possible within the next 12-months (a 12-month ECL). For those credit exposures for which there has been a significant increase in credit risk since initial recognition, a loss allowance is required for credit losses expected over the remaining life of the exposure, irrespective of the timing of the default (a lifetime ECL).

The Company considers a financial asset in default when contractual payments are 60 days past due. However, in certain cases, the Company may also consider a financial asset to be in default when internal or external information indicates that the Company is unlikely to receive the outstanding contractual amounts in full before taking into account any credit enhancements held by the Company. A financial asset is written off when there is no reasonable expectation of recovering the contractual cash flows.

For trade receivables, the Company applies a simplified approach in calculating ECLs based on lifetime expected credit losses. The Company has established a provision matrix that is based on the Company's historical credit loss experience, adjusted for forward-looking factors specific to the debtors and the economic environment. The expected credit losses are recognized in the statement of profit or loss.

For bank balances, the Company applies a simplified approach in calculating ECLs based on lifetime expected credit losses. The Company reviews internal and external information available for each bank balance to assess expected credit loss and the likelihood to receive the outstanding contractual amount. The expected credit losses are recognized in the statement of profit or loss.

Upon adoption of IFRS 9, the Company has no material impact on amounts in the statement of financial position as the current methodology adequately reflects requirements of the new standards.

3.5.2 Financial liabilities

Financial liabilities - initial recognition

Financial liabilities are classified, at initial recognition, as financial liabilities at fair value through profit or loss, loans and borrowings, payables, or as derivatives designated as hedging instruments in an effective hedge, as appropriate.

All financial liabilities are recognized initially at fair value and, in the case of loans and borrowings and payables, net of directly attributable transaction costs.

The Company's financial liabilities include long term loans, short term borrowings utilized under mark-up arrangements, creditors, liabilities against assets subject to finance lease, accrued and other liabilities.

Financial liabilities - subsequent measurement

Loans and borrowings

After initial recognition, interest-bearing loans and borrowings are subsequently measured at amortized cost using the EIR method. Gains and losses are recognized in profit or loss when the liabilities are derecognized as well as through the EIR amortization process.

Amortized cost is calculated by taking into account any discount or premium on acquisition and fees or costs that are an integral part of the EIR. The EIR amortization is included as finance costs in the statement of comprehensive income.

This category applies to long term loans, short term borrowings utilized under mark-up arrangements, creditors, liabilities against assets subject to finance lease, accrued and other liabilities.

Financial liabilities - derecognition

A financial liability is derecognized when the obligation under the liability is discharged or cancelled or expires.

When an existing financial liability is replaced by another from the same lender on substantially different terms, or the terms of an existing liability are substantially modified, such an exchange or modification is treated as a derecognition of the original liability and the recognition of a new liability, and the difference in the respective carrying amounts is recognized in the statement of profit or loss.

Provisions

A provision is recognized in the statement of financial position when the Company has a legal or constructive obligation 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 obligation.

3.7 Taxation

3.7.1 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.

3.7.2 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.

3.8 Intangible assets

Intangible assets acquired separately are measured on initial recognition at cost. Following initial recognition, intangible assets are carried at cost less any accumulated amortization and any accumulated impairment losses. Internally generated intangible assets, excluding capitalized development costs, are not capitalized and expenditure is reflected in the statement of comprehensive income in the year in which the expenditure is incurred.

The useful lives of intangible assets are assessed as either finite or indefinite.

Intangible assets with finite lives are amortized over the useful economic life and assessed for impairment whenever there is an indication that the intangible asset may be impaired. The amortization period and the amortization method for an intangible asset with a finite useful life are reviewed at least at each financial year end. Changes in the expected useful life or the expected pattern of consumption of future economic benefits embodied in the asset is accounted for by changing the amortization period or method, as appropriate, and are treated as changes in accounting estimates. The amortization expense on intangible assets with finite lives is recognized in the statement of comprehensive income in the expense category consistent with the function of the intangible asset. No amortization is charged on intangible assets with indefinite useful life.

Gains or losses arising from derecognition of an intangible asset are measured as the difference between the net disposal proceeds and the carrying amount of the asset and are recognized in the statement of comprehensive income when the asset is derecognized.

4 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.

	2019	2018
	Rupees	Rupees
5. Property and equipment		
Operating fixed assets - Owned	**1,465,449**	1,798,159

30-Jun-19

Particulars	Cost			Rate	Accumulated Depreciation			Carrying amount at June 30, 2018
	As at July 01, 2018	Additions	As at June 30, 2019		As at July 01, 2018	Charge for the year	As at June 30, 2019	
	Rupees			%	Rupees			
Furniture and fixtures	**721,485**	**27,500**	**748,985**	**15**	**147,592**	**88,147**	**235,739**	**513,246**
Computers	**1,175,180**	**-**	**1,175,180**	**30**	**495,662**	**203,855**	**699,517**	**475,663**
Office equipment	**707,002**	**13,850**	**720,852**	**15**	**162,254**	**82,058**	**244,312**	**476,540**
	2,603,667	**41,350**	**2,645,017**		**805,508**	**374,060**	**1,179,568**	**1,465,449**

30-Jun-18

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 period	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	495,662	679,518
Office equipment	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	805,508	1,798,159

		Note	2019 Rupees	2018 Rupees
6	**INTANGIBLE ASSETS**			
	LSE room	6.1	**4,640,225**	4,675,000
	Trading right entitlement certificate (TREC)	6.2	**2,500,000**	2,500,000
			7,140,225	7,175,000

6.1 LSE room

	Note	2019	2018
Cost		**4,675,000**	4,374,500
Addition during the year	6.1.1	**265,726**	-
(Reversal) / recognition of revaluation surplus		**(300,500)**	300,500
		4,640,226	4,675,000

This represents cost of right to use room 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. The right to use the room was purchased on 24 April 2017 amounting to Rs.4,374,500.

6.1.1 This represents charges in respect of transfer of right to use LSE room in the name of the Company.

	Note	2019 Rupees	2018 Rupees
6.2 Trading right entitlement certificate (TREC)			
Carrying value		**2,500,000**	5,000,000
Impairement in value of TREC		**-**	(2,500,000)
		2,500,000	2,500,000
Cost		**5,000,000**	5,000,000

This represents the trading right entitlement certificate which is given by Pakistan Stock Exchange in order to carry out trading. In previous year, SECP has reduced the notional value of transferable TRE Certificate from Rs.5 million to Rs.2.5 million for the purpose of Base Minimum Capital (BMC) through its notification PSX/N-7178 dated 10 November 2017. According, the Company has charged an impairment of Rs. 2.5 million on TREC in the year ended 30 June 2018.

Further, the TREC is under lien in favor of PSX to meet the requirement of Base Minimum Capital (BMC) of the Risk Management Regulation of PSX Rule Book.

		Note	2019 Rupees	2018 Rupees
7	**LONG TERM INVESTMENTS**			
	843,975 (2018: 843,975) Shares of LSE Financial Services Limited	7.1	**19,155,066**	14,891,894
			19,155,066	14,891,894
7.1	Cost		**14,891,894**	14,891,894
	Effect of application of IFRS 9	2	**3,425,810**	-
	Revaluation gain during the year		**837,362**	-
	Closing value		**19,155,066**	14,891,894

7.2 In absence of active market for shares of LSE Financial Services Limited, it is measured using net asset value of Rs. 22.70, which approximates the fair value of shares of LSE Financial Services Limited as majority assets held by LSE Financial Services Limited are carried at revaluation/fair value model.

7.3 LSE Financial Services Limited shares are under lien in favor of PSX to meet the requirement of Base Minimum Capital (BMC) of the Risk Management Regulation of PSX Rule Book.

		Note	2019 Rupees	2018 Rupees
8	**LONG TERM SECURITY DEPOSITS**			
	National clearing company of Pakistan limited (NCCPL)		**1,400,000**	1,400,000
	Central depository company		**100,000**	100,000
	Pakistan stock exchange (PSX)	8.1	**576,909**	576,909
	Others		**1,500**	1,500
			2,078,409	2,078,409

8.1 This represents deposit with Pakistan stock exchange to meet the Base Minimum Capital (BMC) requirement of the Risk Management Regulation of PSX Rule Book.

9	DEFERRED TAX ASSETS	Note	2019 Rupees	2018 Rupees
	Deferred income tax asset	9.1	-	-

9.1 The aggregate deferred tax asset available to the Company for set off against future taxable profits at June 30, 2019 amounted to Rs. 3,954,594 (2018: Rs 3,917,092.). Of these, deferred tax asset aggregating Rs. 1,826,424 (2018: Rs 351,177) have been recognized in the financial statements against deferred tax liability as at June 30, 2019. Due to uncertainty with regard to availability of future taxable profits for utilization of deferred tax assets, the management has not recognized deferred tax assets amounting to Rs. 2.128 million (2018: Rs. 3.565 million) for the year.

Expiry of business and depreciation losses are as follows:

Tax year	Nature	Note	2019 Rupees	2018 Rupees
2023	Business loss		5,781,136	5,781,136
2024	Business loss		7,275,839	7,275,839
2025	Business loss		76,505	-
			13,133,480	13,056,975
No Expiry	Depreciation and amortization loss		573,435	1,068,213
2025	Minimum tax		55,870	55,870
2026	Minimum tax		168,789	-
			224,659	55,870

10	TRADE RECEIVABLES	Note	2019	2018
	Receivable against margin financing		3,208,388	6,161,402
	Receivable from NCCPL		2,978,311	3,128,974
	Other trade receivables	10.1	348,397	240,798
			6,535,096	9,531,173
10.1	Aging Analysis			
	Within 5 days		111,788	86,849
	Above 5 days		236,609	153,949
			348,397	240,798
	Receivables above 5 days net-off collateral (after applying haircut)		88,986	142,478

10.1.1 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, PREPAYMENTS AND OTHER RECEIVABLES	Note	2019 Rupees	2018 Rupees
	Advances to suppliers		119,585	430,310
	Advances to employees	11.1	116,914	137,500
	Prepayment		1,250	3,428
	Security deposit	11.2	9,900,000	7,960,120
	Accrued markup on margin financing		390,129	159,447
			10,527,878	8,690,805

11.1 This includes advances to employees on account of expenses.

11.2 This represents deposits with the Pakistan Stock Exchange Limited against regular trade and future trade exposure.

		Note	2019 Rupees	2018 Rupees
12	**CASH AND BANK BALANCE**			
	Cash in hand		**1,585**	-
	Balance with bank			
	Current account	**12.1**	**11,589,177**	11,278,747
	Saving account	**12.2**	**23,104,509**	19,680,357
			34,695,271	30,959,104

12.1 The bank balance include customer's bank balance held in designated bank accounts amounting to Rs. 10.93 million (2018: Rs. 11.518 million).

12.2 The balance in saving account bear mark-up at the rate 3.75% to 9% per annum. (2018: 3.54% to 3.94%).

		Note	2019 Rupees	2018 Rupees
13	**SHARE CAPITAL**			
	Authorized			
	20,000,000 (2018: 20,000,000) ordinary shares of Rs.10 each		**200,000,000**	200,000,000
13.1	**Issued, subscribed and Paid up share capital**			
	Opening Balance 7,650,000 (2018: 5,000,000) ordinary shares of Rs.10 each fully paid-up in cash		**76,500,000**	50,000,000
	Movement during the year 2019: Nil (2018: 2,650,000) Right shares of Rs.10 each fully paid-up in cash		-	26,500,000
	Closing Balance 7,650,000 (2018: 7,650,000) ordinary shares of Rs.10 each fully paid-up in cash		**76,500,000**	76,500,000
14	**TRADE AND OTHER PAYABLES**			
	Trade payables	**14.1**	**11,518,564**	9,392,002
	Others payable	**14.2**	**827,723**	297,445
	Provident fund payable	**14.3**	**713,621**	579,158
			13,059,908	10,268,605

14.1 The above balance of Rs.11,518,564 (2018: 9,392,002) has been reported under trade date basis while the balance under settlement date basis amounts to Rs. 9,373,681 (2018: 7,218,757)

		2019 Rupees	2018 Rupees
14.2	**Others payable**		
	Audit fee payable	**211,500**	100,000
	Others	**616,223**	197,445
		827,723	297,445

14.3 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.

15 CONTINGENCIES AND COMMITMENTS

The Company is not exposed to any contingency and commitments as on reporting date (2018: Nil).

		Note	2019 Rupees	2018 Rupees
16	**REVENUE FROM CONTRACT WITH CUSTOMERS**			
	Gross brokerage income		**11,319,329**	4,139,067
	Federal excise duty		**(1,565,925)**	(565,872)
		16.1	**9,753,404**	3,573,195
16.1	**Gross brokerage income**			
	Retail clients		**9,643,089**	3,674,521
	Institutional clients		**110,315**	464,546
			9,753,404	4,139,067
17	**Administrative expenses and operating expenses**			
	Salaries, allowances and other benefits	17.1	**9,724,111**	5,842,958
	Rent, rates and taxes		**13,027**	12,412
	Repairs and maintenance		**177,965**	151,027
	Utilities		**381,542**	310,547
	Fees & subscription		**357,755**	73,000
	PSX, clearing house and CDC		**627,712**	164,305
	Insurance charges		**123,421**	84,479
	Travelling and conveyance		**26,930**	13,200
	Depreciation		**374,060**	486,381
	Communication, printing and stationery		**96,339**	134,057
	Legal and professional charges		**429,729**	830,140
	Entertainment		**104,512**	67,323
	Commission paid to traders		**326,568**	342,655
	Auditor remuneration	17.2	**211,500**	142,000
	Miscellaneous expenses		**1,136**	2,300
			12,976,307	8,656,784

17.1 Salaries, allowances and other benefits include Rs. 275,041 (2018: Rs.196,553) in respect of provident fund contribution paid by the Company.

		Note	2019 Rupees	2018 Rupees
17.2	**Auditor Remuneration**			
	Statutory audit including certificate fee		**200,000**	142,000
	Out of pocket expenses		**11,500**	-
			211,500	142,000
18	**OTHER INCOME**			
	Profit on bank deposit		**399,617**	390,785
	Margin finance income		**2,245,492**	322,651
	Margin trading income		**7,768**	54,263
	Return on exposure deposit with PSX		**1,096,808**	128,674
	Dividend income		**421,988**	421,988
	Miscellaneous Income		**24,712**	-
			4,196,385	1,318,361
19	**FINANCE COST**			
	Bank charges		**8,750**	5,126
	FED charges		**3**	1,664
			8,753	6,790

		Note	2019 Rupees	2018 Rupees
20	**TAX**			
	Current tax		**168,789**	55,870
	Deferred tax	9	**-**	-
			168,789	55,870

20.1 Relationship between federal tax expense and accounting profit

In view of available income tax losses, provision for current taxation for the year ended June 30, 2019 is based on "Minimum Tax" u/s 113 of Income Tax Ordinance, 2001. 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		**Executives**	
	2019 Rupees	2018 Rupees	**2019 Rupees**	2018 Rupees
Managerial remuneration	**2,400,000**	2,400,000	**2,891,250**	1,500,000
Other benefits	**948,370**	888,209	**35,000**	-
Provident fund	**124,956**	124,950	**134,125**	71,597
	3,473,326	3,413,159	**3,060,375**	1,571,597
No. of persons	**1**	1	**4**	2

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 company	**Nature of transactions**	**2019 Rupees**	2018 Rupees
Parent company			
The Bank of Punjab	Brokerage income earned	110,415	374,808
Key management personnel			
Chief Executive Officer	Commission paid to PCS	96,621	53,385
Head of Operations	Commission paid to PCS	22,333	245
Senior Risk Manager	Commission paid to PCS	10,960	33,006

23. Financial instruments and related disclosures

23.1 Maturities of financial assets and liabilities

As At June 30, 2019

	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	-	-	-	-	6,535,096	-	-	6,535,096	6,535,096
Advances, prepayments and other receivables	9,900,000	-	-	9,900,000	390,129	-	-	390,129	10,290,129
Long term investment	-	-	-	-	-	-	19,155,066	19,155,066	19,155,066
Cash and bank balances	23,104,509	-	-	23,104,509	11,590,762	-	-	11,590,762	34,695,271
	33,004,509	-	-	33,004,509	18,515,987	-	21,233,475	39,749,462	72,753,971
Financial liabilities									
On balance sheet									
Trade and other payables	-	-	-	-	12,134,787	-	-	12,134,787	12,134,787
	-	-	-	-	12,134,787	-	-	12,134,787	12,134,787
Off balance sheet	-	-	-	-	-	-	-	-	-
	-	-	-	-	12,134,787	-	-	12,134,787	12,134,787

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
Advances, prepayments and other receivables	7,960,120	-	-	-	730,685	-	-	730,685	8,690,805
Long term investement	-	-	-	-	-	-	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
	27,640,477	-	-	19,680,357	21,540,605	-	16,970,303	38,510,908	66,151,385
Financial liabilities									
On balance sheet									
Trade and other payables	-	-	-	-	10,268,605	-	-	10,268,605	10,268,605
	-	-	-	-	10,268,605	-	-	10,268,605	10,268,605
Off balance sheet	-	-	-	-	-	-	-	-	-
	-	-	-	-	10,268,605	-	-	10,268,605	10,268,605

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			**2019**	2018
	Short term	**Long term**	**Agency**	**Rupees**	Rupees
Bank Alfalah Ltd.	A1+	AA+	PACRA	**7,395,590**	11,122,970
Bank AL Habib Ltd.	A1+	AA+	PACRA	**24,777,288**	19,836,134
MCB Bank Ltd	A1+	AAA	PACRA	**2,520,808**	-
				34,693,686	30,959,104

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.

The following table presents the Company's assets and liabilities that are measured at fair value as at June 30, 2019:

Assets	**Level 1**	**Level 2**	**Level 3**
LSE Financial Services Limited	-	-	19,155,066

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. No. of employees

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

	2019 Number	2018 Number
Number of employees	10	10
Average number of employees	10	7

25. Capital Adequacy Level	Note	2019 Rupees	2018 Rupees
Total assets	25.1	83,323,414	75,604,710
Less: Total liabilities		13,284,567	10,324,475
Revaluation surplus		-	-
		13,284,567	10,324,475
Capital adequacy level		70,038,847	65,280,235

25.1 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 2019 as determined by Pakistan Stock Exchange has been considered.

26. Date of authorization

These financial statements have been authorized for issue by the Board of Directors of the Company on 07 OCT 2019.

CHIEF EXECUTIVE

DIRECTOR