S.D. Mirza Securities (Pvt). Ltd.

TRE CERTIFICATE HOLDER, PAKISTAN STOCK EXCHANGE LTD.

DIRECTORS' REPORT

On behalf of the Board of Directors of S.D Mirza Securities (Pvt) Ltd., I am pleased to present the Annual Report of the Company for the Financial Year 2018 -2019 together with the Audited Financial Statements of the year.

Economic review:

This was a tough year for the economy as a whole with the country going through some tough challenges. The rising inflation, almost 34% decline in the value of the Rupee and a high fiscal deficit were the key concerns of the economic advisors. The State Bank of Pakistan responded by increasing the policy rate, which stood at 13.25% at the end of the Year. This resulted in slowing down the business activity.

The implementation of the IMF bailout program, although necessary for the country, also kept pressure on the business activity as the implementation points were very restrictive for the business environment.

Market review:

The benchmark KSE-100 index closed at 33,902, a decline of 18 % during the year. During the twelve months, the Index went as High as 46,580 and showed the Low of 33,250. The decreasing interest of the investors was evident from the declining volumes in the stock market. The weak macroeconomic situation, along with the turmoil in the economic outlook and instable political situation of the country contributed to the decline of the stock market.

Financial summary:

The Company attainedoperating revenue of Rs. 14.41 million as compared to Rs. 16.18 million for the corresponding year. On the expenditure side, the administrative & operating expenses were Rs.23.40 million in comparison to Rs.26.75 million in previous year. The company recorded a net after tax Loss of Rs. 9.60 million for the year under review.

Auditors:

The retiring Auditors i.e., M/s. ShineWingHameedChaudhri& Co., Chartered Accountants have offered themselves for reappointment.

Future Outlook:

Although the next year looks tough for the business, but the management remains committed to putting all effort in increasing volumes. The focus will be towards bringing in a wider variety of new clients from across the country. Inorder to achieve this, the company plans to emphasize on online trading and trained HR.

Acknowledgments

Our Company wishes to thank the Regulators, our valued clients, bankers, fellow TRE Certificate holders, management and Board of Directors of the Pakistan Stock Exchange for their continuous cooperation, support and guidance.

Lahore: Room # 401, L.S.E. North Tower, Lahore **Ph:** +92-42-36365921, 36368748 **Fax:** +92-42-36369106 **email:** sdmirza@hotmail.com
Faisalabad: 529 State Life Building, Liaqat Road, Faisalabad **Ph:** +92-41-2610700, 2640700 **email:** fsd_sdm@hotmail.com
Chakwal: Room No.7 Amin Plaza Talagang Road, Chakwal. **Ph:** +92-543-552977, 554436 **email:** sdmchk@hotmail.com

S.D. MIRZA SECURITIES (PRIVATE) LIMITED
AUDITED FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 2019

HM House
7-Bank Square, Lahore.
Tel: +92 42 37235084-87
Fax: +92 42 37235083
Email: lhr@hccpk.com
www.hccpk.com
Other Offices:
Karachi & Multan

INDEPENDENT AUDITOR'S REPORT TO THE MEMBERS OF S.D. MIRZA SECURITIES (PRIVATE) LIMITED

Report on the Audit of the Financial Statements

Opinion

We have audited the annexed financial statements of **S.D. MIRZA SECURITIES (PRIVATE) LIMITED** (the Company), which comprise the statement of financial position as at June 30, 2019, the statement of profit or loss, the statement of other comprehensive income, the statement of changes in equity, the statement of cash flows for the year then ended, and notes to the financial statements, including a summary of significant accounting policies and other explanatory information, and we state that we have obtained all the information and explanations which, to the best of our knowledge and belief, were necessary for the purposes of the audit.

In our opinion and to the best of our information and according to the explanations given to us, the statement of financial position, the statement of profit or loss, the statement other comprehensive income, the statement of changes in equity and statement of cash flows together with the notes forming part thereof conform with the accounting and reporting standards as applicable in Pakistan and give the information required by the Companies Act, 2017 (XIX of 2017), in the manner so required and respectively give a true and fair view of the state of the Company's affairs as at June 30, 2019 and of the loss, other comprehensive income, the changes in equity and its cash flows for the year then ended.

Basis for Opinion

We conducted our audit in accordance with International Standards on Auditing (ISAs) as applicable in Pakistan. Our responsibilities under those standards are further described in the *Auditor's Responsibilities for the Audit of the Financial Statements* section of our report. We are independent of the Company in accordance with the International Ethics Standards Board for Accountants' *Code of Ethics for Professional Accountants* as adopted by the Institute of Chartered Accountants of Pakistan (the Code) and we have fulfilled our other ethical responsibilities in accordance with the Code. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Information Other than the Financial Statements and Auditors' Report thereon

Management is responsible for the other information presented along with the financial statements and the auditors' report thereon. With respect to the Company the other information comprises only the Director's Report on the operations of the Company.

Our opinion on the financial statements does not cover the other information and we do not express any form of assurance conclusion thereon.

In connection with our audit of the financial statements, our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the financial statements or our knowledge obtained in the audit or otherwise appears to be materially misstated. If, based on the work we have performed, we conclude that there is a material misstatement of this other information, we are required to report that fact. We have nothing to report in this regard.

Responsibilities of Management and Board of Directors for the Financial Statements

Management is responsible for the preparation and fair presentation of the financial statements in accordance with the accounting and reporting standards as applicable in Pakistan and the requirements of Companies Act, 2017 (XIX of 2017) and for such internal control as management determines is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the financial statements, management is responsible for assessing the Company's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless management either intends to liquidate the Company or to cease operations, or has no realistic alternative but to do so.

Board of directors is responsible for overseeing the Company's financial reporting process.

Auditors' 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 auditors' 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 auditors' 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 upto the date of our auditors' report. However, future events or conditions may cause the Company to cease to continue as a going concern.

- Evaluate the overall presentation, structure and content of the financial statements, including the disclosures, and whether the financial statements represent the underlying transactions and events in a manner that achieves fair presentation.

We communicate with the board of directors regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.

Report on Other Legal and Regulatory Requirements

Based on our audit, we further report that in our opinion:

a) proper books of account have been kept by the Company as required by the Companies Act, 2017 (XIX of 2017);

b) the statement of financial position, the statement of profit or loss, the statement of other comprehensive income, the statement of changes in equity and the statement of cash flows together with the notes thereon have been drawn up in conformity with the Companies Act, 2017 (XIX of 2017) and are in agreement with the books of account and returns;

c) investments made, expenditure incurred and guarantees extended during the year were for the purpose of the Company's business;

d) no Zakat was deductible at source under the Zakat and Ushr Ordinance, 1980 (XVIII of 1980); and

e) the Company was in compliance with requirement of section 78 of the Securities Act, 2015, and the relevant requirements of the Securities Brokers (Licencing and Operations) Regulations, 2016 as on the date of statement of financial position.

The Engagement partner on the audit resulting in this independent auditors' report is Mr.Osman Hameed Chaudhri.

ShineWing Hameed Chaudhri & Co

SHINEWING HAMEED CHAUDHRI & CO.,
CHARTERED ACCOUNTANTS

LAHORE; 05 SEP 2019

S.D. MIRZA SECURITIES (PRIVATE) LIMITED
STATEMENT OF FINANCIAL POSITION
AS AT JUNE 30, 2019

	Note	2019 Rupees	2018 Rupees
Assets			
Non current assets			
Operating fixed assets	6	3,864,206	4,746,789
Intangible assets	7	8,357,974	8,357,974
Long term investment	8	19,158,233	15,259,068
Security deposits	9	500,000	680,000
		31,880,413	29,043,831
Current assets			
Due from clients	10	22,278,833	28,847,883
Prepayments and other receivables	11	74,507	100,183
Loan to employees		448,000	-
Short term investments	12	4,789,102	7,951,219
Tax deducted at source		2,273,534	2,308,697
Cash and bank balances	13	23,687,848	79,751,818
		53,551,824	118,959,800
Total Assets		85,432,237	148,003,631
Equity and Liabilities			
Share Capital and Reserves			
Authorised capital			
100,000 (2018: 100,000) ordinary shares of Rs.1,000 each		100,000,000	100,000,000
Issued, subscribed and paid-up capital			
35,000 (2018:20,000) ordinary shares of Rs.1,000 each	14	35,000,000	20,000,000
Unrealised gain on remeasurement of investment at fair value through other comprehensive income		14,748,307	10,849,142
Revenue reserve - unappropriated profit		16,330,483	40,930,970
		66,078,790	71,780,112
Liabilities			
Current liabilities			
Due to clients	15	18,830,023	74,823,323
Accrued and other liabilities	16	390,029	301,128
Taxation	17	133,395	1,099,068
Total Liabilities		19,353,447	76,223,519
Contingencies and commitments	18		
Total Equity and Liabilities		85,432,237	148,003,631

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

Chief Executive Officer

SHC

Director

S.D. MIRZA SECURITIES (PRIVATE) LIMITED
STATEMENT OF PROFIT OR LOSS
FOR THE YEAR ENDED JUNE 30, 2019

	Note	2019 Rupees	2018 Rupees
Operating revenue	19	14,409,200	16,182,039
Gain / (loss) on sale of short term investments - net	20	95,485	(1,905,797)
Fair value loss on remeasurement of investments through profit or loss		(2,374,447)	(851,733)
Other income	21	1,860,357	1,434,048
		13,990,595	14,858,557
Administrative and operating expenses	22	(23,398,276)	(26,753,229)
Other expenses		-	(327,860)
Bank charges		(59,411)	(50,571)
Loss before taxation		(9,467,092)	(12,273,103)
Taxation			
- current	17	(133,395)	(1,099,068)
- prior year	17	-	-
		(133,395)	(1,099,068)
Loss after taxation		(9,600,487)	(13,372,171)

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

Chief Executive Officer

SHC

Director

S.D. MIRZA SECURITIES (PRIVATE) LIMITED
STATEMENT OF COMPREHENSIVE INCOME
FOR THE YEAR ENDED JUNE 30, 2019

	Note	2019 Rupees	2018 Rupees
Loss after taxation		(9,600,487)	(13,372,171)
Other Comprehensive Income			
Items that will not be reclassified subsequently to statement of profit or loss			
Unrealised gain on remeasurement of investment at fair value through other comprehensive income	8	3,899,165	371,349
Total comprehensive loss for the year		(5,701,322)	(13,000,822)

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

Chief Executive Officer

SHC

Director

S.D. MIRZA SECURITIES (PRIVATE) LIMITED
STATEMENT OF CASH FLOW
FOR THE YEAR ENDED JUNE 30, 2019

	2019 Rupees	2018 Rupees
Cash flow from operating activities		
Loss before taxation	(9,467,092)	(12,273,103)
Adjustments for non-cash charges and other items:		
Depreciation	882,583	1,080,365
Fair value loss on remeasurement of investments through profit or loss	2,374,447	851,733
Loss before working capital changes	(6,210,062)	(10,341,005)
Effect on cash flow due to working capital changes		
(Increase) / decrease in current assets		
Due from clients	6,569,050	10,276,800
Prepayments and other receivables	25,676	13,767
Loan to employees	(448,000)	
Increase / (decrease) in current liabilities:		
Due to clients	(55,993,300)	43,732,233
Accrued and other liabilities	88,901	(162,159)
	(49,757,673)	53,860,641
Cash (used in) / generated from operations	(55,967,735)	43,519,636
Income tax paid	(883,905)	(1,354,005)
Net cash (used in) / generated from operating activities	(56,851,640)	42,165,631
Cash flow from investing activities		
Fixed capital expenditure	-	(167,200)
Short term investments - net	787,670	1,992,298
Net cash generated from investing activities	787,670	1,825,098
Net (decrease) / increase in cash and cash equivalents	(56,063,970)	43,990,729
Cash and cash equivalents - at beginning of the year	79,751,818	35,761,089
Cash and cash equivalents - at end of the year	23,687,848	79,751,818

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

Chief Executive Officer SHC **Director**

S.D. MIRZA SECURITIES (PRIVATE) LIMITED
STATEMENT OF CHANGES IN EQUITY
FOR THE YEAR ENDED JUNE 30, 2019

	Share capital	Fair value gain on remeasurement of investments at FVTOCI	Unappropriated profit	Total
	----------	----------	Rupees ----------	----------
Balance as at July 01, 2017	20,000,000	10,477,793	54,303,141	84,780,934
Total comprehensive loss for the year ended June 30, 2018				
Loss for the year	-	-	(13,372,171)	(13,372,171)
Other comprehensive income	-	371,349	-	371,349
	-	371,349	(13,372,171)	(13,000,822)
Balance as at June 30, 2018	**20,000,000**	**10,849,142**	**40,930,970**	**71,780,112**
Issuance of bonus shares	15,000,000	-	(15,000,000)	-
Total comprehensive loss for the year ended June 30, 2019				
Loss for the year	-	-	(9,600,487)	(9,600,487)
Other comprehensive income	-	3,899,165	-	3,899,165
	-	3,899,165	(9,600,487)	(5,701,322)
Balance as at June 30, 2019	**35,000,000**	**14,748,307**	**16,330,483**	**66,078,790**

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

Chief Executive Officer SHC **Director**

S.D. MIRZA SECURITIES (PRIVATE) LIMITED
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 2019

1. LEGAL STATUS AND OPERATIONS

S.D. Mirza Securities (Private) Limited (the Company) was incorporated in Pakistan as a Private Company on May 21, 2001. The Company is a Trading Right Entitlement Certificate holder of the Pakistan Stock Exchange Limited (formerly Lahore Stock Exchange Limited). The Company is principally engaged in shares brokerage & trading, consultancy and registrar services. The registered office of the Company is situated at Room No.401, LSE Building, Lahore. The Company is also maintaining its sub offices at 529 - State Life Building, Liaqat Road, Faisalabad and Room # 7, Amin Plaza, Tala Gang Road, Chakwal.

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 the Companies Act, 2017; and

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

Where provisions of and directives issued under the Companies Act, 2017 differ from the IFRS Standards, the provisions of and directives issued under the Companies Act, 2017 have been followed.

2.2 Basis of measurement

These financial statements have been prepared under the historical cost convention except for investments, which are carried at fair value.

2.3 Functional and presentation currency

These financial statements are presented in Pakistan Rupees which is the functional currency of the Company and figures are rounded off to the nearest rupees unless otherwise stated.

2.4 Changes in accounting standards, laws and interpretations

2.4.1 Standards, interpretations and amendments to published approved accounting standards that are effective and relevant

Standards, amendments and interpretations to IFRSs that are effective for accounting periods beginning on July 01, 2018 and are considered to be relevant and have significant effect on the Company's operations are as follows:

(a) IFRS 15, 'Revenue from contracts with customers' which is effective for the annual period beginning on July 01, 2018. IFRS 15 introduces a single five-step model for revenue recognition and establishes a comprehensive framework for recognition of revenue from contracts with customers based on a core principle that an entity should recognize revenue representing the transfer of promised goods or services to customers at an amount that reflects the consideration to which the entity expects to be entitled in exchange for those goods or services.

(b) IFRS 9, 'Financial Instruments': this standard has been notified by the SECP to be effective for annual periods ending on or after June 30, 2019. This standard replaces the guidance in International Accounting Standard ('IAS') 39, 'Financial Instruments: Recognition and Measurement'. It includes requirements on the classification and measurement of financial assets and liabilities; it also includes an expected credit losses model that replaces the current incurred loss impairment model.

(c) IFRIC 22, "Foreign currency transactions and advance consideration' applicable to accounting periods beginning on or after July 01, 2018. This interpretation clarifies the determination of the date of transaction for the exchange rate to be used on initial recognition of a related assets, expenses or income where an entity pays or receive consideration in advance for foreign currency denominated contracts. For a single payment or receipt, the date of the transaction should be the date on which an entity recognizes the non-monetary assets or liability arising from the advance consideration. If there are multiple payments or receipts for one item a date of transaction should be determined as above for each payment or receipts. The impact of the interpretation is not considered to be material on the financial statements of the Company.

2.4.2 Standards, amendments and interpretations to existing standards that are not yet effective and have not been early adopted by the Company

There are certain standards, amendments to the IFRSs and interpretations that are mandatory for companies having accounting periods beginning on or after July 01, 2019 but are considered not to be relevant or to have any significant effect on the Company's operations and are, therefore, not detailed in these financial statements, except for the following:

(a) IAS 23, 'Borrowing costs' is effective for accounting periods beginning on or after January 01, 2019. The amendment is part of the annual improvement 2015-2017 cycle. The amendment clarifies that the general borrowings pool used to calculate eligible borrowing costs exclude only borrowings that specifically finance qualifying assets that are still under development or construction. Borrowings that were intended to specifically finance qualifying assets that are now ready for their intended use or sale - or any non-qualifying assets - are included in that general pool. The amendments are not likely to have material impact on the Company's financial statements.

(b) IFRIC 23, 'Uncertainty over Income Tax Treatments' (effective for periods beginning on or after January 01, 2019). This IFRIC clarifies how the recognition and measurement requirements of IAS 12 'Income taxes', are applied where there is uncertainty over income tax treatments. The IFRIC explains how to recognize and measure deferred and current income tax assets and liabilities where there is uncertainty over a tax treatment. An uncertain tax treatment is any tax treatment applied by an entity where there is uncertainty over whether that treatment will be accepted by the tax authority. The IFRIC applies to all aspects of income tax accounting where there is an uncertainty regarding the treatment of an item, including taxable profit or loss, the tax bases of assets and liabilities, tax losses and credits and tax rates. The Company is yet to assess the full impact of the interpretation on its financial statements.

3. ACCOUNTING ESTIMATES AND JUDGMENTS

The preparation of financial statements in conformity with the accounting and reporting standards as applicable in Pakistan requires the use of certain critical accounting estimates. In addition, it requires management to exercise judgement in the process of applying the Company's accounting policies. The areas involving a high degree of judgement or complexity, or areas where assumptions and estimates are significant to the financial statements, are documented in the following accounting policies and notes, and relate primarily to:

(i) Useful lives, residual values and depreciation method of operating fixed assets (notes 4.1);

(ii) Provisions (note 4.11); and

(iii) Provision for taxation (notes 4.10)

The revisions to accounting estimates, if any, are recognised in the period in which the estimate is 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.

4. SUMMARY SIGNIFICANT ACCOUNTING POLICIES

The significant accounting policies adopted in the preparation of these financial statements are set-out below. These policies have been consistently applied to all the years presented, unless otherwise stated.

4.1 Operating fixed assets

Measurement

Fixed assets are stated at cost less accumulated depreciation and impairment losses, if any.

Normal repairs and replacements are taken to statement of profit or loss. Major improvements and modifications are capitalised and assets replaced, if any, other than those kept as stand-by, are retired.

Depreciation

Depreciation is charged to income by applying reducing balance method at the rates specified in note 6. Depreciation on additions to fixed assets is charged from the month in which an asset is available for use while no depreciation is charged for the month in which the asset is disposed off.

Disposal

Gain or loss arising on disposal or retirement of an item of operating fixed assets is determined as the difference between the sale proceeds and the carrying amount of the asset and is recognised in the statement of profit or loss.

Judgement and estimates

The useful lives, residual values and depreciation method are reviewed on a regular basis. The effect of any change in estimates is accounted for on a prospective basis.

4.2 Intangible assets

Trading Right Entitlement Certificate

TREC certificate is considered to have indefinite useful life; hence, stated at the same value that was determined when the membership card of Lahore Stock Exchange Limited was swapped under the Stock Exchanges (Corporatization, Demutualization and Integration) Act, 2012 with the shares of LSE Financial Services Limited and Trading Right Entitlement Certificate (note 7.1). The carrying amount is reviewed at each reporting date to assess whether they are recorded in excess of their recoverable amounts, and when the carrying value exceeds estimated recoverable amount, these are written to their estimated recoverable amount.

4.3 Financial assets

The Company classifies its financial assets in the following measurement categories:

- those to be measured subsequently at fair value (either through other comprehensive income, or through profit or loss), and
- those to be measured at amortized cost.

The classification depends on the Company's business model for managing the financial assets and the contractual terms of the cash flows.

Initial recognition and measurement of financial assets

All financial assets are recognized at the time when the Company becomes a party to the contractual provisions of the instrument. Financial assets are initially recognized at fair value plus transaction costs for all financial assets not carried at fair value through profit or loss. Financial assets carried at fair value through profit or loss are initially recognized at fair value and transaction costs are expensed in the profit or loss.

Equity instruments

The Company subsequently measures all equity investments at fair value for financial instruments quoted in an active market. the fair value corresponds to a market price (level 1).

For financial instruments that are not quoted in an active market, the fair value is determined using valuation techniques including reference to recent arm's length market transactions or transactions involving financial instruments which are substantially the same (level 2), or discounted cash flow analysis including, to the greatest possible extent, assumptions consistent with observable market data (level 3).

- ***Fair value through other comprehensive income (FVTOCI)***

  Where the Company's management has elected to present fair value gains and losses on equity investments in other comprehensive income, there is no subsequent reclassification of fair value gains and losses to profit or loss. Impairment losses (and reversal of impairment losses) on equity investments measured at FVTOCI are not reported separately from other changes in fair value. Reclassification of fair value gains and losses to unappropriated profits shall be made with in statement of changes in equity.

- ***Fair value through profit or loss (FVTPL)***

  Changes in the fair value of equity investments at fair value through profit or loss are recognized in other income in the statement of profit or loss as applicable.

Dividends from such investments continue to be recognized in profit or loss as other income when the Company's right to receive payments is established.

4.4 Financial liabilities

Financial liabilities are recognized at the time when the Company becomes a party to the contractual provisions of the instrument. Financial liabilities at amortized costs are initially measured at fair value minus transaction costs. Financial liabilities at fair value through profit or loss are initially recognized at fair value and transaction costs are expensed in the profit or loss.

4.5 Impairment of financial assets

The adoption of IFRS 9 has also changed the accounting for impairment losses for financial assets by replacing the incurred losses model approach with a forward looking expected credit loss (ECL) approach. The Company assesses on a forward looking basis the expected credit losses associated with its debt instruments carried at FVTOCI. The impairment methodology applied depends on whether there has been a significant increase in credit risk. Further, applying the IFRS 9 simplified approach to measuring expected credit losses which uses a lifetime expected loss allowance for all trade and other receivables. Impairment losses related to trade and other receivables, are presented separately in the statement of profit or loss. Trade and other receivables are written off when there is no reasonable expectation of recovery. Management used actual credit loss experience over past years to base the calculation of ECL. Based on the Company's experience, collection history, historical loss rates / bad debts and normal receivable aging, the shift from an incurred loss model to an ECL model has no material impact on the financial position and / or financial performance of the Company.

4.6 Due from clients and other receivables

Measurement

These are initially recognised at original invoice amount, which is the fair value of consideration to be received in future and subsequently measured at cost less provision for doubtful debts, if any.

Impairment

These are classified at amortized cost and are initially recognised and measured at fair value of consideration receivable. The Company uses simplified approach for measuring the expected credit losses for all trade and other receivables based on lifetime expected credit losses. The Company has estimated the credit losses using a provision matrix with historical, current and forward looking assumptions. Debts considered irrecoverable are written off.

4.7 Impairment losses

The carrying amounts of the Company's assets are reviewed at each reporting date to identify circumstances indicating occurrence of impairment loss or reversal of provisions for impairment losses. If any indications exist, the recoverable amounts of such assets are estimated and impairment losses or reversals of impairment losses are recognised in the statement of profit or loss. Reversal of impairment loss is restricted to the original cost of the asset.

4.8 Cash and cash equivalents

Cash and cash equivalents are carried in the statement of financial position at cost. For the purpose of cash flow statement, cash and cash equivalents consist of cash-in-hand and balances with banks.

4.9 Due to Clients and accrued and other liabilities

Liabilities for due to Clients and accrued and other liabilities are carried at cost which is the fair value of the consideration to be paid in the future for goods and services received, whether or not billed to the Company.

4.10 Taxation

Provision for current year's taxation is determined in accordance with the prevailing law of taxation on income enacted or substantially enacted by the reporting date and is based on current rates of taxation being applied on the taxable income for the year, after taking into account, tax credits and rebates available, if any. The tax charge also includes adjustments, where necessary, relating to prior years which arise from assessments finalized during the year.

4.11 Provisions

Provisions are recognized when the Company has a present legal or constructive obligation as a result of past events and it is probable that an outflow of resources embodying economic benefits will be required to settle the obligation and a reliable estimate of the obligation can be made. Provisions are reviewed at each reporting date and adjusted to reflect the current best estimate.

4.12 Revenue recognition

Revenue is recognised to the extent that it is probable that the economic benefits will flow to the Company and the amount of revenue can be measured reliably. Revenue is measured at the fair value of consideration received or receivable on the following basis:

- brokerage income is accounted for on 'accrual basis'.
- capital gains and losses on sale of investments are recorded on the date of sale.
- dividend income is accounted for when the right of receipt is established.

4.13 Off-setting of financial assets and liabilities

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

5. CHANGE IN ACCOUNTING POLICY DUE TO ADOPTION OF NEW ACCOUNTING STANDRADS

5.1 IFRS 15 'Revenue from Contracts with Customers'

The adoption and application of IFRS 15 has no material impact on the financial statements of the Company. The Company has made adjustments to its revenue recognition policy under the revised criteria of IFRS 15.

5.2 IFRS 9 'Financial Instruments'

This standard addresses the classification, measurement and recognition of financial assets and financial liabilities and replaces the related guidance in IAS 39. IFRS 9 retains but simplifies the mixed measurement model and establishes three primary measurement categories for financial assets: amortized cost, fair value through profit or loss and fair value through other comprehensive income. The basis of classification depends on the entity's business model and the contractual cash flow characteristics of the financial asset. Investments in equity instruments are required to be measured at fair value through profit or loss with irrevocable option at the inception to present changes in fair value in other comprehensive income, with no recycling. For financial liabilities, there are no changes to classification and measurement except for the recognition of changes in own credit risk in other comprehensive income, for liabilities designated at fair value through profit or loss.

Impacts of adoption of IFRS 9 on these financial statements

The Company has adopted IFRS 9 and has amended its accounting policies accordingly; however, the changes laid down by the standard do not have any significant impact on these financial statements of the Company. For revised policies refer note 4.3, 4.4 and 4.5 to these financial statements.

For detailed revised classification of financial instruments refer note 27 to these financial statements.

6. OPERATING FIXED ASSETS - tangible

	Owned						Total
	Furniture and fixtures	Office equipm-ent	Air Conditi-oners	Computers	Electric genera-tor	Vehicles	
	Rupees						
As at June 30, 2017							
Cost	474,845	522,265	301,390	1,889,455	375,923	7,245,410	10,809,288
Accumulated depreciation	339,066	300,704	121,411	1,791,212	171,960	2,424,981	5,149,334
Book value	135,779	221,561	179,979	98,243	203,963	4,820,429	5,659,954
Year ended June 30, 2018							
Additions	-	-	114,500	52,700	-	-	167,200
Depreciation for the year	13,578	22,156	20,553	39,596	20,396	964,086	1,080,365
Book value	122,201	199,405	273,926	111,347	183,567	3,856,343	4,746,789
Year ended June 30, 2019							
Depreciation for the year	12,220	19,941	27,393	33,404	18,357	771,268	882,583
Book value	**109,981**	**179,464**	**246,533**	**77,943**	**165,210**	**3,085,075**	**3,864,206**
As at June 30, 2018							
Cost	474,845	522,265	415,890	1,942,155	375,923	7,245,410	10,976,488
Accumulated depreciation	352,644	322,860	141,964	1,830,808	192,356	3,389,067	6,229,699
Book value	122,201	199,405	273,926	111,347	183,567	3,856,343	4,746,789
As at June 30, 2019							
Cost	**474,845**	**522,265**	**415,890**	**1,942,155**	**375,923**	**7,245,410**	**10,976,488**
Accumulated depreciation	**364,864**	**342,801**	**169,357**	**1,864,212**	**210,713**	**4,160,335**	**7,112,282**
Book value	**109,981**	**179,464**	**246,533**	**77,943**	**165,210**	**3,085,075**	**3,864,206**
Depreciation rate (%)	**10**	**10**	**10**	**30**	**10**	**20**	

7. INTANGIBLE ASSETS

	Note	2019 Rupees	2018 Rupees
Trading Right Entitlement Certificate - PSX	7.1	**2,090,074**	2,090,074
Room at LSE building		**6,267,900**	6,267,900
		8,357,974	8,357,974

7.1 In accordance with the requirements of the Stock Exchanges (Corporatization, Demutualization and Integration) Act, 2012 (the Act), the Company received Trading Right Entitlement Certificate (TREC) of Pakistan Stock Exchange and equity shares of LSE Financial Services Ltd. in lieu of its membership card of Lahore Stock Exchange Ltd. The Company's entitlement in respect of shares of LSE Financial Services Ltd. was determined on the basis of the valuation of assets and liabilities of Lahore Stock Exchange Ltd. as approved by the SECP. The Company has been allotted with 843,975 shares of LSE Financial Services Ltd., having face value of Rs.10 each. As at June 30, 2013 the active market value of TREC and equity shares of LSE Financial Services Ltd. was not available. The allocation of the carrying amount of membership card to the composite assets i.e. TREC and equity shares of the LSE Financial Services Ltd. was made based on the guidance given by the Technical Committee of the Institute of Chartered Accountants of Pakistan.

8. LONG TERM INVESTMENT

- at fair value through other comprehensive income	2019 Rupees	2018 Rupees
LSE Financial Services Ltd. 843,975 ordinary shares of Rs.10 each	**4,409,926**	4,409,926
Adjustment on remeasurement to fair value	**14,748,307**	10,849,142
	19,158,233	15,259,068

8.1 Shares have been valued on the basis of latest available net asset value per share of Rs. 22.70. This value was determined by the LSE Financial Services Ltd. and circulated vide notice no.6790 dated September 02, 2019.

9. SECURITY DEPOSITS

	2019 Rupees	2018 Rupees
Deposits with:		
LSE Financial Services Ltd.	-	80,000
National Clearing Company of Pakistan	**400,000**	500,000
Central Depository Company of Pakistan	**100,000**	100,000
	500,000	680,000

10. DUE FROM CLIENTS

10.1 These include Rs. 0.901 million (2018: Rs. Nil) and Rs.0.102 million (2018: Rs. Nil) and Rs. Nil (2018: Rs.0.102 million) receivable form Mr.Orangzeb Mirza (Director) and Mr. Jahanzeb Mirza (CEO) and Mr. Sher Dill Mirza (Director) respectively, against their normal trading activity.

10.2 These balances are all current and are secured against the client securities. Further, no provision for impairment in receivable is required as at June 30, 2019.

11. PREPAYMENTS AND OTHER RECEIVABLES

	2019 Rupees	2018 Rupees
Prepayments	**67,357**	93,033
Others	**7,150**	7,150
	74,507	100,183

12. SHORT TERM INVESTMENTS - at fair value through profit & loss

No. of shares		Name of the Company	Market value	
2019	2018		2019	2018
			Rupees	
-	50,000	Fauji Cement Co Ltd	-	1,142,500
-	5,500	Treet Corporation Ltd.	-	188,045
178	178	MCB Bank Ltd.	31,052	35,204
7,000	7,000	Ferozesons Laboratories Ltd	782,740	1,363,110
30,000	52,000	Fauji Fertilizer Company Ltd	2,616,000	5,142,280
10,000	7,000	Pakistan Telecommunication Ltd.	82,700	80,080
10,000	-	Ghandhara Nissan Ltd	524,300	-
25,000	-	Pak Electron Ltd	500,500	-
5,000	-	Al Tahur Ltd	98,550	-
2,000	-	Tariq Glass Industries Ltd	153,260	-
89,178	121,678		4,789,102	7,951,219

12.1 Apart from the above mentioned investments, in the preceding year the Company held 400 shares of Zeal Pak Cement Factory Limited which has been delisted from stock exchange and 100 shares of Innovative Investment Bank Limited which are not listed on stock exchange therefore has no market value.

12.2 As at June 30, 2019, shares valuing Rs.4.775 million (2018: Rs.6.493 million) are pledged with PSX as margin against trading. No shares are pledge with any financial institution.

13. CASH AND BANK BALANCES

	2019	2018
	Rupees	Rupees
Cash in hand	490,777	480,220
Cash at banks on		
Current accounts		
- client accounts	3,739,694	4,348,502
- house accounts	71,484	39,341
	3,811,178	4,387,843
PLS saving account		
- client accounts	16,777,801	71,114,504
- house accounts	2,608,092	3,769,251
	19,385,893	74,883,755
	23,687,848	79,751,818

14. ISSUED, SUBSCRIBED AND PAID-UP CAPITAL

The Company during the year issued bonus shares in ratio of 3 ordinary shares for every 4 ordinary shares already held.

15. DUE TO CLIENTS

15.1 Preceding year figures included Rs.0.304 ,million and Rs.0.153 million payable to Mr. Jahanzeb Mirza (Chief Executive) and Mirza Abdul Khaliq (Director) respectively against their normal trading activity.

15.2 These also include Rs.2.575 million (2018:Rs.Nil) payable to NCCPL.

16. ACCRUED AND OTHER LIABILITIES

	2019	2018
	Rupees	Rupees
Accrued expenses	163,812	148,549
Federal excise duty payable	226,217	152,579
	390,029	301,128

17. TAXATION - net

	2019 Rupees	2018 Rupees
Opening balance	1,099,068	2,396,518
Add: provision made during the year for:		
- current	133,395	1,099,068
- prior year	-	-
	133,395	1,099,068
Less: adjusted against completed assessment	(1,099,068)	(2,396,518)
	133,395	1,099,068

17.1 Provision for current year includes mainly tax on dividend income under section 150 of the Income Tax Ordinance, 2001.

17.2 Income tax returns of the Company have been filed upto the tax year 2018 i.e. accounting year ended June 30, 2018.

18. CONTINGENCIES AND COMMITMENTS

There was no known contingent liability / commitment as at June 30, 2019 and June 30, 2018.

19. OPERATING REVENUE

	2019 Rupees	2018 Rupees
Brokerage income from:		
- retail customers	13,490,149	15,070,991
- financial institutions	4,385	3,280
- proprietary trade	28,830	432,932
	13,523,364	15,507,203
Dividend income	885,836	674,836
	14,409,200	16,182,039

20. GAIN / (LOSS) ON SALE OF SHORT TERM INVESTMENTS - net

This represents accounting gain (2018: accounting loss) arisen, during the year, on sale of short term investments. This has been computed as per the requirements of International Financial Reporting Standards (IFRS).

21. OTHER INCOME

	2019 Rupees	2018 Rupees
Income from financial assets		
Profit on saving accounts	1,860,357	1,434,048

22. ADMINISTRATIVE AND OPERATING EXPENSES

	Note	2019 Rupees	2018 Rupees
Salaries and benefits		**14,291,290**	15,999,274
Director's remuneration		**2,858,600**	2,925,900
Rent, rates and taxes		**371,101**	362,267
Shares purchase transaction costs		**33,912**	510,426
Fees and subscription		**133,485**	99,830
Travelling and conveyance		**64,918**	202,715
Auditors' remuneration			
- statutory audit		**82,500**	65,000
- tax services and certification charges		**122,550**	127,250
		205,050	192,250
Printing and stationery		**157,788**	198,858
Repair and maintenance		**1,284,383**	1,635,166
Utilities		**489,550**	448,626
Entertainment		**865,407**	1,055,617
Postage and communication		**698,415**	756,798
CDC & clearing house charges		**270,891**	396,294
Depreciation	6	**882,583**	1,080,365
Professional charges		**84,500**	82,936
Insurance expenses		**139,761**	163,954
Donations		**148,600**	162,425
Others		**418,042**	479,528
		23,398,276	26,753,229

23. TRANSACTIONS WITH RELATED PARTIES

There were no transactions executed with the related parties during the year except for remuneration as detailed in note 24 and normal trading activities carried by the Directors. Receivables from and payable to related parties are detailed in notes 10 and 15 respectively.

24. REMUNERATION OF DIRECTORS, CHIEF EXECUTIVE AND EXECUTIVES

Particulars	Chief Executive		Directors		Executives	
	2019	2018	2019	2018	2019	2018
	----------------		Rupees		----------------	
Managerial remuneration	**2,000,000**	1,926,000	**800,000**	999,900	**7,183,500**	6,741,660
No. of persons	**1**	1	**1**	1	**4**	4

24.1 The Chief Executive, director and one of the executive have been provided with the Company maintained cars and cellular networks.

25. FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES

25.1 Financial Risk Factors

The Company's activities expose it to a variety of financial risks: market risk (including currency risk, interest rate risk and price risk), credit risk and liquidity risk. The Company's overall risk management focuses on the unpredictability of financial markets and seeks to minimise potential adverse effects on the Company's financial performance.

Risk management is carried-out by the Company's finance department under policies approved by the board of directors. The Company's finance department evaluates financial risks based on principles for overall risk management as well as policies covering specific areas, such as foreign exchange risk, interest rate risk, credit risk and investment of excess liquidity, provided by the board of directors.

25.2 Market risk

Market risk is the risk that the fair value or future cash flows of a financial instrument will fluctuate because of changes in market prices. Market risk comprises of three types of risks: currency risk, interest rate risk and price risk.

(a) Currency risk

Foreign currency risk arises mainly where receivables and payables exist due to transactions entered into in foreign currencies. The Company activities at present does not expose to any currency risk.

(b) 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 change in market interest rates. The Company activities at present does not expose it to any interest rate risk.

(c) Price risk

Price risk is the risk that the fair value or future cash flows of a financial instrument will fluctuate as a result of changes in market prices (other than those arising from interest rate risk or currency risk) whether those changes are caused by factors specific to the individual financial instruments or its issuer or factors affecting all similar financial instruments traded in the market.

The Company's investment in shares of a quoted Company expose it to price risk due to change in the prices of shares of quoted company.

A change of 10% in the price of shares of quoted Companies at reporting date would have decreased loss for before tax for the year by Rs.478.910 thousand (2018: Rs.795.122

25.3 Credit risk exposure and concentration of credit risk

Credit risk represents the risk of a loss if the counter party fails to discharge its obligation and cause the other party to incur a financial loss. The Company attempts to control credit risk by monitoring credit exposures, limiting transactiqns with specific counterparties and continually assessing the credit worthiness of counterparties.

Concentrations of credit risk arise when a number of counterparties are engaged in similar business activities or have similar economic features that would cause their abilities to meet contractual obligations to be similarly affected by changes in economic, political or other conditions. Concentrations of credit risk indicate the relative sensitivity of the Company's performance to developments affecting a particular industry.

Credit risk primarily arises from security deposits, due from clients, other receivables, investments and balances with banks. To manage exposure to credit risk in respect of due from clients, management performs credit reviews taking into account the customer's financial position, past experience and other relevant factors. Where considered necessary, advance payments are obtained from certain parties. Credit risk on bank balances is limited as the counter parties are banks with reasonably high credit ratings.

Exposure to credit risk

The maximum exposure to credit risk as at June 30, 2019 along with comparative is tabulated below:

	2019 Rupees	2018 Rupees
Long term investment	**19,158,233**	15,259,068
Security deposits	**500,000**	680,000
Due from clients	**22,278,833**	28,847,883
Other receivables	**7,150**	7,150
Short term investments	**4,789,102**	7,951,219
Loan to employees	**448,000**	-
Bank balances	**23,197,071**	79,271,598
	70,378,389	132,016,918

25.4 Liquidity risk

Liquidity risk is the risk that the Company will not be able to meet its financial obligations as they fall due. The Company's approach is to ensure, as far as possible, to always have sufficient liquidity to meet its liabilities when due. Prudent liquidity risk management implies maintaining sufficient cash and marketable securities and ensuring the availability of adequate credit facilities. The Company's treasury department aims at maintaining flexibility in funding by keeping committed credit lines available.

Financial liabilities in accordance with their contractual maturities are presented below:

Particulars	Carrying amount	Contractual cash flows	Less than 1 year
		Rupees	
June 30, 2019			
Due to clients	**18,830,023**	**18,830,023**	**18,830,023**
Accrued and other liabilities	**390,029**	**390,029**	**390,029**
	19,220,052	**19,220,052**	**19,220,052**
June 30, 2018			
Due to clients	74,823,323	74,823,323	74,823,323
Accrued and other liabilities	301,128	301,128	301,128
	75,124,451	75,124,451	75,124,451

25.5 Fair value hierarchy

The table below analyses financial instruments carried at fair value by valuation method. The different levels have been defined as follows:

- Quoted prices (unadjusted) in active markets for identical assets or liabilities [Level 1].
- Inputs other than quoted prices included within level 1 that are observable for the asset or liability, either directly (that is, as prices) or indirectly (that is, derived from prices) [Level 2].
- Inputs for the asset or liability that are not based on observable market data (that is,

The following table presents the Company's assets that are measured at fair value as at the year end:

	Level 1	Level 3
	------- Rupees -----	
June 30, 2019		
Assets		
Long term investment	-	19,158,233
Short term investments	4,789,102	-
June 30, 2018		
Assets		
Long term investment	-	15,259,068
Short term investments	7,951,219	-

25.6 Fair value measurement of financial instruments

Fair value is the price that would be received upon sale of an asset or paid upon transfer of a liability in an orderly transaction between market participants at the measurement date. Underlying the definition of fair value is the presumption that the Company is a going concern and there is no intention or requirement to curtail materially the scale of its operation or to undertake a transaction on adverse terms.

Valuation techniques used to determine fair values

Level 1: The fair value of financial instruments traded in active markets is based on quoted market prices at the reporting date. A market is regarded as active if quoted prices are readily and regularly available from an exchange, dealer, broker, industry group, pricing service, or regulatory agency, and those prices represent actual and regularly occurring market transactions on an arm's length basis. These instruments are included in Level 1.

Level 2: The fair value of financial instruments that are not traded in an active market is determined by using valuation techniques. These valuation techniques maximize the use of observable market data where it is available and rely as little as possible on entity-specific estimates. If all significant inputs required to measure the fair value of an instrument are observable, the instrument is included in Level 2.

Level 3: If one or more of the significant inputs is not based on observable market data, the instrument is included in Level 3.

At June 30, 2019, the carrying values of all financial assets and liabilities reflected in the financial statements approximate to their fair values.

26. CAPITAL RISK MANAGEMENT

The Company's prime objective when managing capital is to safeguard its ability to continue as a going concern so that it can continue to provide returns for shareholders, benefits for other stakeholders and to maintain a strong capital base to support the sustained development of its business.

The Company manages its capital structure by monitoring return on net assets and makes adjustments to it in the light of changes in economic conditions. In order to maintain or adjust the capital structure, the Company may adjust the amount of dividend paid to shareholders and / or issue new shares.

There was no change to the Company's approach to capital management during the year and the Company is not subject to externally imposed capital requirements.

27. FINANCIAL INSTRUMENT BY CATEGORY

	2019				2018			
	Amortised cost	At fair value through OCI	At fair value through PL	Total	Loans and receivables	Available-for-sale	through profit and loss	Total
	--------Rupees--------				--------Rupees--------			
Financial assets as per statement of financial position								
Long term investment	-	19,158,233	-	19,158,233	-	15,259,068	-	15,259,068
Security deposits	500,000	-	-	500,000	680,000	-	-	680,000
Short term investments	-	-	4,789,102	4,789,102	-	-	7,951,219	7,951,219
Due from clients	22,278,833	-	-	22,278,833	28,847,883	-	-	28,847,883
Advances and other receivables	455,150	-	-	455,150	7,150	-	-	7,150
Cash and bank balances	23,687,848	-	-	23,687,848	79,751,818	-	-	79,751,818
	46,921,831	19,158,233	4,789,102	70,869,166	109,286,851	15,259,068	7,951,219	132,497,138

	Financial liabilities measured at amortised cost	
Financial liabilities as per statement of financial position	**2019**	2018
	--- Rupees ---	
Due to clients	**18,830,023**	74,823,323
Accrued and other liabilities	**390,029**	301,128
	19,220,052	75,124,451

28. NUMBER OF EMPLOYEES

The total number of employees as at June 30, 2019 were 26 (2018: 29) and their average numbers during the years were 20 (2018: 22).

29. PATTERN OF SHAREHOLDING

As at June 30, 2019, following persons held more than 5% of the issued, subscribed and paid-up capital of the Company:

- Mr. Jahanzeb Mirza (Chief Executive)
- Mrs. Fakhra Khaliq
- Dr. Jahangir Adil
- Mr. Asad Alamgir
- Mr. Aurangzeb Mirza

30. DATE OF AUTHORISATION OF FINANCIAL STATEMENTS

These financial statements were authorised for issue on 05 SEP 2019 by the board of directors of the Company.

31. GENERAL

Corresponding figures have been re-arranged, wherever necessary, for the purposes of comparison; however, no material re-arrangements have been made in these financial statements.

Chief Executive Officer SHC **Director**