

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

TRE CERTIFICATE HOLDER, PAKISTAN STOCK EXCHANGE LTD.

Dear Shareholders

On behalf of Board of Directors, I present to you the Audited Financial Statements of your Company, S.D Mirza Securities (Pvt) Ltd., for the year ended 30 June 2018, together with auditors' report thereon.

By the Will of Allah, Mr. Mirza Sher Dill, the founding Chairman of the company, left for his heavenly abode on June 24th, 2018. (Inna lillahi wainnailayhiraji'un)

Economic Review

Pakistan's economy remained challenging during the year as the political stage remained the center of attention. The economy took a backstage as the government was more involved in dealing with legal cases. With the rising crude oil prices and devaluation of the Pakistani Rupee, the inflation was bound to pick up pace and affect the major indicators of the economy. This led to the State Bank of Pakistan raising the policy rate by 75 basis points during the year.

Market Review

The KSE-100 index closed at 41,911 points at the close of the financial year. The valuations of listed companies seemed attractive at these levels but the investors chose to stay on the sideline due to continuous political and economic volatility. A major factor was an outflow of USD 136 million by the foreign investors during the last half of the FY. This also affected the average daily volumes which declined by almost 40%.

Financial Results

The Company has earned a revenue of Rs. 16.182 million as compared to Rs. 34.511 million for the corresponding year. On the expenditure side, the operating & administrative expenses were Rs. 26,753 million in comparison to Rs. 28,331 million in previous year. The company recorded a net Loss of Rs. 13,372 million for the year under review.

Future Outlook

Despite going through a rough year, the management of the company is confident that it has the expertise, experience and will to make the best out of the current turmoil the country is going through. With the new government in place, it might take some time for the policies to show any positive affect

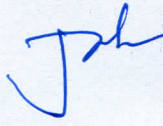

S.D. Mirza Securities (Pvt). Ltd.

TRE CERTIFICATE HOLDER, PAKISTAN STOCK EXCHANGE LTD.

in the economy. The strategy would be to both engage, contact and activate the current pool of clients and invest in expanding the investor base so that they can also benefit from this opportunity of investing in good valuation shares. The management is also cognizant of the responsibility to increase the worth of the shareholders of the company.

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 Ltd for their continuous cooperation, support and guidance.

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 enclosed financial statements of S.D. MIRZA SECURITIES (PRIVATE) LIMITED (the Company), which comprise the statement of financial position as at June 30, 2018, 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, in the best of our knowledge and belief, were necessary for the purpose of the audit.

In our opinion and to the best of our information and according to the explanations given to us, the statement of financial position, the statement of profit or loss, the statement of other comprehensive income, the statement of changes in equity and statement of cash flows, taken 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 (i) a state of the Company's affairs as at June 30, 2018 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 these standards are further described in the Auditor's Report on Financial Statements. We are independent of the Company in accordance with the Code of Ethics for Chartered Accountants of Pakistan. We have also fulfilled the responsibilities of other auditors as required by the standards. We believe that the evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

S.D. MIRZA SECURITIES (PRIVATE) LIMITED
AUDITED FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 2018

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, if doing so, consider whether it contains any material misstatements. If, in our judgment, such other information is materially misstated, we are required to report the fact. We have not identified any material misstatements of the other information. We are not required to report the fact that we have read the other information in this report.

**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, 2018, 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, 2018 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.

Sinc

PraxityTM

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

SHZ

- 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.

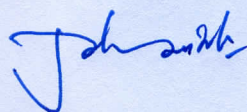
LAHORE; 11 SEP 2018

SHC **ShineWing Hameed Chaudhri & Co.**
SHINEWING HAMEED CHAUDHRI & CO.,
CHARTERED ACCOUNTANTS

S.D. MIRZA SECURITIES (PRIVATE) LIMITED
STATEMENT OF FINANCIAL POSITION
AS AT JUNE 30, 2018

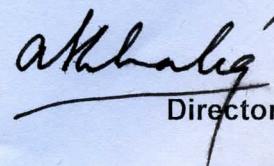
Assets	Note	2018 Rupees	2017 Rupees
Non current assets			
Operating fixed assets	5	4,746,789	5,659,954
Intangible assets	6	8,357,974	8,357,974
Long term investment	7	15,259,068	14,887,719
Security deposits	8	680,000	680,000
		<u>29,043,831</u>	<u>29,585,647</u>
Current assets			
Due from clients	9	28,847,883	39,124,683
Prepayments and other receivables	10	100,183	113,950
Short term investments	11	7,951,219	10,795,250
Tax deducted at source		2,308,697	3,351,210
Cash and bank balances	12	79,751,818	35,761,089
		<u>118,959,800</u>	<u>89,146,182</u>
Total Assets		<u><u>148,003,631</u></u>	<u><u>118,731,829</u></u>
Equity and Liabilities			
Share Capital and Reserves			
Authorised capital			
100,000 (2017: 100,000) ordinary shares of Rs.1,000 each		<u>100,000,000</u>	<u>100,000,000</u>
Issued, subscribed and paid-up capital			
20,000 ordinary shares of Rs.1,000 each		20,000,000	20,000,000
Fair value gain on remeasurement of available- for-sale investments		10,849,142	10,477,793
Unappropriated profit		<u>40,930,970</u>	<u>54,303,141</u>
		71,780,112	84,780,934
Liabilities			
Current liabilities			
Due to clients	13	74,823,323	31,091,090
Accrued and other liabilities	14	301,128	463,287
Taxation	15	1,099,068	2,396,518
		<u>76,223,519</u>	<u>33,950,895</u>
Total Liabilities		<u>76,223,519</u>	<u>33,950,895</u>
Contingencies and commitments	16		
Total Equity and Liabilities		<u><u>148,003,631</u></u>	<u><u>118,731,829</u></u>

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



Chief Executive

SHC

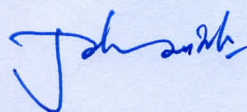


Director

S.D. MIRZA SECURITIES (PRIVATE) LIMITED
STATEMENT OF FINANCIAL POSITION
AS AT JUNE 30, 2018

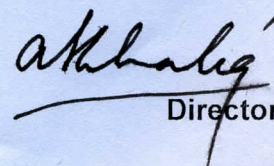
Assets	Note	2018 Rupees	2017 Rupees
Non current assets			
Operating fixed assets	5	4,746,789	5,659,954
Intangible assets	6	8,357,974	8,357,974
Long term investment	7	15,259,068	14,887,719
Security deposits	8	680,000	680,000
		<u>29,043,831</u>	<u>29,585,647</u>
Current assets			
Due from clients	9	28,847,883	39,124,683
Prepayments and other receivables	10	100,183	113,950
Short term investments	11	7,951,219	10,795,250
Tax deducted at source		2,308,697	3,351,210
Cash and bank balances	12	79,751,818	35,761,089
		<u>118,959,800</u>	<u>89,146,182</u>
Total Assets		<u><u>148,003,631</u></u>	<u><u>118,731,829</u></u>
Equity and Liabilities			
Share Capital and Reserves			
Authorised capital			
100,000 (2017: 100,000) ordinary shares of Rs.1,000 each		<u>100,000,000</u>	<u>100,000,000</u>
Issued, subscribed and paid-up capital			
20,000 ordinary shares of Rs.1,000 each		20,000,000	20,000,000
Fair value gain on remeasurement of available- for-sale investments		10,849,142	10,477,793
Unappropriated profit		<u>40,930,970</u>	<u>54,303,141</u>
		<u>71,780,112</u>	<u>84,780,934</u>
Liabilities			
Current liabilities			
Due to clients	13	74,823,323	31,091,090
Accrued and other liabilities	14	301,128	463,287
Taxation	15	1,099,068	2,396,518
		<u>76,223,519</u>	<u>33,950,895</u>
Total Liabilities		<u>76,223,519</u>	<u>33,950,895</u>
Contingencies and commitments	16		
Total Equity and Liabilities		<u><u>148,003,631</u></u>	<u><u>118,731,829</u></u>

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



Chief Executive

SHC

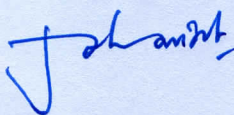


Director

S.D. MIRZA SECURITIES (PRIVATE) LIMITED
STATEMENT OF PROFIT OR LOSS
FOR THE YEAR ENDED JUNE 30, 2018

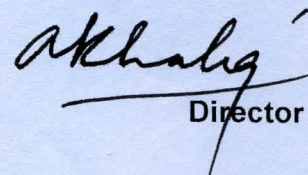
	Note	2018 Rupees	2017 Rupees
Operating revenue	17	16,182,039	34,511,968
(Loss) / gain on sale of short term investments - net	18	(1,905,797)	2,026,709
Fair value loss on remeasurement of investments through profit or loss		(851,733)	(1,423,112)
Other income	19	1,434,048	1,427,031
		<u>14,858,557</u>	<u>36,542,596</u>
Administrative and operating expenses	20	(26,753,229)	(28,331,943)
Other expenses	21	(327,860)	-
Bank charges		(50,571)	(40,118)
(Loss) / profit before taxation		<u>(12,273,103)</u>	<u>8,170,535</u>
Taxation			
- current	15	(1,099,068)	(2,396,518)
- prior year	15	-	70,087
		<u>(1,099,068)</u>	<u>(2,326,431)</u>
(Loss) / profit after taxation		<u><u>(13,372,171)</u></u>	<u><u>5,844,104</u></u>

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



Chief Executive

SHC


Director

**S.D. MIRZA SECURITIES (PRIVATE) LIMITED
STATEMENT OF COMPREHENSIVE INCOME
FOR THE YEAR ENDED JUNE 30, 2018**

	2018	2017
Note	Rupees	Rupees
(Loss) / profit after taxation	(13,372,171)	5,844,104
Other Comprehensive Income		
Items that may be reclassified subsequently to profit and loss account		
Fair value gain on remeasurement of available-for-sale investment	7 371,349	-
Total comprehensive (loss) / income for the year	<u><u>(13,000,822)</u></u>	<u><u>5,844,104</u></u>

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

Chief Executive



Director

S.D. MIRZA SECURITIES (PRIVATE) LIMITED
STATEMENT OF CASH FLOW
FOR THE YEAR ENDED JUNE 30, 2018

	2018 Rupees	2017 Rupees
Cash flow from operating activities		
(Loss) / profit before taxation	(12,273,103)	8,170,535
Adjustments for non-cash charges and other items:		
Depreciation	1,080,365	1,113,019
Fair value adjustment of investments through profit or loss	851,733	1,423,112
Gain on sale of operating fixed assets	-	(357,770)
(Loss) / profit before working capital changes	(10,341,005)	10,348,896
Effect on cash flow due to working capital changes		
(Increase) / decrease in current assets		
Due from clients	10,276,800	(10,377,285)
Prepayments and other receivables	13,767	7,970,486
Increase / (decrease) in current liabilities:		
Due to clients	43,732,233	3,615,454
Accrued and other liabilities	(162,159)	(199,337)
Cash generated from operations	53,860,641	1,009,318
Income tax paid	(1,354,005)	(2,649,753)
Net cash generated from operating activities	42,165,631	8,708,461
Cash flow from investing activities		
Fixed capital expenditure	(167,200)	(2,516,215)
Intangible assets purchased	-	(550,000)
Proceeds from disposal of operating fixed assets	-	1,000,000
Short term investments - net	1,992,298	(5,729,776)
Net cash generated from / (used in) investing activities	1,825,098	(7,795,991)
Net increase in cash and cash equivalents	43,990,729	912,470
Cash and cash equivalents - at beginning of the year	35,761,089	34,848,619
Cash and cash equivalents - at end of the year	79,751,818	35,761,089

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

Johanda

Chief Executive

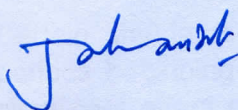
SHC

Akhalig
Director

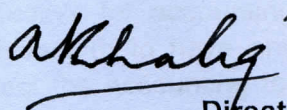
S.D. MIRZA SECURITIES (PRIVATE) LIMITED
STATEMENT OF CHANGES IN EQUITY
FOR THE YEAR ENDED JUNE 30, 2018

	Share capital	Fair value gain on remeasurement of available-for-sale investments	Unappropriated profit	Total
----- Rupees -----				
Balance as at July 01, 2016	20,000,000	10,477,793	48,459,037	78,936,830
Total comprehensive income for the year ended June 30, 2017				
Profit for the year	-	-	5,844,104	5,844,104
Other comprehensive income	-	-	-	-
	-	-	5,844,104	5,844,104
Balance as at June 30, 2017	20,000,000	10,477,793	54,303,141	84,780,934
Total comprehensive income 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

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


Chief Executive

SHC


Director

S.D. MIRZA SECURITIES (PRIVATE) LIMITED
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 2018

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, Liaquat 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

Certain standards, amendments and interpretations to IFRSs are effective for accounting periods beginning on July 01, 2017 but are considered not to be relevant or to have any significant effect on the Company's operations (although they may affect the accounting for future transactions and events) and are, therefore, not detailed in these financial statements, except for the following:

- (a) Amendments to IAS 7, 'Statement of cash flows'. The amendment requires disclosures that enable users of financial statements to evaluate changes in liabilities arising from financing activities, including both changes arising from cash flow and non-cash changes. The amendments only resulted in some additional disclosures in the Company's financial statements.
- (b) IAS 12 'Income taxes' (Amendment), on recognition of deferred tax assets for unrealised losses. These amendments on the recognition of deferred tax assets for unrealised losses clarify how to account for deferred tax assets related to debt instruments measured at fair value. The amendments clarify the existing guidance under IAS 12. They do not change the underlying principles for the recognition of deferred tax assets. Further, there are no debt instruments measured at fair value. The Company's current accounting treatment is already in line with the requirements of this standard.

- (c) The Companies Act, 2017 (the Act) has also brought certain changes with regard to preparation and presentation of annual financial statements of the Company. Further, the disclosure requirements contained in the fifth schedule to the Act have been revised, resulting in the incorporation of significant additional disclosures and elimination of duplicative disclosures with the IFRS disclosure requirements.

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, 2018 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) IFRS 9, 'Financial instruments' is applicable to accounting periods beginning on or after January 01, 2018. IASB has published the complete version of IFRS 9, 'Financial instruments', which replaces the guidance in IAS 39. This final version includes requirements on the classification and measurement of financial assets and liabilities; it also includes an expected credit losses model that replaces the incurred loss impairment model used today. The Company has yet to assess the impact of these changes on its financial statements.
- (b) IFRS 15, 'Revenue from contracts with customers' is applicable to accounting periods beginning on or after January 1, 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 recognise revenue representing the transfer of promised goods or services to customers in an amount that reflects the consideration to which the entity expects to be entitled in exchange for those goods or services. IFRS 15 replaces existing revenue recognition guidance, including IAS 18 'Revenue', IAS 11 'Construction Contracts' and IFRIC 13 'Customer Loyalty Programmes'. The Company is assessing the impact of this standard on its financial statements.
- (c) IFRS 16, 'Leases' is applicable to accounting periods beginning on or after January 1, 2019. IFRS 16 will affect primarily the accounting by lessees and will result in the recognition of almost all the leases on the reporting date. This standard removes the current distinction between operating and finance leases and requires recognition of an asset (the right to use the leased item) and a financial liability to pay rentals for virtually all lease contracts. An optional exemption exists for short-term and low-value leases. The accounting by lessor will not significantly change. Some differences may arise as a result of the new guidance on the definition of lease. Under IFRS 16, a contract is, or contains, a lease if the contract conveys the right to control the use of an identified asset for a period of time in exchange for consideration. The Company has yet to assess the impact of this standard on its financial statements.

3. Key judgements and estimates

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) Classification and valuation of investments (note 4.3);
- (iii) Provisions (note 4.9); and
- (iv) Provision for taxation (notes 4.8)

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 5. 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 6.1). 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 Investments

(a) Available for sale

Investments, which are intended to be held for an undefined period of time but may be sold in response to the need for liquidity or changes in interest rates are classified as available for sale.

Subsequent to initial recognition these are re-measured to fair value, with any resultant gain or loss being recognised in other comprehensive income. Gains or losses on available for sale investments are recognised in statement of other comprehensive income until the investments are sold or disposed off, or until the investments are determined to be impaired, at that time cumulative gain or loss previously reported in statement of other comprehensive income is reclassified to statement of profit or loss.

The Company uses latest stock exchange quotations to determine the fair value of its quoted investments.

(b) At fair value through profit or loss

These are held for trading purpose. An investment is classified in this category if acquired principally for the purpose of selling in the short-term. Investments in this category are classified as current assets. These are stated at fair value with any resulting gain or losses recognised directly in statement of profit or loss.

4.4 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

A provision for impairment is established when there is objective evidence that the Company will not be able to collect all amounts due according to the original terms. The amount of the provision is recognised in the statement of profit or loss. Bad debts are written-off in the statement of profit or loss on identification.

Judgments and estimates

The allowance for doubtful debts of the Company is based on the ageing analysis and management's continuous evaluation of the recoverability of the outstanding receivables. In assessing the ultimate realisation of these receivables, management considers, among other factors, the creditworthiness and the past collection history of each customer.

4.5 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.

4.6 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.

4.7 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.

4.8 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.

4.9 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.

4.10 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.

4.11 Financial instruments

(a) Initial recognition

All the financial assets and financial liabilities are recognised at the time when the Company becomes a party to the contractual provisions of the instrument. At the time of initial recognition all financial assets and financial liabilities are measured at cost, which is the fair value of the consideration given or received for it.

(b) Derecognition of financial liability

A financial liability is derecognised when the obligation under the liability is discharged or cancelled or expires. If an existing financial liability is replaced by another from the same lender on substantially different terms, or the terms of the 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 recognised in profit or loss.

Financial instruments include long term investment, security deposits, due from clients, other receivables, short term investments, bank balances, due to clients and accrued & other liabilities. The particular recognition methods adopted are disclosed in the individual policy statements associated with each item.

4.12 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. OPERATING FIXED ASSETS - tangible

	Owned						Total
	Furniture and fixtures	Office equipment	Air Conditioners	Computers	Electric generator	Vehicles	
----- Rupees -----							
As at June 30, 2016							
Cost	474,845	510,665	255,390	1,858,130	375,923	6,989,120	10,464,073
Accumulated depreciation	323,979	276,671	104,820	1,757,068	149,297	2,953,250	5,565,085
Book value	150,866	233,994	150,570	101,062	226,626	4,035,870	4,898,988
Year ended June 30, 2017:							
Additions	-	11,600	46,000	31,325	-	2,427,290	2,516,215
Disposals:							
- cost	-	-	-	-	-	(2,171,000)	(2,171,000)
- depreciation	-	-	-	-	-	1,528,770	1,528,770
Depreciation for the year	15,087	24,033	16,591	34,144	22,663	1,000,501	1,113,019
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
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
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
Depreciation rate (%)	10	10	10	30	10	20	

6. INTANGIBLE ASSETS

	Note	2018 Rupees	2017 Rupees
Trading Right Entitlement Certificate - PSX	6.1	2,090,074	2,090,074
Room at LSE building		6,267,900	6,267,900
		8,357,974	8,357,974

- 6.1 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.

7. **LONG TERM INVESTMENT** - available-for-sale

	2018 Rupees	2017 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	10,849,142	10,477,793
	<u>15,259,068</u>	<u>14,887,719</u>

- 7.1 As at June 30, 2018, out of total shares, 506,385 shares have been kept in a blocked account.

- 7.2 Shares have been valued on the basis of latest available net asset value per share of Rs.18.08. This value was determined by the LSE Financial Services Ltd. and circulated vide their notice no.4348 dated March 20, 2018.

8. **SECURITY DEPOSITS**

	2018 Rupees	2017 Rupees
Deposits with:		
LSE Financial Services Ltd.	80,000	30,000
Pakistan Stock Exchange	-	200,000
National Clearing Company of Pakistan	500,000	300,000
Central Depository Company of Pakistan	100,000	100,000
Others	-	50,000
	<u>680,000</u>	<u>680,000</u>

9. **DUE FROM CLIENTS**

- 9.1 These include Rs. 0.102 million (2017: Rs.4.222 million) and Rs. nil (2017: Rs.25.856 thousand) receivable from Mr. Sher Dill Mirza (Director) and Mr. Abdul Khaliq Mirza (Director) respectively, against their normal trading activity.

- 9.2 These balances are all current and are secured against the client securities. Further, no provision for doubtful receivable is required as at June 30, 2018.

10. **PREPAYMENTS AND OTHER RECEIVABLES**

	2018 Rupees	2017 Rupees
Prepayments	93,033	106,800
Others	7,150	7,150
	<u>100,183</u>	<u>113,950</u>

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

11.2 As at June 30, 2018, shares valuing Rs.6.493 million (2017: Rs.9.473 million) are pledged with PSX as margin against trading. No shares are pledge with any financial institution.

12. CASH AND BANK BALANCES

	2018	2017
	Rupees	Rupees
Cash in hand	480,220	302,599
Cash at banks on:		
Current accounts		
- client accounts	4,348,502	3,612,495
- house accounts	39,341	391,315
	4,387,843	4,003,810
PLS saving account		
- client accounts	71,114,504	25,466,521
- house accounts	3,769,251	5,988,159
	74,883,755	31,454,680
	79,751,818	35,761,089

13. DUE TO CLIENTS

These include Rs.0.304 million (2017: Rs.0.755 million) and Rs.0.153 million (2017:Rs. Nil) payable to Mr. Jahanzeb Mirza (Chief Executive) and Mirza Abdul Khaliq (Director) respectively against their normal trading activity.

14. ACCRUED AND OTHER LIABILITIES

	2018	2017
	Rupees	Rupees
Accrued expenses	148,549	186,377
Federal excise duty payable	152,579	276,910
	301,128	463,287

15. TAXATION - net	2018 Rupees	2017 Rupees
Opening balance	2,396,518	344,467
Add: provision made during the year for:		
- current	1,099,068	2,396,518
- prior year	-	(70,087)
	1,099,068	2,326,431
Less: adjusted against completed assessment	(2,396,518)	(274,380)
	<u>1,099,068</u>	<u>2,396,518</u>

15.1 Provision for current year includes mainly tax on dividend income and commission income under section 150 and 233 respectively of the Income Tax Ordinance, 2001.

15.2 Income tax returns of the Company have been filed upto the tax year 2017 i.e. accounting year ended June 30, 2017.

16. CONTINGENCIES AND COMMITMENTS

There was no known contingent liability / commitment as at June 30, 2018 and June 30, 2017.

17. OPERATING REVENUE

	2018 Rupees	2017 Rupees
Brokerage income from:		
- retail customers	15,070,991	33,467,030
- financial institutions	3,280	45,871
- proprietary trade	432,932	349,580
	15,507,203	33,862,481
Dividend income	674,836	649,487
	<u>16,182,039</u>	<u>34,511,968</u>

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

This represents accounting loss (2017: accounting gain) arisen, during the year, on sale of short term investments. This has been computed as per the requirements of International Financial Reporting Standards (IFRS).

19. OTHER INCOME

	2018 Rupees	2017 Rupees
Income from financial assets		
Profit on saving accounts	1,434,048	869,261
Income from assets other than financial assets		
Gain on sale of operating fixed assets	-	357,770
Rental income	-	200,000
	<u>1,434,048</u>	<u>1,427,031</u>

20. ADMINISTRATIVE AND OPERATING EXPENSES

	Note	2018 Rupees	2017 Rupees
Salaries and benefits		15,999,274	14,099,096
Director's remuneration		2,925,900	3,897,900
Rent, rates and taxes		362,267	353,955
Shares purchase transaction costs		510,426	216,769
Fees and subscription		99,830	417,920
Travelling and conveyance		202,715	99,289
Auditors' remuneration			
- statutory audit		65,000	65,000
- tax services and certification charges		127,250	44,310
		192,250	109,310
Printing and stationery		198,858	333,518
Repair and maintenance		1,635,166	1,076,028
Utilities		448,626	397,999
Entertainment		1,055,617	1,048,427
Postage and communication		756,798	913,955
CDC & clearing house charges		396,294	955,280
Depreciation	5	1,080,365	1,113,019
Professional charges		82,936	152,795
Insurance expenses		163,954	222,268
<i>Donations</i>		162,425	119,550
Others		479,528	521,872
Commission to agents		-	2,282,993
		<u>26,753,229</u>	<u>28,331,943</u>

21. OTHER EXPENSES

This represents income tax paid under section 137 of the Income Tax Ordinance, 2001 in respect of tax years 2014, 2015 and 2016.

22. TRANSACTIONS WITH RELATED PARTIES

There were no transactions executed with the related parties during the year except for remuneration as detailed in note 20. Receivables from and payable to related parties are detailed in notes 9 and 13 respectively.

23. REMUNERATION OF DIRECTORS, CHIEF EXECUTIVE AND EXECUTIVES

Particulars	Chief Executive		Directors		Executives	
	2018	2017	2018	2017	2018	2017

----- Rupees -----

Managerial remuneration	1,926,000	1,926,000	999,900	1,971,900	6,741,660	5,778,000
No. of persons	1	1	2	2	4	3

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

24. FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES**24.1 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.

24.2 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.795.122 thousand (2017: Rs.1.079 million).

24.3 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 transactions 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, 2018 along with comparative is tabulated below:

	2018	2017
	Rupees	Rupees
Long term investment	15,259,068	14,887,719
Security deposits	680,000	680,000
Due from clients	28,847,883	39,124,683
Other receivables	7,150	7,150
Short term investments	7,951,219	10,795,250
Bank balances	79,271,598	35,458,490
	<u>132,016,918</u>	<u>100,953,292</u>

24.4 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, 2018			
Due to clients	74,823,323	74,823,323	74,823,323
Accrued and other liabilities	301,128	301,128	301,128
	<u>75,124,451</u>	<u>75,124,451</u>	<u>75,124,451</u>
June 30, 2017			
Due to clients	31,091,090	31,090,090	31,090,090
Accrued and other liabilities	463,287	463,287	463,287
	<u>31,554,377</u>	<u>31,553,377</u>	<u>31,553,377</u>

24.5 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, unobservable inputs) [Level 3].

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, 2018		
Assets		
Long term investment	-	15,259,068
Short term investments	7,951,219	-
June 30, 2017		
Assets		
Long term investment	-	14,887,719
Short term investments	10,795,250	-

24.6 Fair value of financial assets and liabilities

The carrying amounts of all financial assets and liabilities reflected in the financial statements approximate their fair values.

25. 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 except for the maintenance of debt to equity ratio under the financing agreements.

26. NUMBER OF EMPLOYEES

The total number of employees as at June 30, 2018 were 29 (2017: 30) and their average numbers during the years were 22 (2017: 24).

27. PATTERN OF SHAREHOLDING

As at June 30, 2018, 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

28. SUMMARY OF SIGNIFICANT TRANSACTIONS AND EVENTS

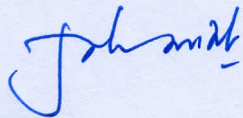
- 28.1** During the year, the Companies Act, 2017 along with revised fifth schedule become applicable to the financial statements of the Company.
- 28.2** All the significant transactions and events that have affected the Company financial position and performance during the year have been adequately disclosed in these financial statements. For detail performance review of the Company refer Directors' Report on the Company's operations.

29. DATE OF AUTHORISATION OF FINANCIAL STATEMENTS

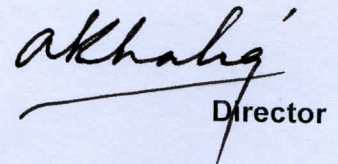
These financial statements were authorised for issue on **31 SEP 2018** by the board of directors of the Company.

30. 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


Director