KHS SECURITIES (PRIVATE) LIMITED

AUDITED FINANCIAL STATEMENTS
FOR THE YEAR ENDED
JUNE 30, 2019

MUSHTAQ & COMPANY
CHARTERED ACCOUNTANTS

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Independent auditor's report to the members of KHS Securities (Private) Limited

Report on the Audit of the Financial Statements

Opinion

We have audited the annexed financial statements of **KHS Securities (Private) Limited**, which comprise the statement of financial position as at June 30, 2019, and 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, statement of profit or loss and other comprehensive income, the statement of changes in equity and the statement of cash flows together with the notes 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 and other comprehensive loss, the changes in equity and its cash flows for the year then ended.

Basis for Opinion

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

Responsibilities of Management and Board of Directors for the Financial Statements

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

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

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

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Auditor's Responsibilities for the Audit of the Financial Statements

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with ISAs as applicable in Pakistan will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these financial statements.

As part of an audit in accordance with ISAs as applicable in Pakistan, we exercise professional judgment and maintain professional skepticism throughout the audit. We also:

- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Company's internal control.
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by management.
- Conclude on the appropriateness of management's use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Company's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Company to cease to continue as a going concern.
- Evaluate the overall presentation, structure and content of the financial statements, including the disclosures, and whether the financial statements represent the underlying transactions and events in a manner that achieves fair presentation.

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

Report on Other Legal and Regulatory Requirements

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

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

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

/SHTAQ & CO.

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

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

The engagement partner on the audit resulting in this independent auditor's report is **Zahid Hussain Zahid, ACA.**

Mushtaq & Co.

MUSHTAQ & CO

Chartered Accountants

Lahore. 04 OCT 2019

Dated: ____________________

KHS SECURITIES (PRIVATE) LIMITED
STATEMENT OF FINANCIAL POSITION
AS AT JUNE 30, 2019

	Note	2019	2018	2017
		Rupees		
EQUITY AND LIABILITIES			Restated	Restated
SHARE CAPITAL				
Authorized capital				
3,500,000 (2018: 3,500,000) Ordinary shares of Rs.10 each		**35,000,000**	35,000,000	35,000,000
Issued, subscribed and paid-up capital				
2,000,000 (2018: 2,000,000) Ordinary shares of Rs.10 each		**20,000,000**	20,000,000	20,000,000
Unappropriated profits		**5,457,726**	8,882,388	11,702,452
Gain on investments at FVOCI		**9,661,185**	7,462,040	7,587,876
Share deposit money	4	**11,004,000**	11,004,000	11,004,000
		46,122,911	47,348,428	50,294,328
DEFERRED LIABILITIES				
Deferred taxation		**1,720,422**	1,985,644	2,552,692
CURRENT LIABILITIES				
Trade & other payables	5	**16,540,700**	12,528,008	35,903,615
Unclaimed dividend	6	**215,000**	215,000	215,000
Provision for taxation	7	**130,842**	-	42,501
		16,886,542	12,743,008	36,161,116
CONTINGENCIES AND COMMITMENTS	8			
		64,729,875	62,077,080	89,008,136

	Note	2019	2018	2017
		Rupees		
ASSETS			Restated	Restated
NON CURRENT ASSETS				
Operating fixed assets	9	**1,048,017**	1,207,933	1,393,288
Intangible assets	10	**7,202,841**	7,202,841	7,016,841
		8,250,858	8,410,774	8,410,129
Long term investment	11	**18,356,456**	15,259,068	15,436,302
Long term deposits	12	**4,971,535**	5,071,535	5,071,535
CURRENT ASSETS				
Trade debts	13	**15,616,990**	18,329,419	28,310,677
Short term investments	14	**2,307,556**	3,407,793	7,504,872
Advance income tax	15	**623,943**	-	29,000
Cash and bank balances	16	**14,602,537**	11,598,491	24,245,621
		33,151,026	33,335,703	60,090,170
		64,729,875	62,077,080	89,008,136

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

KHS SECURITIES (PRIVATE) LIMITED
STATEMENT OF PROFIT OR LOSS
FOR THE YEAR ENDED JUNE 30, 2019

	Note	2019	2018
		------- Rupees -------	
Brokerage receipts		**2,248,562**	2,814,761
(Loss) / gain on sale of short term investments - net		-	(788,822)
Fair value loss on remeasurement of investments through profit or loss		**(1,100,237)**	(323,732)
Operating and administrative expenses	17	**(6,747,306)**	(4,638,227)
Other Income		**1,147,720**	590,713
Operating (loss) / income		**(4,451,262)**	(2,345,307)
Finance cost		**(6,023)**	(10,156)
(Loss) / profit before taxation		**(4,457,285)**	(2,355,463)
Taxation	20	**1,032,623**	**(464,601)**
(Loss) / profit after taxation		**(3,424,662)**	**(2,820,064)**
(Loss) / Earnings per share - Basic and diluted	23	**(1.71)**	(1.41)

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

CHIEF EXECUTIVE **DIRECTOR**

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

	2019	2018
	------- Rupees -------	
		Restated
(Loss) / profit after taxation	**(3,424,662)**	(2,820,064)
Other comprehensive income:	-	-
Items that will never be reclassified subsequently to profit or loss		
Investments at fair value through other comprehensive income		
Fair value Gain/(Loss) arised during the period	**3,097,388**	(177,234)
Impact of deferred tax	**(898,243)**	51,398
	2,199,145	(125,836)
Total comprehensive (loss) / income for the year	**(1,225,517)**	(2,945,900)

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

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CHIEF EXECUTIVE **DIRECTOR**

KHS SECURITIES (PRIVATE) LIMITED
STATEMENT OF CASH FLOWS
FOR THE YEAR ENDED JUNE 30, 2019

	Note	2019	2018
		------- Rupees -------	
CASH FLOWS FROM OPERATING ACTIVITIES			
(Loss) / profit before taxation		(4,457,285)	(2,355,463)
Adjustments for non-cash charges and other items:			
Depreciation	9	159,916	185,355
Dividend income		(654,900)	(590,713)
Other income		(492,820)	-
Loss / (gain) on sale on investment		-	788,822
Unrealized loss on remeasurement of investment		1,100,237	323,732
Finance cost		6,023	10,156
		118,457	717,352
(Loss) / profit before working capital changes		(4,338,828)	(1,638,111)
Effect on cash flow due to working capital changes			
Decrease / (increase) in current assets:			
Trade debts		2,712,429	9,981,258
Loans and advances		-	29,000
(Decrease) / increase in current liabilities:			
Trade and other payables		4,012,692	(23,375,607)
		6,725,121	(13,365,349)
Cash (used in) / generated from operations		2,386,293	(15,003,460)
Income tax paid		(623,943)	(983,973)
Finance cost paid		(6,023)	(10,156)
Net cash (used in) / generated from operating activities		1,756,327	(15,997,589)
CASH FLOWS FROM INVESTING ACTIVITIES			
Proceeds from sale of investment		-	5,731,349
Payment for acquisition of Investments		-	(2,696,995)
Purchase of intangibles		-	(186,000.00)
Decrease in long term deposits		100,000	-
Dividend Received		1,147,720	502,106
Net cash generated from investing activities		1,247,720	3,350,460
Net (decrease) / increase in cash and cash equivalents		3,004,046	(12,647,130)
Cash and cash equivalents at the beginning of the year		11,598,491	24,245,621
Cash and cash equivalents at the end of the year	16	14,602,537	11,598,491

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

CHIEF EXECUTIVE **DIRECTOR**

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

PARTICULARS	SHARE CAPITAL	REVENUE RESERVE ACCUMULATED PROFIT	GAIN/(LOSS) ON INVESTMENTS AT FVOCI	TOTAL
	---------------------- Rupees ----------------------			
Balance as at July 01, 2017	20,000,000	11,155,869	-	31,155,869
Gain on investments at FVOCI-net (Note 2.4.1)	-	546,583	7,587,876	8,134,459
Balance as at July 01, 2017 - restated	20,000,000	11,702,452	7,587,876	39,290,328
Profit/ (loss) for the year	-	(2,820,064)	-	(2,820,064)
Other comprehensive income/ (loss) for the year	-	-	(125,836)	(125,836)
Balance as at June 30, 2018 - restated	20,000,000	8,882,388	7,462,040	36,344,428
Profit/ (loss) for the year	-	(3,424,662)	-	(3,424,662)
Other comprehensive income/ (loss) for the year	-	-	2,199,145	2,199,145
Balance as at June 30, 2019	**20,000,000**	**5,457,726**	**9,661,185**	**35,118,911**

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

CHIEF EXECUTIVE **DIRECTOR**

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

1. THE COMPANY AND ITS OPERATION

KHS Securities (Private) Limited (the Company) was incorporated as a private limited company in Pakistan under the Companies Ordinance, 1984 (now the Companies Act, 2017) on August 16, 2002. The Company is a corporate member of the Pakistan Stock Exchange Limited (Formerly: Lahore Stock Exchange Limited). Its principle activities include trading and brokerage for equities, underwriting of public issues etc. The registered office of the Company is located at room no.511, 5th floor, Lahore Stock Exchange Building, 10-Khayaban-e-Aiwan-e-Iqbal, Lahore.

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 without any adjustment for the fact of inflation or current values except investments and shares that have been measured at fair values.

2.3 Functional and presentation currency

These financial statements are presented in Pakistani rupees which is also the company's functional currency and presentation currency of the company and rounded off to the nearest rupee.

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

Following standards, amendments and interpretations are effective for the year beginning on or after July 01, 2018. These standards, interpretations and the amendments are either not relevant to the Company's operations or are not expected to have significant impact on the Company's financial statements other than mentioned below:

(a) IFRS 9 'Financial instruments' – This standard replaces the provisions of IAS 39 that relate to the recognition, classification and measurement of financial assets and financial liabilities, derecognition of financial instruments, impairment of financial assets and hedge accounting. It also includes an expected credit losses model that replaces IAS 39 incurred loss impairment model. On July 1, 2018 (the date of initial application of IFRS 9), the Company's management has assessed which business models apply to the financial assets held by the Company and has classified its financial instruments into the appropriate IFRS 9 categories (i.e. mainly financial assets previously classified as 'loans and receivables' have now been classified as 'amortized cost' and Investment at Cost has now been classified as Investment at Fair Value through OCI).

The financial impact of changes laid down by this standard on these financial statements of the Company and on related accounting policies is given as follows:

Previously, Long Term Investments were caried at Cost which were not in accordance with the requirements of IFRS 9. Accordingly, in accordance with the requirements of International financial Reporting Standard 9 'Financial instruments' Long Term Invetments would now be carried at fair value and any gain will be charged to other comprehensive income.

Due to application of change in accounting policy mentioned above fair value gain in long term investments, net of deferred tax, is recognised in other comprehansive income. Increase in carrying amount of long term investment and accumulated gains are recognised in statement of financial position.

The change in accounting policy has been accounted for retrospectively in accordance with the requirements of IAS 8 'Accounting Policies, Changes in Accounting Estimates and Errors' and comparative figures have been restated.

The effect of change in accounting policy is summarised below:

	As at June 30, 2018			As at June 30, 2017		
	As previously reported	As re-stated	Re - statement	As previously reported	As re-stated	Re - statement
	---Rupees---					
Effect on statement of financial position						
Unappropriated profit	7,820,155	8,882,388	1,062,233	11,155,869	11,702,452	546,583
Gain on investments at FVOCI	-	-	7,462,040	-	-	7,587,876
Long term investments	4,749,151	15,259,068	10,509,917	4,749,151	15,436,302	10,687,151
Effect on statement of changes in equity						
Gain on investments at FVOCI		7,462,040	7,462,040	-	7,587,876	7,587,876

	For the year ended June 30, 2018		
	As previously	As re-stated	Re - statement
	---------Rupees-------		
Effect on statement of other comprehensive income			
Gain on investments at FVOCI	-	(125,836)	(125,836)

There was no cash flow impact as a result of the retrospective application of change in accounting policy.

(b) IFRS 15 'Revenue from contracts with customers' – This standard introduces a single five-step model for revenue recognition with a comprehensive framework based on core principle that an entity should recognise revenue representing the transfer of promised goods or services under separate performance obligations under the contract to customer at an amount that reflects the consideration to which the entity expects to be entitled in exchange for those goods or services. IFRS 15 replaces the previous revenue standards: IAS 18 Revenue, IAS 11 Construction Contracts, and the related interpretations on revenue recognition.

The changes laid down by these standards do not have any significant impact on these financial statements of the Company. However, related changes to the accounting policies have been made in these financial statements.

The other new standards, amendments to approved accounting standards and interpretations that are mandatory for the financial year beginning on January 1, 2018 are considered not to be relevant or to have any significant effect on the Company's financial reporting and operations.

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

The following International Financial Reporting Standards (IFRS Standards) as notified under the Companies Act, 2017 and the amendments and interpretations thereto will be effective for accounting periods beginning on or after 01 July 2019:

a) 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.

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 recognise 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.

There are a number of other standards, amendments and interpretations to the published standards that are not yet effective and are also not relevant to the Company and, therefore, have not been presented here.

2.4.3 Key judgements and estimates

The preparation of financial statements in conformity with IFRSs requires the use of certain critical accounting estimates. It also requires management to exercise its judgment in the process of applying the Company's accounting policies. Estimates and judgments are continually evaluated and are based on historical experience and other factors, including expectations of future events that are believed to be reasonable under the circumstances.

The Company makes estimates and assumptions concerning the future. The resulting accounting estimates will, by definition, seldom equal the related actual results. The areas where various assumptions and estimates are significant to the Company's financial statements or where judgment was exercised in application of accounting policies are as follows:

- Estimate of useful lives and residual values of depreciable assets and provision for impairment there
- Classification and valuation of investments; and
- Provision for taxation.

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

3.1 Operating fixed assets

These are stated at cost less accumulated depreciation and impairment loss if any. Subsequent costs are included in the asset's carrying amount or recognized as a separate asset, as appropriate, only when it is probable that future economic benefits associated with the item will flow to the company and the cost of the item can be measured reliably. All other repair and maintenance costs are charged to statement of profit or loss during the year in which they are incurred.

Depreciation

Depreciation on property plant and equipment is charged to statement of profit or loss by applying the reducing balance method so as to write off the cost/depreciable amount of the assets over their estimated useful lives. The company charges the depreciation on addition from the date when the asset is available for use and on deletion from the date when asset is derecognized. The residual values and useful lives are reviewed by management, at each reporting date and adjusted if impact on depreciation is significant.

Disposal

The gain or loss arising on disposal of an item of property, plant and equipment is determined as the difference between the sales proceeds and the carrying amounts of the asset and is recognised in the statement of profit or loss.

3.2 Intangible Assets

Intangible with finite useful lives are stated at cost less amortization and impairment if any. Subsequently expenditure is capitalized only when it increases the future economic benefits embodied in the specific assets to which it relates. All other expenditure is expensed as incurred.

3.3 Leasehold

Room lease hold rights are stated at cost less impairments if any. The carrying amount is reviewed at each reporting date to assess whether these are recorded in excess of their recoverable amounts, and where carrying value is in excess of recoverable amounts, these are written down to their estimated recoverable amount.

3.4 Trade and other receivables

The receivables are recognized initially at the amount of consideration that is unconditional, unless they contain significant financing component in which case such are recognized at fair value. The Company holds the trade debts with the objective of collecting the contractual cash flows and therefore measures the trade debts subsequently at amortized cost using the effective interest rate method.

3.5 Cash and cash equivalents

Cash and cash equivalents are carried at cost in statement of financial position. For the purpose of statement of cash flows , cash and cash equivalents are comprised of cash in hand, bank balances and short term borrowings.

3.6 Trade and other payables

Trade payables are obligations under normal short-term credit terms. These are measured at the undiscounted amount of cash to be paid.

3.7 Provisions

Provisions are recognised when, the Company has a present obligation (legal or constructive) as a result of a past event, it is probable that the Company will be required to settle the obligation, and a reliable estimate can be made of the amount of the obligation.

The amount recognised as a provision is the best estimate of the consideration required to settle the present obligation at the end of the reporting period, taking into account the risks and uncertainties surrounding the obligation.

3.8 Impairment

Financial Assets

The Company assesses on a forward looking basis the expected credit losses associated with its financial assets. The Company applies the simplified approach to recognize lifetime expected credit losses for trade debts, due from customers and contract assets. The Company does not track changes in credit risk, but instead recognizes a loss allowance based on lifetime ECLs at each reporting date. The Company has established a provision matrix that is based on its historical credit loss experience, adjusted for forward-looking factors specific to the debtors and the economic environment.

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

Non-Financial Assets

The carrying amounts of non-financial assets are assessed at each reporting date to ascertain whether there is any indication of impairment. If such an indication exists, the asset's recoverable amount is estimated to determine the extent of impairment loss, if any. An impairment loss is recognized as an expense in the profit or loss. The recoverable amount is the higher of an asset's fair value less cost of disposal and value-in-use. Value-in-use is ascertained through discounting of the estimated future cash flows using a discount rate that reflects current market assessments of the time value of money and the risk specific to the assets. For the purpose of assessing impairment, assets are grouped at the lowest levels for which there are separately identifiable cash flows (cash-generating units). An impairment loss is reversed if there is a change in the estimates used to determine the recoverable amount. An impairment loss is reversed only to the extent that the asset's carrying amount does not exceed the carrying amount that would have been determined, net of depreciation or amortization, if no impairment loss had been recognized.

Off setting financial assets and financial liabilities

Financial assets and financial liabilities are set off and only the net amount is reported in the balance sheet when there is a legally enforceable right to set off the recognized amount and the company intends to either settle on a net basis, or to realize the asset and settle the liability simultaneously.

.9 Earning per share

Basic EPS is calculated by dividing the profit or loss attributable to ordinary shareholders of the company by the weighted average number of ordinary shares outstanding during the year. Diluted EPS is calculated by adjusting basic EPS by the weighted average number of ordinary shares that would be issued on conversion of all dilutive potential ordinary shares into ordinary shares and post-tax effect of changes in profit or loss attributable to ordinary shares of the company that would result from conversion of all dilutive potential ordinary shares into ordinary shares.

3.10 Financial Assets and Liabilities

Financial Assets

The Company classifies its financial assets at amortized cost, fair value through other comprehensive income or fair value through profit or loss on the basis of the Company's business model for managing the financial assets and the contractual cash flow characteristics of the financial asset.

a) Amortized Cost

Assets that are held for collection of contractual cash flows where those cash flow represents solely payments of principal and interest are measured at amortized cost. Interest income from these financial assets, impairment losses, foreign exchange gains and losses, and gain or loss arising on derecognition are recognized directly in profit or loss.

b) Fair value through other comprehensive income

Financial assets at fair value through other comprehensive income are held within a business model whose objective is achieved by both collecting contractual cash flows and selling financial assets and the contractual terms of the financial asset give rise on specified dates to cash flows that are solely payments of principal and interest on the principal amount outstanding.

c) Fair value through profit or loss

Assets that do not meet the criteria for amortized cost or fair value through other comprehensive income or assets that are designated at fair value through profit or loss using fair value option, are measured at fair value through profit or loss. A gain or loss on debt investment that is subsequently measured at fair value through profit or loss is recognized in profit or loss in the period in which it arises.

Equity instrument financial assets are measured at fair value and subsequent to initial recognition changes in fair value of these financial assets are normally recognized in profit or loss. Dividends from such investments continue to be recognized in profit or loss when the Company's right to receive payment is established. Where an election is made to present fair value gains and losses on equity instruments in other comprehensive income there is no subsequent reclassification of fair value gains and losses to profit or loss following the derecognition of the investment.

Financial assets and liabilities are initially measured at cost, which is the fair value of the consideration given and received respectively. These financial assets and liabilities are subsequently remeasured to fair value, amortized cost or cost as the case may be. Any gain or loss on the recognition and de-recognition of the financial assets and liabilities is included in the profit or loss for the period in which it arises.

Derecognition

Financial assets are derecognized when the Company loses control of the contractual rights that comprise the financial asset. Assets or liabilities that are not contractual in nature and that are created as a result of statutory requirements imposed by the Government are not the financial instruments of the Company.

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 cost are initially measured at fair value less transaction costs. Financial liabilities at fair value through profit or loss are initially recognized at fair value and transaction costs are expensed on profit or loss.

Financial liabilities, other than those at fair value through profit or loss, are subsequently measured at amortized cost using the effective yield method.

A financial liability is derecognized when the obligation under the liability is discharged, cancelled or expired. Where an existing financial liability is replaced by another from the same lender or substantially different terms, or the terms of an existing liability are substantially modified, such an exchange and modification is treated as a derecognition of the original liability and the recognition of a new liability, and the difference in respective carrying amounts is recognized in profit or loss.

3.11 Revenue recognition

Revenue is recognized when indivdual performance obligation is fullfiled. Revenue is measured at the fair value of consideration received or receivable on the following basis:

- brokerage income is recognized as and when such services are rendered.
- 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.

3.12 Taxation

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

A deferred tax liability is recognised for all temporary differences that are expected to increase taxable profit in the future. Deferred tax assets are recognised for all temporary differences that are expected to reduce taxable profit in the future, and the carry forward of unused tax losses. The amount of deferred tax provided is based on the expected manner of realization or settlement of the carrying amount of assets and liabilities using the tax rates enacted at the reporting date.

3.13 Foreign currency translation

Foreign currency transactions are translated into Pak Rupee at the exchange rate prevailing on the date of transaction. Exchange gain and losses are included in the income currently.

4. **Share deposit money**

In previous year, Company entered into an agreement with the directors converting loan into share deposit money against which shares of the company will be issued.

Deferred Taxation	**2019**	**2018**
	------- Rupees -------	
Opening balance	1,985,644	2,552,692
Add / (less): Provided /(reversed) during the year in profit or loss account	(1,163,465)	(515,650)
Less: Charged through other comprehensive income due to remeasurements	898,243	(51,398)
	1,720,422	1,985,644

Deferred tax liabilities / (assets) arising due to taxable /(deductible) temporary differences are as follows:

	2019	**2018**
	------- Rupees -------	
Accelerated tax depreciation	(100,209)	(128,436)
Long term investmets	3,946,118	3,047,876
ECL on trade debts	(808,733)	-
Turnover tax carried forward	(63,570)	(63,570)
brought forward tax losses	(1,253,185)	(870,226)
	1,720,422	1,985,644

5. **Trade & other payables**

Payable to clients	16,345,206	12,300,545
Accrued Liabilities	195,494	227,463
	16,540,700	12,528,008

6. **Unclaimed dividend**

This amount is payable to a deceased ex-director. The amount has not been paid due to dispute in legal heirs.

	2019	**2018**
	------- Rupees -------	
7. **Provision for taxation**		
Opening balance	-	42,501
Provision made during the year	130,842	980,251
	130,842	1,022,752
Tax paid / adjusted during the year	-	(1,022,752)
Closing balance	130,842	-

8. **Contingencies and commitments**

There were no known contingencies or commitments of the Company as at June 30, 2019 and June 30, 2018.

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9. Operating fixed assets

Particulars	Cost			Accumulated Depreciation			Net Book Value as at June 30	Rate %
	As at July 01	Additions / (Disposals)	As at June 30	As at July 01	For the year	As at June 30		
	---------- Rupees ----------							
Furniture and fixtures	81,132	-	81,132	64,298	1,683	65,981	15,151	10
Office equipment	1,644,652	-	1,644,652	1,236,012	40,864	1,276,876	367,776	10
Vehicles	1,995,916	-	1,995,916	1,213,457	117,369	1,330,826	665,090	15
2019	**3,721,700**	-	**3,721,700**	**2,513,767**	**159,916**	**2,673,683**	**1,048,017**	
2018	3,721,700	-	3,721,700	2,328,412	185,355	2,513,767	1,207,933	

10. Intangible assets

Particulars	Trading Right Entitlement Certificate (note10.1)	Rooms at LSE Financial Services Ltd.	Total
	---------- Rupees ----------		
Net book value as at July 01, 2018	2,250,849	4,951,992	7,202,841
Addition	-	-	-
Net book value as at June 30, 2019	**2,250,849**	**4,951,992**	**7,202,841**
Net book value as at June 30, 2018	2,250,849	4,951,992	7,202,841

10.1 Trading Right Entitlement Certificate (TREC)

In accordance with the requirements of the Stock Exchanges (Corporatization, Demutualization and Integration) Act, 2012, the Company received TREC of Pakistan Stock Exchange with indefinite useful life and equity shares of LSE Financial Services Ltd. (LSEFL) in lieu of its membership card of Lahore Stock Exchange Ltd. The Company's entitlement in respect of shares of LSEFL was determined on the basis of the valuation of assets and liabilities of Lahore Stock Exchange Ltd. as approved by the SECP. The Company had been allotted with 843,975 shares of LSEFL, having face value of Rs.10 each; valuing Rs.8.440 million. As at June 30, 2013 the active market value of TREC and equity shares of LSEFL was not available. The allocation of the carrying amount of membership card amounting Rs.7 million to the composite assets i.e. TREC and equity shares of the LSEFL was made based on the guidance given by the Technical Committee of the Institute of Chartered Accountants of Pakistan.

Further, Lahore Stock Exchange Limited (LSE) [now LSEFL] had introduced a minimum capital regime for the brokers and for this purpose had valued TREC at Rs.4 million as per the decision of the Board of Directors of the LSE. In the absence of an active market for TREC, this assigned value of Rs.4 million has been considered as the closest estimate of the fair value of the TREC.

In the absence of an active market for determining fair value of TREC and shares, the value of the TREC and shares have thus been measured at the value of the membership card i.e. Rs.7 million with which they had been exchanged and subsequently carried at cost. Therefore, based on the above estimates of fair values of LSE shares (Rs.8.440 million) and TREC (Rs.4 million), the Company had allocated it's carrying value of the membership card in the ratio of 0.678 to shares and 0.322 to TREC. Resultantly, the shares have been recognized at Rs.4.749 million and TREC at Rs.2.251 million.

In the notice dated November 10, 2017, Ref no. PSX/N-7178, of Pakistan Stock Exchange, the notional value of the TRE certificate has been revised from Rs. 5 million to Rs. 2.5 million for the purpose of Base Minimum Capital Requirement. In the notice dated March 20, 2018, Ref no. 4348, of LSE Financial Services, net asset value per share of LSE is rupees 18.08.

In the year ending 30th June 2019 There is no change in the notional value of TRE certificate and as per notice dated June 12, 2019 Ref no. PSX/N-722 of Pakistan Stock Exchange, net asset value per share of LSE is Rs. 21.75.

	Note	2019	2018
		------- Rupees -------	
			Restated
11. Long term investment			
Investment at F.V through OCI			
LSE Financial Services Ltd. (LSE)			
Cost (843,975 ordinary shares of Rs.10 each)	11.1	4,749,151	4,749,151
Fair value adjustment		13,607,305	10,509,917
		18,356,456	15,259,068

11.1 These represent shares of Rs.10/- each of LSE Financial Services Limited received on Corporatization, demutualization and integration of LSE. These shares are not quoted on any stock exchange. Out of 843,975 shares 506,385 shares have been kept in a blocked account.

		2019	2018
12. Long term deposits			
Membership National Commodity Exchange		3,250,000	3,250,000
Security deposit - Sialkot office		1,191,535	1,191,535
Security deposit - NCCPL		100,000	200,000
PSX clearing house deposit		430,000	430,000
		4,971,535	5,071,535
13. Trade debts - Unsecured, considered good			
Balance as at June 30,		18,405,725	18,329,419
Less: Allownce for ECL on trade debts	13.1	(2,788,735)	-
		15,616,990	18,329,419
13.1 Allowance for ECL on trade debts			
Opening balance		-	-
Allowance for ECL during the year		2,788,735	-
Allowance no longer required/recovered		-	-
Closing balance		2,788,735	-

	2019	2018
	------- Rupees -------	
14. Short term investments - at fair value through profit or loss		
Listed securities - other than related parties	2,307,556	3,407,793
	Market values	
Aisha Steel Mills Ltd. - 15000 (2018: 15000) shares	138,000	236,550
Millat Tractors Ltd. - 2000 (2018: 2000) shares	1,724,760	2,376,120
Fauji Fertilizer Bin Qasim Ltd. - 7,912 (2018: 7912) shares	144,236	305,403
Packages Ltd. - 1000 (2018: 1000) shares	300,560	489,720
	2,307,556	3,407,793
	Carrying values	
Aisha Steel Mills Ltd. - 15000 (2018: 15000) shares	236,550	336,375
Millat Tractors Ltd. - 2000 (2018: 2000) shares	2,376,120	2,360,620
Fauji Fertilizer Bin Qasim Ltd. - 7,912 (2018: 7912) shares	305,403	338,950
Packages Ltd. - 1000 (2018: 1000) shares	489,720	695,580
	3,407,793	3,731,525
Fair value adjustment	(1,100,237)	(323,732)

	Note	2019	2018
		------ Rupees ------	
15. Advance income tax			
Opening balance		-	-
Add: Payment / adjustment during the year		623,943	-
		623,943	-
Adjusted against provision for the year		-	-
Closing balance		623,943	-
16. Cash and bank balances			
Cash in hand		28,308	21,172
Client accounts		14,353,277	11,424,783
House accounts		220,952	152,536
		14,602,537	11,598,491
17. Operating and administrative expenses			
Directors' remuneration	19	899,290	975,000
Staff salaries and benefits		1,541,290	1,510,500
PSX / LSFSL service charges		351,938	785,768
Printing and stationery		4,535	11,369
Postage , telephone and telegram		88,134	95,070
Electricity		199,443	213,365
Entertainment		-	14,248
C.D.C charges		162,767	178,333
Vehicle running expenses		31,100	58,650
Professional tax		20,400	20,400
Property tax		10,608	6,067
Computer expenses		118,504	32,405
Legal and professional charges		-	75,000
Auditors' remuneration - June 30, 2020 / 2019			
- statutory audit		80,000	80,000
- tax services and certification charges		60,000	60,000
		140,000	140,000
Auditors' remuneration - June 30, 2018			
- statutory audit		-	75,000
- tax services and certification charges		-	45,000
		-	120,000
Depreciation	9	159,916	185,355
SECP charges		77,061	80,657
NCCPL charges		129,969	125,795
Allownce for ECL on trade debts		2,788,735	-
Miscellaneous expenses		23,616	10,246
		6,747,306	4,638,227
18. Other Income			
Dividend Income		654,900	590,713
Other Income		492,820	-
		1,147,720	590,713

19. **Remuneration of Chief Executive and a Director**

Particulars	2019			2018		
	Chief Executive Director	Director	Total	Chief Executive Director	Director	Total
No. of persons	1	1	2	1	1	2
	------- Rupees -------					
Managerial services	539,290	360,000	899,290	540,000	360,000	900,000
Bonus	-	-	-	45,000	30,000	75,000
Total	539,290	360,000	899,290	585,000	390,000	975,000

	Note	2019	2018
		------- Rupees -------	
20. **Taxation**	20.1	130,842	980,251
Current-current year		(1,163,465)	(515,650)
Deferred		(1,032,623)	464,601

20.1 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.

	Note	2019	2018
21. **Capital adequacy level**	21.1.		
Total assets		64,979,026	51,816,314
Less: Total liabilities		(16,886,542)	(12,743,008)
Less: Revaluation reserves (created upon revaluation of fixed assets)		-	-
		48,092,484	39,073,306

21.1. While determining the value of the total assets of the TREC Holder, Notional value of the TRE certificate held by the KHS Securities (Pvt.) Limited as at year ended June 30, 2019, as determined by Pakistan Stock Exchange has been considered.

22. **Financial instruments and related disclosures**

Financial risk management

The Company's activities expose to a variety of financial risks from use of financial instruments including:

- Credit risk
- Liquidity risk
- Market risk

The Company's overall risk management programme focuses on the unpredictability of financial markets and seeks to minimize potential adverse effects on the financial performance.

The Board of Directors has overall responsibility for the establishment and oversight of Company's risk management framework. The Board is also responsible for developing and monitoring the Company's risk management policies.

Company risk management objective and policies

The Company's risk management policies are established to identify and analysis the risk faced by the Company, to set appropriate risk limits and controls, and to monitor risk and adherence to limits. Risk management policies and system are reviewed regularly to reflect changes in market conditions and the Company's activities. The Company, through it's training and management standards and procedures, aims to develop discipline and constructive control environment in which all employees understand their roles and obligations.

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The Company's management oversees how management monitors and compliance with company's risk management policies and procedures and reviews the adequacy of the risk management framework in relation to the risk faced by the Company.

22.1 Credit risk

Credit risk represents the accounting loss that would be recognized at the reporting date if counter party fail completely to perform as contracted and arise principally from trade receivables, loans and advances and trade deposits.

To manage exposure to credit risk in respect of trade receivables. Management maintains procedures covering the application for credit approvals, granting and renewal of counter parties limit taking into account the customer's financial position, past track record, credit rating and factors. As a part of these processes, exposures of credit risk are regularly monitored, assessed and customers are persuaded for prompt recovery. In addition to this the company has established an allowance for impairment that is estimate of expected losses in respect of trade debts. This allowance is based on management assessment of specific loss component that relate to significant exposures. Sales and purchase transactions are also exclude against advance payments to further prudently manage the credit risk.

The Company limits its exposure to credit risk by following the policies and procedures of approval and continuous monitoring of loans and advances extended to management / staff and supplier and maintain bank account only with counterparty that have high degree of credit rating. Advance tax is adjustable or recoverable from FBR which is a State authority and high credit rating. Given these high credit ratings, management do not expect that any of these counterparty fail to meet its obligations.

Exposure to credit risk

The carrying amount of financial assets represents the maximum credit exposure before any credit enhancements. The maximum exposure to credit risk at the reporting date was:

	2019	2018
	------- Rupees -------	
Long term investment	18,356,456	4,749,151
Long term deposits	4,971,535	5,071,535
Trade debts	15,616,990	18,329,419
Short term investments	2,307,556	3,407,793
Bank balances	14,574,229	11,577,319
	55,826,766	43,135,217

Concentration of credit risk

Concentration of credit risk arises when a number of counter parties engage in similar business activities or have similar economic features that would cause their abilities to meet contractual obligation to be similar affected by the changes in economic, political or other conditions. The company believes that it is not exposed to major concentration of credit risk.

The allowance accounts in respect of trade receivables, loans and advances are used to record impairment losses unless the company is satisfied that no recovery of the amount owing is possible, at that point the amount considered irrecoverable is written off against the financial asset directly.

22.2 Liquidity risk

Liquidity risk is the risk that the company will not be able to meet its financial obligations as they fall due. Prudent liquidity risk management implies maintaining sufficient cash and marketable securities, the availability of funding to an adequate amount of committed credit facilities and the ability to close out market position due to dynamic nature of the business. The company's approach to managing liquidity is to ensure, as far as possible, that it will always have sufficient liquidity to meet its liabilities when due. Under both normal and stressed conditions, without incurring unacceptable losses or risking damages to the company's reputation.

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Following are the contractual maturities of financial liabilities as at June 30, 2019 and June 30, 2018:

Financial liabilities	Carrying amount	Contractual cash flows	Less than one year
	----------	Rupees	----------
Trade and other payables - unsecured			
- As at June 30, 2019	**16,540,700**	**16,540,700**	-
- As at June 30, 2018	12,528,008	12,528,008	-

The company is not materially exposed to liquidity risk as substantially all obligations, commitments of the company are of short term and routine in nature (accrued expense) and are restricted to the extent of available liquidity except the long term unsecured interest free loan obtained from the directors redeemable at the option of the company. As a part of liquidity risk management policy company follows effective cash flow, planning, controlling and management procedures to ensure availability of funds through effective working capital management and to appropriate measures for new requirements.

22.3 Market risk

Market risk is the risk that changes in market prices, such as foreign exchange rates, interest rates and equity prices will effect company's income or the value of its holding of financial instruments. The objective of the market risk management is to manage and control market exposures within acceptable parameters, while optimising the return on risk.

Foreign currency risk management

Foreign currency risk arises mainly where receivables and payables exists due to the transactions with foreign undertaken. Financial assets and financial liabilities of the company are not exposed to currency risk as a company has not entered into any transaction with any foreign undertakings.

Interest rate risk management

The company's income and operating cash flows are substantially independent of changes in market interest rates. The company has no significant long term interest bearing financial assets and liabilities whose fair value or cash flows will fluctuate because of the changes in market interest rates. As there is no interest bearing financial assets and liabilities, therefore disclosure requirement of effective rate of interest is not attractive.

Capital risk management

The company's objectives when managing capital are to safeguard the company's ability to continue as a going concern so that it can continue to provide returns for shareholders and benefits for other shareholders, and to maintain a strong capital base to support the sustained development of its businesses.

The company manage its capital structure by effective cash flow management to ensure availability of funds and by monitoring return on net assets and make adjustments thereto in the light of changes in economic conditions. Consistent with the others in the industry, the company manages its capital risk by monitoring its debt levels and liquid assets and keeping in view future requirements and expectations of the shareholders. Debt is calculating as total borrowings. Total capital comprises shareholders equity as shown in the balance sheet under share capital and reserves. In order to maintain or adjust the capital structure, the company may also adjust the amount of dividends paid to shareholders or issue new shares.

22.4 Other price risk

Other price risk is the risk that the fair value of future cash flows of a financial instrument will fluctuate because of changes in market prices (other than those arising from interest rate risk or currency risk). The company is not exposed to any price risk as there are no financial instrument at the reporting date that a sensitive to price fluctuations.

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Fair value of financial assets and financial liabilities

The carrying value of financial assets and liabilities reflected in the financial statements approximate to their fair value.

23. Earning per share - Basic and diluted

	2019	2018
Net (loss) / profit for the year (Rupees)	(3,424,662)	(2,820,064)
Weighted average number of shares outstanding during the period	2,000,000	2,000,000
(Loss) / earnings per share - basic and diluted (Rupees per share)	(1.71)	(1.41)

24. Transactions with related parties

The related parties comprise Directors of the company and key management personnel. Remuneration of Directors and key management personnel is disclosed in note 18 to these financial statements.

25. Pattern of shareholding

As at June 30, 2019, Mr. Rahman Saleem (Chief Executive), Ms. Saima Saleem (Director), Mr. Kh. Hamad Saeed (Director) and Ms. Begum Shafqat Saeed (Director) held more than 5% of the issued, subscribed and paid-up capital of the Company.

26. Number of employees

	2019	2018
Total number of employees as at June 30,	7	7
Average number of employees during the year June 30,	7	7

27. Date of authorization for issue

These financial statements have been authorized for issue on 04 OCT 2019 by the Board of Directors of the Company.

28. Corresponding figures

Corresponding figures have been rearranged and reclassified, wherever considered necessary, to comply with the requirements of the act as mentioned in note 2.4.1(c) to these financial statements.

CHIEF EXECUTIVE

DIRECTOR