PUNJAB CAPITAL SECURITIES (PVT.) LTD.

Financial Statements
For Six Month Period
Ended 31 December 2021

EY
Building a better working world

EY Ford Rhodes
Chartered Accountants
96-B-I, 4th Floor, Pace Mall Building
M. M. Alam Road, Gulberg-II
P.O. Box 104, Lahore-54660

Tel: +9242 3577 8402-11
Fax: +9242 3577 8412-13
ey.lhr@pk.ey.com
ey.com/pk

INDEPENDENT AUDITOR'S REPORT

To the members of Punjab Capital Securities (Private) Limited

Report on the Audit of the Financial Statements for the six-month period ended 31 December 2021

Opinion

We have audited the annexed financial statements of **Punjab Capital Securities (Private) Limited ("the Company")**, which comprise the statement of financial position as at **31 December 2021**, the statement of comprehensive income, the statement of changes in equity, the statement of cash flows for the six-month period 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 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 31 December 2021 and total comprehensive income, the changes in equity and its cash flows for the six-month period 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

F

intends to liquidate the Company or to cease operations,or has no realistic alternative but to do so.

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

Auditor's Responsibilities for the Audit of the Financial Statements

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

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

- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.

- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Company's internal control.

- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by management.

- Conclude on the appropriateness of management's use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Company's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Company to cease to continue as a going concern.

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

EY

Building a better working world

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

Report on Other Legal and Regulatory Requirements

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

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

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

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

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

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

EY Ford Rhodes
Chartered Accountants
Lahore
Date: 27 April 2022
UDIN: AR2021100795B0N1IFpM

PUNJAB CAPITAL SECURITIES (PRIVATE) LIMITED
STATEMENT OF FINANCIAL POSITION
AS AT 31 DECEMBER 2021

	Note	31 December 2021	30 June 2021
ASSETS		**Rupees**	Rupees
NON CURRENT ASSETS			
Property and equipment	5	**1,124,632**	985,977
Intangible assets	6	**7,140,225**	7,140,225
Long term investments	7	**20,466,394**	20,533,912
Long term security deposits	8	**8,192,027**	3,091,991
		36,923,278	31,752,105
CURRENT ASSETS			
Trade debtors	9	**7,778,595**	32,655,884
Advances, prepayments and other receivables	10	**30,936,802**	33,610,565
Tax refund due from Government	11	**1,541,491**	2,752,370
Cash and bank balances	12	**28,208,685**	28,323,879
		68,465,573	97,342,698
TOTAL ASSETS		**105,388,851**	129,094,803
EQUITY AND LIABILITIES			
SHARE CAPITAL AND RESERVES			
Share capital	13	**76,500,000**	76,500,000
Fair value reserve		**5,574,500**	5,642,018
Accumulated profit/(loss)		**306,796**	(4,012,591)
		82,381,296	78,129,427
NON-CURRENT LIABILITIES			
Deferred tax liability	14	**599,483**	12,179
CURRENT LIABILITIES			
Trade and other payables	15	**21,403,087**	49,394,791
Provision for taxation		**1,004,985**	1,558,406
		22,408,072	50,953,197
TOTAL LIABILITIES		**23,007,555**	50,965,376
TOTAL EQUITY AND LIABILITIES		**105,388,851**	129,094,803
CONTINGENCIES AND COMMITMENTS	16		

The annexed notes from 1 to 28 form an integral part of these financial statements.

CHIEF EXECUTIVE

DIRECTOR

PUNJAB CAPITAL SECURITIES (PRIVATE) LIMITED
STATEMENT OF COMPREHENSIVE INCOME
FOR THE SIX MONTH PERIOD ENDED 31 DECEMBER 2021

	Note	From 1 July to 31 December 2021 (Note 1.1) Rupees	For the year ended 30 June 2021 Rupees
Brokerage income	17	15,056,850	26,054,757
Administrative and operating expenses	18	(10,889,053)	(20,085,790)
Operating Profit		4,167,797	5,968,967
Other income	19	1,751,141	3,220,993
Bank charges	20	(7,262)	(22,864)
Profit before tax		5,911,676	9,167,096
Taxation	21	(1,592,289)	(1,570,585)
Profit after tax		4,319,387	7,596,511
Other comprehensive income			
Other comprehensive (loss)/gain on equity instrument designated at fair value	7	(67,518)	928,373
Total comprehensive income for the period		4,251,869	8,524,884

The annexed notes from 1 to 28 form an integral part of these financial statements.

CHIEF EXECUTIVE

DIRECTOR

PUNJAB CAPITAL SECURITIES (PRIVATE) LIMITED
STATEMENT OF CHANGES IN EQUITY
FOR THE SIX MONTH PERIOD ENDED 31 DECEMBER 2021

	Issued, subscribed and paid-up capital	Capital Reserve Fair value reserve	Revenue reserve Accumulated Profit/(loss)	Total Equity
	Rupees	Rupees	Rupees	Rupees
Balance as at 01 July 2020	76,500,000	4,713,645	(11,609,102)	69,604,543
Profit after tax for the year ended June, 2021	-	-	7,596,511	7,596,511
Other comprehensive income	-	928,373	-	928,373
	-	928,373	7,596,511	8,524,884
Balance as on 30 June 2021	76,500,000	5,642,018	(4,012,591)	78,129,427
Balance as on 1 July 2021	76,500,000	5,642,018	(4,012,591)	78,129,427
Profit for the six month period ended 31 Dec 2021	**-**	**-**	**4,319,387**	**4,319,387**
Other comprehensive loss	**-**	**(67,518)**	**-**	**(67,518)**
Total comprehensive income	**-**	**(67,518)**	**4,319,387**	**4,251,869**
Balance as at 31 December 2021	**76,500,000**	**5,574,500**	**306,796**	**82,381,296**

The annexed notes from 1 to 28 form an integral part of these financial statements.

CHIEF EXECUTIVE

DIRECTOR

PUNJAB CAPITAL SECURITIES (PRIVATE) LIMITED
STATEMENT OF CASH FLOWS
FOR THE SIX MONTH PERIOD ENDED 31 DECEMBER 2021

	Note	From 1 July to 31 December 2021 (Note 1.1)	For the year ended 30 June 2021
CASH FLOWS FROM OPERATING ACTIVITIES		Rupees	Rupees
Profit / (loss) before tax		5,911,676	9,167,096
Dividend Income		(759,578)	(590,783)
		5,152,098	8,576,313
Adjustments for non-cash and other items:			
Depreciation	5	95,645	238,256
Accrued markup	10	(123,164)	(180,149)
Financial charges	20	7,262	22,864
Operating profit before working capital changes		5,131,841	8,657,284
Working capital adjustments			
(Increase) / decrease in current assets			
Advances, prepayments and other receivables	10	2,796,929	(24,365,070)
Trade debtors	9	24,877,289	(23,672,241)
		27,674,218	(48,037,311)
Increase in current liabilities			
Trade and other payables	15	(27,991,704)	24,632,233
Cash inflow / (outflow) from operations		4,814,355	(14,747,794)
Income tax paid		(347,529)	(925,365)
Financial charges paid		(7,262)	(22,864)
Dividend income received		759,578	590,783
Net cash generated / (used in) from operating activities		5,219,142	(15,105,240)
CASH FLOWS FROM INVESTING ACTIVITIES			
Payment for acquisition of property and equipment	5	(234,300)	-
Security deposited		(5,100,036)	(913,582)
Net cash used in investing activities		(5,334,336)	(913,582)
CASH FLOWS FROM FINANCING ACTIVITIES		-	-
Net decrease in cash and cash equivalents		(115,194)	(16,018,822)
Cash and cash equivalents at the beginning of the period		28,323,879	44,342,701
Cash and cash equivalents at the end of the year	12	28,208,685	28,323,879

The annexed notes from 1 to 28 form an integral part of these financial statements.

CHIEF EXECUTIVE

DIRECTOR

PUNJAB CAPITAL SECURITIES (PRIVATE) LIMITED
NOTES TO THE FINANCIAL STATEMENTS
FOR THE SIX MONTH ENDED 31 DECEMBER 2021

1 GENERAL INFORMATION

The Punjab Capital Securities (Private) Limited ("the Company") is registered under the repealed Companies Ordinance, 1984 (which is replaced by Companies Act 2017) as a company limited by shares on the 29th day of November 2016. The Company is mainly engaged in business of brokerage services, portfolio management and consultancy services. The registered office of the Company is situated at Room No 319, 3" Floor, Lahore stock exchange (LSE) Building, Lahore.

The Company is wholly-owned subsidiary of First Punjab Modaraba ("the Parent") by virtue of 100% holding of the Company which in turn is the subsidiary of Punjab Modaraba Services (Private) Limited, ultimate parent of the company is The Bank of Punjab.

In light of ongoing COVID-19 pandemic, the Company has reviewed its exposure to business risks and has not identified any risks that could materially impact the financial performance or position of the Company as at December 31, 2021. Consequently, there is no material impact on the recognition and measurement of assets and liabilities.

1.1 During the period, the Company has changed its financial year from 30 June to 31 December. Accordingly, financial statements of the Company are prepared for the six month period ended 31 December 2021 and hence comparative figures in Statement of Comprehensive Income, Statement of Changes in Equity and Statement of Cash Flows are not comparable.

2 BASIS OF PREPARATION

2.1 Statement of compliance

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

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

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

- the Securities Brokers (Licensing and Operations) Regulations, 2016 (the Regulation)

Wherever, the requirements of the Companies Act, 2017 or directives issued by the SECP differ with the requirements of these IFRS, the Regulation and the requirements of the Companies Act, 2017 or the requirements of the said directives take precedence.

2.2 Basis of measurement

These financial statements have been prepared under the historical cost convention except for certain financial assets and liabilities which are stated at their fair value or amortized cost as applicable.

2.3 Accounting estimates

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

- Useful lives, residual values and depreciation method of property and equipment — Note 3.1
- Impairment loss of non-financial assets
- Estimation of provisions - Note 3.4
- Current income tax expense, provision for current tax - Note 3.6

2.4 Functional and presentation currency

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

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

The following amendments to the approved accounting and reporting standards, applicable in Pakistan, would be effective from the dates mentioned below against the respective standards and interpretation have not been adopted early by the Company:

Standard or Interpretation		Effective dates (Annual periods beginning on or after)
IFRS 3	Business Combinations - The amendment updates a reference in IFRS 3 to the Conceptual Framework for Financial Reporting without changing the accounting requirements for business combinations.	01 January 2022
IAS 16	Property, plant and equipment - Amendment to clarify the prohibition on an entity from deducting from the cost of an item of property, plant and equipment any proceeds from selling items produced while bringing that asset to the location and condition necessary for it to be capable of operating in the manner intended by management. Instead, an entity recognizes the proceeds from selling such items, and the cost of producing those items, in profit or loss.	01 January 2022
IAS 37	Provisions, Contingent Liabilities and Contingent Assets to specify which costs an entity needs to include when assessing whether a contract is onerous or loss-making.	01 January 2022
IAS 1	Presentation of Financial Statements to clarify how to classify debt and other liabilities as current or non-current.	01 January 2023
IAS 1 and Practice Statement 2	Presentation of Financial Statements to require that an entity discloses its material accounting policies, instead of its significant accounting policies. Further amendments explain how an entity can identify a material accounting policy	01 January 2023
IAS 8	Accounting Policies, Changes in Accounting Estimates and Errors (Amendments) - Definition of Accounting Estimates. Under the new definition, accounting estimates are "monetary amounts in financial statements that are subject to measurement uncertainty"	01 January 2023
IAS 12	Deferred Tax related to Assets and Liabilities arising from single Transaction-Amendments to IAS 12, which narrow the scope of the initial recognition exception under IAS 12, so that it no longer applies to transactions that give rise to equal taxable and deductible temporary differences.	01 January 2023
IFRS 10 & IAS 28	Consolidated Financial Statements & Investment in Associates and Joint Ventures - Sale or Contribution of Assets between an Investor and its Associate or Joint Venture – (Amendment)	Not yet finalized

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

In addition to the above new standards and amendments to standard and interpretations, The IASB has also issued the revised Conceptual Framework for Financial Reporting (the Conceptual Framework) in March 2018 which is effective for annual periods beginning on or after January 01, 2020 for preparers of financial statements who develop accounting policies based on the Conceptual Framework. The revised Conceptual Framework is not a standard, and none of the concepts override those in any standard or any requirements in a standard. The purpose of the Conceptual Framework is to assist IASB in developing standards, to help preparers develop consistent accounting policies if there is no applicable standard in place and to assist all parties to understand and interpret the standards.

In addition to the above new standards and amendments to standard and interpretations, improvements to various accounting standards have also been issued by the IASB in May 2020. Such improvements are generally effective for accounting periods beginning on or after 01 January 2022. The Company expects that such improvements to the standards will not have any material impact on the Company's financial statements in the period of initial application.

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

Standard or Interpretation	Effective Dates (Annual periods beginning on or after)
IFRS 1 - First Time Adoption of IFRS	01 Jul 2009
IFRS 17 - Insurance Contracts	01 Jan 2021

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

2.6 New accounting standards, interpretations, and amendments applicable to the Financial Statements for the year ended 31 December 2021

The accounting policies adopted are consistent with those of the previous financial year, except for the following new and amended standards and interpretations effective for annual period beginning on 1 July 2019, as listed below. The Company has not early-adopted any other standard, interpretation or amendment that has been issued but is not yet effective.

IFRS 3 - Business Combinations - Definition of a Business (amendments)

IFRS 7 & IFRS 9 - Financial instruments - Amendments regarding pre-replacement issues in the context of the interest rate benchmark reform (IBOR)

IAS 1 & IAS 8 - Presentation of Financial Statements & Accounting Policies, Changes in Accounting Estimates and Errors: Definition of Material, to clarify the definition of material and its alignment with the definition used in the Conceptual Framework (amendments).

IFRS 16 - Covid-19-Related Rent Concessions (Amendment to IFRS 16)

The adoption of above standards, interpretations and amendments applied for the first time in the year did not have impact on financial statements of the Company.

3 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

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

3.1 Property and equipment

These are stated at cost less accumulated depreciation and impairment, if any. Cost comprises acquisition and other directly attributable costs. Depreciation is charged to the profit and loss account by applying the reducing balance method at the rates specified in note 5. Depreciation on additions is charged from the day in which the asset is put to use and on disposals, up to the day the asset has been in use.

The assets' residual values, useful lives and methods are reviewed, and adjusted if appropriate, at each financial year end. The effect of any adjustment to residual values, useful lives and methods is recognized prospectively as a change of accounting estimate.

An item of property and equipment is derecognized upon disposal or when no future economic benefits are expected from its use or disposal. Any gain or loss arising on de-recognition of the asset is included in the profit and loss account in the year the asset is derecognized.

Maintenance and normal repairs are charged to profit and loss account as and when incurred, Subsequent cost are included in the assets' carrying amount or recognizes as a separate asset, as appropriate, only when it is probable that future economic benefits associated with the item will follow to the entity and its cost can be reliably measured. The carrying amount of the asset replaced is de-recognized.

3.2 Cash and cash equivalents

For the purpose of cash flow statement, cash and cash equivalents comprise of cash in hand, balance with banks on current and deposit accounts.

3.3 **Revenue from contract with customers**

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

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

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

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

3.4 **Provisions**

Provisions are recognized when the Company has a present obligation (legal or constructive) as a result of a past event, it is probable that an outflow of resources embodying economic benefits will be required to settle the obligation and a reliable estimate can be made of the amount of the obligation. Provisions are reviewed at each balance sheet date and adjusted to reflect the current best estimate. Where the Company expects some or all of a provision to be reimbursed, the reimbursement is recognized as a separate asset but only when the reimbursement is virtually certain. The expense relating to any provision is presented in the profit and loss account net of any reimbursement.

3.5 **Financial Instruments – initial recognition and subsequent measurement**

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

3.5.1 **Financial assets**

Financial assets - initial recognition

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

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

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

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

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

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

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

Financial assets - subsequent measurement

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

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

Financial assets at fair value through profit or loss

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

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

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

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

Financial assets at amortized cost (debt instruments)

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

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

b) The contractual terms of the financial asset give rise on specified dates to cash flows that are solely payments of principal and interest on the principal amount outstanding.

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

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

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

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

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

The company's long term investment equity investment as referred in Note no. 7 is stated at FVTOCI with no recycling of gains & losses upon derecognition.

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

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

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

b) The contractual terms of the financial asset give rise on specified dates to cash flows that are solely payments of principal and interest on the principal amount outstanding.

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

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

Financial assets - Derecognition

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

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

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

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

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

Financial assets - Impairment

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

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

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

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

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

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

3.5.2 Financial liabilities

Financial liabilities - initial recognition

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

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

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

Financial liabilities - subsequent measurement

Loans and borrowings

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

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

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

Financial liabilities - derecognition

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

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

Provisions

A provision is recognized in the statement of financial position when the Company has a legal or constructive obligation as a result of a past event, it is probable that an outflow of resources embodying economic benefits will be required to settle the obligation and a reliable estimate can be made of the amount of obligation.

3.6 Taxation

3.6.1 Current

Provision of current tax is based on the taxable income for the year determined in accordance with the prevailing law for taxation of income.

The charge for current tax is calculated using prevailing tax rates or tax rates expected to apply to the profit for the year if enacted after taking into account tax credits, rebates and exemptions, if any. The charge for current tax also includes adjustments, where considered necessary, to provision for tax made in previous years arising from assessments framed during the year for such years.

3.6.2 Deferred

Deferred tax is accounted for using the balance sheet liability method in respect of all temporary differences arising from differences between the carrying amount of assets and liabilities in the financial statements and the corresponding tax bases used in the computation of the taxable profit. Deferred tax liabilities are generally recognized for all taxable temporary differences and deferred tax assets are recognized to the extent that it is probable that taxable profits will be available against which the deductible temporary differences, unused tax losses and tax credits can be utilized.

Deferred tax is calculated at the rates are expected to apply to the period when the differences reverse based on tax rates that have been enacted or substantively enacted by the balance sheet date. Deferred tax is charged or credited in the profit and loss account, except in the case of items credited or charged to equity in which case it is included in equity.

3.7 Intangible assets

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

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

Intangible assets with finite lives are amortized over the useful economic life and assessed for impairment whenever there is an indication that the intangible asset may be impaired. The amortization period and the amortization method for an intangible asset with a finite useful life are reviewed at least at each financial year end. Changes in the expected useful life or the expected pattern of consumption of future economic benefits embodied in the asset is accounted for by changing the amortization period or method, as appropriate, and are treated as changes in accounting estimates. The amortization expense on intangible assets with finite lives is recognized in the statement of comprehensive income in the expense category consistent with the function of the intangible asset.

Intangible assets having an indefinite useful life are stated at cost less accumulated impairment losses, if any. An intangible asset is regarded as having an indefinite useful life, when, based on an analysis of all the relevant factors, there is no foreseeable limit to the period over which asset is expected to generate net cash inflows for the company. An intangible asset with an indefinite useful life is not amortized. However, the carrying amount is reviewed at each reporting date or whenever there is an indication that the asset may be impaired, to assess whether it is in excess of its recoverable amount, and where the carrying value exceeds the estimated recoverable amount, it is written down to its estimated recoverable amount.

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

3.7.1 Trading Right Entitlement Certificate (TREC):

TREC is classified as intangible asset (with transferable rights), having a perpetual useful life and it is classified as intangible asset with indefinite useful life. Impairment assessment is made at the end of each reporting period where the valuation allowed by the Pakistan Stock Exchange (PSX) in Base Minimum Capital requirement is considered as appropriate basis for the unique instrument. Further, TREC is accounted for as per the accounting policy No. 3.7 stated above.

3.7.2 Lease Rights on LSE Room:

It is stated at cost less impairment if any. The carrying amount is reviewed at each reporting date to assess whether it is in excess of its recoverable amount, and where the carrying value exceeds estimated recoverable amount, it is written down to its estimated recoverable amount. Further, these lease rights are purchased from LSE for indefinite period hence no amortization is charged on the lease rights on LSE room.

4 Related party transactions

The Company enters into transactions with related parties on terms and conditions approved by the Board of Directors.

5. Property and equipment

	Dec-21	Jun-21
	Rupees	Rupees
Operating fixed assets - Owned	1,124,632	985,977

Particulars	Cost				Rate	Accumulated Depreciation			Carrying amount at Dec 31, 2021
	As at July 01, 2021	Additions during the period	Deletions during the period	As at Dec 31, 2021		As at July 01, 2021	Charge for the period	As at Dec 31, 2021	
	Rupees				%	Rupees			
Furniture and fixtures	748,985	-	-	748,985	15	377,721	27,845	405,566	343,419
Computers	1,212,980	28,000	-	1,240,980	30	958,057	38,238	996,295	244,685
Office equipment	739,852	206,300	-	946,152	15	380,062	29,562	409,624	536,528
	2,701,817	234,300	-	2,936,117		1,715,840	95,645	1,811,485	1,124,632

Particulars	Cost				Rate	Accumulated Depreciation			Carrying amount at June 30, 2021
	As at July 01, 2020	Additions during the year	Deletions during the year	As at June 30, 2021		As at July 01, 2020	Charge for the year	As at June 30, 2021	
	Rupees				%	Rupees			
Furniture and fixtures	748,985	-	-	748,985	15	312,205	65,516	377,721	371,264
Computers	1,212,980	-	-	1,212,980	30	848,807	109,250	958,057	254,923
Office equipment	739,852	-	-	739,852	15	316,572	63,490	380,062	359,790
	2,701,817	-	-	2,701,817		1,477,584	238,256	1,715,840	985,977

5.1 The depreciation charge for the year has been allocated as follows:

	Note	Dec-21	Jun-20
		Rupees	Rupees
Administrative and operative expenses	18	95,645	238,256

		Note	Dec-21	Jun-21
6	**INTANGIBLE ASSETS**		**Rupees**	Rupees
	Right of LSE Room	**6.1**	**4,640,225**	4,640,225
	Trading right entitlement certificate (TREC)	**6.2**	**2,500,000**	2,500,000
			7,140,225	7,140,225
6.1	**Right of LSE Room**			
	Cost		**4,640,225**	4,640,225

6.1.1 This represents cost lease rights given by LSE Financial Services Limited to the company with indefinite useful life. These are considered to be indefinite as there is no foreseeable limit on the period during which an entity expects to consume the future economic benefits. The lease right was purchased on 24 April 2017 amounting to Rs.4,374,500.

			Dec-21	Jun-21
6.2	**Trading right entitlement certificate (TREC)**		**Rupees**	Rupees
	Carrying value	**6.2.1**	**2,500,000**	2,500,000

6.2.1 The cost of TREC is Rs. 5,000,000 (June-2021: Rs.5,000,000). This represents the trading right entitlement certificate which is given by Pakistan Stock Exchange in order to carry out trading. In the year ended 30 June 2018, SECP has reduced the notional value of transferable TRE Certificate from Rs.5 million to Rs.2.5 million for the purpose of Base Minimum Capital (BMC) through its notification PSX/N-7178 dated 10 November 2017. According, the Company has charged an impairment of Rs. 2.5 million on TREC in the year ended 30 June 2018.

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

		Note	Dec-21	Jun-21
7	**LONG TERM INVESTMENTS** FVTOCI as referred in Note 3.5.1 (C))		**Rupees**	Rupees
	843,975 (June-2021: 843,975) Shares of LSE Financial Services Ltd	**7.1**	**20,466,394**	20,533,912
7.1	Cost		**20,533,912**	19,605,539
	Revaluation (loss) / gain during the year		(67,518)	928,373
	Closing value		**20,466,394**	20,533,912

7.2 In absence of active market for shares of LSE Financial Services Limited, it is measured using net asset value of Rs. 24.25 (June-2021: Rs. 24.33), which approximates the fair value of shares of LSE Financial Services Limited as majority assets held by LSE Financial Services Limited are carried at revaluation / fair value model.

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

		Note	Dec-21	Jun-21
8	**LONG TERM SECURITY DEPOSITS**		**Rupees**	Rupees
	National clearing company of Pakistan limited (NCCPL)		**200,000**	200,000
	Central depository company		**100,000**	100,000
	Pakistan stock exchange (PSX)	**8.1**	**6,490,527**	1,490,491
	Basic deposit for regular		**200,000**	200,000
	Basic deposit for future		**1,000,000**	1,000,000
	Deposit against MSF		**100,000**	100,000
	Others		**101,500**	1,500
			8,192,027	3,091,991

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

		Note	Dec-21	Jun-21
9	**TRADE DEBTORS**		**Rupees**	Rupees
	Receivable from customers	**9.1 & 9.2**	**1,599,673**	21,923,368
	Receivable against margin financing		**5,168,847**	10,732,516
	Receivable from NCCPL		**1,010,075**	-
			7,778,595	32,655,884

			Dec-21	Jun-21
			Rupees	Rupees
9.1	**Aging Analysis**			
	Within 5 days		**385,453**	20,057,055
	Above 5 days		**1,214,220**	1,866,313
			1,599,673	21,923,368
	Receivables above 5 days net-off collateral (after applying haircut)	**9.1.1**	**209,390**	1,677,567

9.1.1 As per clarifications issued by PSX in its notice PSX/N-6741, this information is required as additional disclosure and does not provide accounting treatment hence no provision was recorded.

9.2 **Due from Related Parties**

	Dec-21	Jun-21
The Bank of Punjab	**1,306,246**	1,565,134
Head of internal audit	**-**	23
	1,306,246	1,565,157

9.2.1 The aging of trade debts receivable from related parties as at reporting date is as follows:

	Neither past due nor	**Past due but not impaired**			**Total amount receivable**
	0-30 days	**31-60 days**	**61-90 days**	**91-180 days**	
31-Dec-21	**652,483**	**284,659**	**369,104**	**-**	**1,306,246**
30-Jun-21	747,251	115,210	702,696	-	1,565,157

Maximum amount due from related parties during the year, calculated by reference to month-end balances, was Rs.1,306,246 (June-2021: Rs.2,520,883).

		Note	Dec-21	Jun-21
10	**ADVANCES, PREPAYMENTS AND OTHER RECEIVABLES**		Rupees	Rupees
	Advances to suppliers		**797,140**	28,990
	Prepayment		**99,303**	1,426
	Security deposit	**10.1**	**29,917,195**	33,400,000
	Accrued markup on margin financing		**123,164**	180,149
			30,936,802	33,610,565

10.1 This represents deposits with the Pakistan Stock Exchange Limited against regular trade and future trade exposure at variable rate.

		Note	Dec-21	Jun-21
			Rupees	Rupees
11	**TAX DUE FROM GOVERNMENT**			
	Tax refund due from Government		**2,752,370**	2,204,056
	Advance tax paid		**347,529**	929,965
			3,099,899	3,134,021
	Less:Adjustment during the period		**(1,558,408)**	(381,651)
			1,541,491	2,752,370

		Note	Dec-21	Jun-21
12	**CASH AND BANK BALANCE**		Rupees	Rupees
	Cash in hand		**-**	-
	Balance with bank			
	Current accounts	**12.1**	**25,548,482**	25,932,572
	Saving accounts	**12.2**	**2,660,203**	2,391,307
			28,208,685	28,323,879

12.1 The bank balance include customer's bank balance held in designated bank accounts amounting to Rs. 24.87 million (June-2021: Rs. 25.55 million).

12.2 The balance in saving account bear mark-up at the rate 3.41% to 4% per annum. (2021: 3.41% to 4.5%)

12.2.1 The bank balance include provident fund's bank balance held in designated bank account amounting to Rs. 2,600,785 (June 2021, Rs; 2,124,155).

		Note	Dec-21	Jun-21
13	**SHARE CAPITAL**		**Rupees**	Rupees
	Authorized			
	20,000,000 (2021: 20,000,000) ordinary shares of Rs.10 each		**200,000,000**	200,000,000
13.1	**Issued, subscribed and Paid up share capital**			
	7,650,000 (2021: 7,650,000) ordinary shares of Rs.10 each fully paid-up in cash		**76,500,000**	76,500,000
14	**DEFERRED TAXATION - NET**			
	Deferred tax liability	**14.1**	**599,483**	12,179
14.1	Taxable temporary differences:			
	- Accelerated depreciation on property, plant and equipment		**80,144**	**137,312**
	- Accelerated depreciation on intangible assets		**631,099**	**674,255**
	- Accelerated amortization on investment		**1,616,605**	**1,636,185**
			2,327,848	**2,447,752**
	Deductible temporary differences:			
	- Brought forward business losses		**(853,384)**	**(853,384)**
	- Brought forward depreciation expense losses		**(454,058)**	**(454,058)**
	- Alternate corporate tax		**(420,923)**	**(1,128,131)**
			(1,728,365)	**(2,435,573)**
			599,483	**12,179**

		Note	Dec-21	Jun-21
15	**TRADE AND OTHER PAYABLES**		**Rupees**	Rupees
	Trade payables	**15.1**	**13,881,979**	35,763,822
	Payable to NCCPL		**2,200,851**	7,925,163
	Provident fund payable		**2,687,107**	2,210,988
	Others payable		**2,633,150**	3,494,818
			21,403,087	49,394,791

15.1 The above balance of Rs.13,881,979 (June-2021: 35,763,822) has been reported under trade date basis while the balance under settlement date basis amounts to Rs. 15,052,576 (June-2021: 24,318,184).

		Dec-21	Jun-21
15.2	The following amounts are payable to related parties	**Rupees**	Rupees
	Chief Executive Officer	**23,648**	152,093
	Head of Operations	**11,714**	402
	Head of Risk	**288**	5,206
	Head of Internal audit	**290**	-
		35,940	157,701

16 **CONTINGENCIES AND COMMITMENTS**

The Company does not have any contingency and commitments as on the reporting date (2021: Nil).

			From July to Dec 2021 Rupees	For the year ended 30 June 2021 Rupees
17	**BROKERAGE INCOME**			
	Gross brokerage income		**17,924,822**	31,017,568
	Less: Federal excise duty		**(2,867,972)**	(4,962,811)
			15,056,850	26,054,757
17.1	**Major revenue streams**			
	Retail clients		**11,478,473**	20,055,298
	Institutional clients		**3,578,377**	5,999,459
			15,056,850	26,054,757
	Geographical Region:			
	Pakistan		**15,056,850**	26,054,757
	Timing of provision of services:			
	Service provided to customer at point in time		**15,056,850**	26,054,757
18	**Administrative expenses and operating expenses**			
	Salaries, allowances and other benefits	18.1	**5,302,245**	10,450,066
	Sales reward allowance		**2,552,471**	4,396,230
	Shariah advisor fee		**300,000**	600,000
	Rent, rates and taxes		**109,218**	18,669
	Repairs and maintenance		**132,257**	307,278
	Utilities		**329,049**	508,187
	Fees & subscription		**197,660**	450,307
	PSX, clearing house and CDC charges, etc.		**747,722**	1,448,047
	Insurance charges		**176,231**	210,829
	Travelling and conveyance		**22,400**	45,243
	Depreciation		**95,645**	238,256
	Communication, printing and stationery		**125,253**	178,046
	Legal and professional charges		**285,525**	315,035
	Marketing Expense		**126,630**	220,370
	Entertainment		**117,340**	144,622
	Penalty	18.2	**-**	275,000
	Auditor remuneration	18.3	**260,000**	260,000
	Miscellaneous expenses		**9,407**	19,605
			10,889,053	20,085,790

18.1 Salaries, allowances and other benefits include Rs. 217,068 (2021:Rs.495,352) in respect of provident fund contribution paid by the Company.

18.2 The Securities and Exchange Commission of Pakistan has imposed penalty of Rs. 275,000/- under section 4 A of the act on violation of AML regulations. The company has filed appeal in appellate bench of SECP.

18.3 **Auditor Remuneration**

Statutory audit	**200,000**	200,000
Certifications	**50,000**	50,000
Out of pocket expenses	**10,000**	10,000
	260,000	260,000

		From July to Dec 2021	For the year ended 30 June 2021
		Rupees	Rupees
19	**OTHER INCOME**		
	Profit on bank deposit	3,775	299,581
	Margin finance income	269,389	842,020
	Return on exposure deposit with PSX	709,794	1,083,023
	Dividend income	759,578	590,783
	Base minimum capital profit on long-term deposit	-	12,830
	Miscellaneous Income	8,605	392,756
		1,751,141	3,220,993
20	**BANK CHARGES**		
	Bank charges	6,260	19,750
	FED charges	1,002	3,114
		7,262	22,864
21	**TAX**		
	Current tax	1,004,985	1,558,406
	Deferred tax	587,304	12,179
		1,592,289	1,570,585

There is no relationship between tax expense and accounting profit since the Company's profit are subject to tax under the alternate corporate tax for the current year. Accordingly, no numerical reconciliation has been presented.

22 **REMUNERATION OF CHIEF EXECUTIVE, DIRECTOR AND EXECUTIVES**

The aggregate amount charged in the financial statements for the year for remuneration, including all benefits, to the Chief Executive, Director and Executives of the Company are as follows:

	Chief Executive		Executives	
	From July to Dec 2021	For the year ended 30 June 2021	From July to Dec 2021	For the year ended 30 June 2021
	Rupees	Rupees	Rupees	Rupees
Managerial remuneration	1,567,104	2,640,000	2,204,850	4,147,350
Other benefits	533,067	982,214	30,000	60,000
Bonus		462,000		171,094
Provident fund	81,588	149,814	114,792	200,301
	2,181,759	4,234,028	2,349,642	4,578,745
No. of persons	1	1	5	5

23 **RELATED PARTY TRANSACTION**

The related parties comprise parent, Key management personnel, directors and post employment benefit plans. The Company in the normal course of business carries out transactions with various related parties. Amounts due from and to related parties are shown under respective notes of these financials statement. Other significant transactions with related parties are as follows:

Relationship with company	Nature of transactions	31-Dec-21	30-Jun-21
		Rupees	Rupees
Parent company			
The Bank of Punjab	Brokerage income	1,934,378	4,796,234
Key management personnel			
Chief Executive Officer	Commission earned	729,167	1,090,299
Head of Operations	Commission earned	3,443	30,180
Head of Internal Audit	Commission earned	3,718	15,261
Head of Risk	Commission earned	690	2,297

23.1 **Subsequent Event**

Subsequent to the year end, the Board Of Directors approved dividend at the rate of Rs 0.56 per share in meeting held on 8 April 2022.

24 Financial instruments and related disclosures

24.1 Maturities of financial assets and liabilities

As At 31 December 2021

	Mark-up bearing maturity				Non-mark-up bearing maturity				
	Upto one year	Over one year upto five years	Over five years	Sub-total	Upto one year	Over one year upto five years	Over five years	Sub-total	Total
					Rupees				
Financial assets									
Long term security deposits	-	-	6,490,527	6,490,527	-	-	1,701,500	1,701,500	8,192,027
Trade debts	5,168,847	-	-	5,168,847	1,599,673	-	-	1,599,673	6,768,520
Advances, prepayments and other receivables	29,917,195	-	-	29,917,195	123,164	-	-	123,164	30,040,359
Long term investment	-	-	-	-	-	-	20,466,394	20,466,394	20,466,394
Cash and bank balances	2,660,203	-	-	2,660,203	25,548,482	-	-	25,548,482	28,208,685
	37,746,245	-	6,490,527	44,236,772	27,271,319	-	22,167,894	49,439,213	93,675,985
Financial liabilities									
On balance sheet									
Trade and other payables	2,687,107	-	-	2,687,107	18,715,980	-	-	18,715,980	21,403,087
	2,687,107	-	-	2,687,107	18,715,980	-	-	18,715,980	21,403,087
Off balance sheet	-	-	-	-	-	-	-	-	-
	2,687,107	-	-	2,687,107	18,715,980	-	-	18,715,980	21,403,087

As At 30 June 2021

	Mark-up bearing maturity				Non-mark-up bearing maturity				
	Upto one year	Over one year upto five years	Over five years	Sub-total	Upto one year	Over one year upto five years	Over five years	Sub-total	Total
					Rupees				
Financial assets									
Long term security deposits	-	-	1,490,491	1,490,491	-	-	1,601,500	1,601,500	3,091,991
Trade debts	10,732,516	-	-	10,732,516	21,923,368	-	-	21,923,368	32,655,884
Advances, prepayments and other receivables	33,400,000	-	-	33,400,000	180,149	-	-	180,149	33,580,149
Long term investment	-	-	-	-	-	-	20,533,912	20,533,912	20,533,912
Cash and bank balances	2,391,307	-	-	2,391,307	25,932,572	-	-	25,932,572	28,323,879
	46,523,823	-	1,490,491	48,014,314	48,036,089	-	22,135,412	70,171,501	118,185,815
Financial liabilities									
On balance sheet									
Trade and other payables	2,210,988	-	-	2,210,988	47,183,803	-	-	47,183,803	49,394,791
	2,210,988	-	-	2,210,988	47,183,803	-	-	47,183,803	49,394,791
Off balance sheet	-	-	-	-	-	-	-	-	-
	2,210,988	-	-	2,210,988	47,183,803	-	-	47,183,803	49,394,791

24.2 FINANCIAL RISK MANAGEMENT

The company's operations expose it to a variety of risk factors. This includes risk factors such as market risk, liquidity risk, and credit risk. These risks need to be mitigated and managed in order for the company to be able to provide a return to it's shareholders. Risk management is carried out by the company's manager risk. The exposure to risk has been minimized. We have analysed the various forms of risk that the company faces and the possible impacts that such risks would have.

24.3 Market risk

Market risk is the risk that the fair value of future cash flows of a financial instrument will fluctuate because of the changes in market prices. There are three types of market risks: Currency Risk, Interest Rate Risk, and other price risk.

24.3.1 Currency risk

Currency risk is the risk that the future fair value of cash flows of a financial instrument will fluctuate due to exchange rate differentials. Since the Company does not deal in foreign currencies, no currency risks exist at the moment.

24.3.2 Interest / mark-up rate risk

Interest / mark-up rate risk is the risk that value of a financial instrument or future cash flows of a financial instrument will fluctuate due to changes in the market interest / mark-up rates. Sensitivity to interest / mark up rate risk arises from mismatches of financial assets and liabilities that mature or re-price in a given period. The Company manages these mismatches through risk management strategies where significant changes in gap position can be adjusted. The Company is not exposed to any short term borrowing arrangements having variable rate pricing. However, the company does have a few financial assets and liabilities, on which the exposure has been estimated below:

	Dec-21	Jun-21
	Rupees	Rupees
Financial assets		
Long term security deposit	**6,490,527**	1,490,491
Trade debts	**5,168,847**	10,732,516
Advances, prepayments and other receivables	**29,917,195**	33,400,000
Cash and bank balances	**2,660,203**	2,391,307
	44,236,772	48,014,314
Financial liabilities		
Trade and other payables	**2,687,107**	2,210,988
	2,687,107	2,210,988
	41,549,665	45,803,326

The following table demonstrates the sensitivity to a reasonable possible change in interest rates on floating rate borrowings and balances, with all other variables held constant, of the Company's profit before tax:

	Increase/ decrease in basis points	Effect of profit/(loss) before tax	Effect on equity
		(Rupees)	
Dec-21	**+100**	**(415,497)**	**(295,003)**
	-100	**415,497**	**295,003**
Jun-21	+100	(458,033)	(325,203)
	-100	458,033	325,203

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. Prudent liquidity risk management implies maintaining sufficient cash & cash equivalents and marketable securities and the ability to close out market positions due to dynamic nature of the business. Currently, there is no liquidity risk.

The following are the contractual maturities of financial liabilities:

	Carrying amount	Contractual cashflow	Less than one year	Between one to five years	More than five years
Dec-21			Rupees		
	21,403,087	**21,403,087**	**21,403,087**	**-**	**-**
Trade and other payables	**21,403,087**	**21,403,087**	**21,403,087**	**-**	**-**
Jun-21					
	49,394,791	49,394,791	49,394,791	-	-
Trade and other payables	49,394,791	49,394,791	49,394,791	-	-

TR

24.5 Credit risk

Credit risk is the risk of financial loss to the Company if a counterparty to a financial instrument fails to meet its contractual obligations. The Company believes that it is not exposed to major concentration of credit risk. To manage exposure to credit risk, the Company applies credit limits and deal with credit worthy parties. It makes full provision against those balances considered doubtful and by dealing with variety of major banks and financial institutions. The Company is not materially exposed to credit risk.

The credit quality of financial assets that are neither past due nor impaired can be assessed by reference to external credit ratings or to historical information about counterparty default rate. The table below shows the bank balances held with some major counterparties at the balance sheet date:

Banks	Rating		Agency	Dec-21	Jun-21
	Short term	Long term		Rupees	Rupees
Bank Alfalah Ltd.	A1+	AA+	PACRA	**19,955,621**	20,941,936
Bank AL Habib Ltd.	A1+	AAA	PACRA	**4,976,905**	5,863,908
MCB Bank Ltd	A1+	AAA	PACRA	**3,276,159**	1,518,035
				28,208,685	28,323,879

The maximum exposure to credit risk is equal to the carrying amount of financial assets. The maximum exposure to credit risk at reporting date is as follows:

	2021	2020
	Rupees	Rupees
Trade debts	**7,778,595**	32,655,884
Deposits	**38,109,222**	36,491,991
Bank balances	**28,208,685**	28,323,879
	74,096,502	97,471,754

24.6 Fair values of financial instruments

Fair value is the amount for which an asset could be exchanged, or a liability settled, between knowledgeable, willing parties in an arm's length transaction. The estimated fair values of all the financial assets and liabilities are not materially different from their book values as at the balance sheet date.

Level 1: quoted (unadjusted) prices in active markets for identical assets or liabilities

Level 2: other techniques for which all inputs which have a significant effect on the recorded fair value are observable either, directly or indirectly

Level 3: techniques which use inputs that have a significant effect on the recorded fair value that are not based on observable market data.

The following table presents the Company's assets and liabilities that are measured at fair value as at Dec-31-2021:

Assets	Level 1	Level 2	Level 3
LSE Financial Services Limited	-	-	20,466,394

24.7 Net Capital Balance

Net capital requirements of the Company are set and regulated by Pakistan Stock Exchange Limited. These requirements are put in place to ensure sufficient solvency margins and are based on excess of current assets over current liabilities.

The Net Capital Balance as required under Third Schedule of Securities and Exchange Rules, 1971 read with the SECP guidelines is calculated as follows;

DESCRIPTION	Valuation	Note	Dec-21	Jun-21
			Rupees	Rupees
CURRENT ASSETS				
Cash and bank balances				
Pertaining to house account	As per book value		**3,331,479**	2,773,927
Pertaining to client account	As per book value		**24,877,206**	25,549,952
		12	**28,208,685**	28,323,879
Deposits against exposure		10	**29,917,195**	33,400,000
Trade receivables	Book value	9	**7,778,595**	32,655,884
	less overdue for more than 14 days		**(1,137,763)**	(1,381,893)
		24.7.2	**6,640,832**	31,273,991

		Note	Dec-21	Jun-21
			Rupees	Rupees
Securities purchased for client	Securities purchased for the client and held by the member where the payment has not been received within 14 days		**109,363**	28,767
			64,876,075	93,026,637
CURRENT LIABILITIES				
Trade payables	Book value	**15**	**16,082,830**	43,688,985
	Less those overdue for more than 30 days		**(7,247,885)**	(6,968,437)
		24.7.3	**8,834,945**	36,720,548
Other liabilities		**24.7.4**	**13,573,127**	14,232,649
			22,408,072	50,953,197
Net capital balance as at 31 December 2021			**42,468,003**	42,073,440

24.7.1 Basis of accounting

This statement of Net Capital balance has been prepared in accordance with the requirements of the Second Schedule of the Securities brokers (Licensing and Operations) Regulations, 2016 (the Regulations) Read with Rule 2(d) of the Securities Exchange Commission (SEC) Rules 1971 (SEC Rules 1971) issued by the Securities & Exchange Commission of Pakistan (SECP)

	Note	Dec-21	Jun-21
24.7.2 Trade receivables		Rupees	Rupees
Receivable against margin	9	**5,168,847**	10,732,516
Other trade receivables	9	**1,599,673**	21,923,368
		7,778,595	32,655,884
Less over due for more than 14		**(1,137,763)**	(1,381,893)
		6,640,832	31,273,991

24.7.3 Trade payables

Trade payables	**16,082,830**	43,688,985
Less more than 30 days payable	**(7,247,885)**	(6,968,437)
	8,834,945	36,720,548

24.7.4 Other liabilities

Trade payables for more than 30 days	**7,247,885**	6,968,437
Provident fund payable	**2,687,107**	2,210,988
Other payables	**2,633,150**	3,494,818
Provision for income tax	**1,004,985**	1,558,406
	13,573,127	14,232,649

24.8 **Liquid Capital Statement**

S. No.	Head of Account	Value in Pak Rupees	Hair Cut / Adjustments	Net Adjusted Value
1	**Assets**			
1.1	Property & Equipment	1,124,632	1,124,632	-
1.2	Intangible Assets	7,140,225	7,140,225	-
1.3	Investment in Govt. Securities	-	-	-
1.4	Investment in Debt. Securities			-
	If listed than:			-
	i. 5% of the balance sheet value in the case of tenure upto 1 year.	-	-	-
	ii. 7.5% of the balance sheet value, in the case of tenure from 1-3	-	-	-
	iii. 10% of the balance sheet value, in the case of tenure of more than 3 years.	-	-	-
	If unlisted than:			-
	i. 10% of the balance sheet value in the case of tenure upto 1 year.	-	-	-
	ii. 12.5% of the balance sheet value, in the case of tenure from 1-3	-	-	-
	iii. 15% of the balance sheet value, in the case of tenure of more than 3 years.	-	-	-
1.5	Investment in Equity Securities			-
	i. If listed 15% or VaR of each securities on the cutoff date as computed by the Securities Exchange for respective securities whichever is higher.		-	-
	ii. If unlisted, 100% of carrying value.	20,466,394	20,466,394	-
	iii.Subscription money against Investment in IPO/offer for Sale: Amount paid as subscription money provided that shares have not been allotted or are not included in the investments of securities broker.	-	-	-
	iv.100% Haircut shall be applied to Value of Investment in any asset including shares of listed securities that are in Block, Freeze or Pledge status as on reporting date. (July 19, 2017) Provided that 100% haircut shall not be applied in case of investment in those securities which are Pledged in favor of Stock Exchange / Clearing House against Margin Financing requirements or pledged in favor of Banks against Short Term financing arrangements. In such cases, the haircut as provided in schedule III of the Regulations in respect of investment in securities shall be applicable (August 25, 2017)	-	-	-
1.6	Investment in subsidiaries	-	-	-
1.7	Investment in associated companies/undertaking			-
	i. If listed 20% or VaR of each securities as computed by the Securities Exchange for respective securities whichever is higher.	-	-	-
	ii. If unlisted, 100% of net value.	-	-	-
1.8	Statutory or regulatory deposits/basic deposits with the exchanges, clearing house or central depository or any other entity.	8,090,527	8,090,527	-
1.9	Margin deposits with exchange and clearing house.	29,917,195	-	29,917,195
1.10	Deposit with authorized intermediary against borrowed securities under SLB.	-	-	-
1.11	Other deposits and prepayments	997,943	997,943	-
1.12	Accrued interest, profit or mark-up on amounts placed with financial institutions or debt securities etc.(Nil)	-	-	-
	100% in respect of markup accrued on loans to directors, subsidiaries and other related parties	123,164	-	123,164

1.13	Dividends receivables.	-	-	-
1.14	Amounts receivable against Repo financing. Amount paid as purchaser under the REPO agreement. (Securities purchased under repo arrangement shall not be included in the investments.)	-	-	-
1.15	i. Short Term Loan To Employees: Loans are Secured and Due for repayment within 12 months	-	-	-
	ii. Receivables other than trade receivables	1,541,491	1,541,491	-
1.16	Receivables from clearing house or securities exchange(s)			-
	100% value of claims other than those on account of entitlements against trading of securities in all markets including MtM gains.	-	-	-
	claims on account of entitlements against trading of securities in all markets including MtM gains.	1,010,075	-	1,010,075
1.17	Receivables from customers			-
	i. In case receivables are against margin financing, the aggregate if (i) value of securities held in the blocked account after applying VAR based Haircut, (ii) cash deposited as collateral by the financee (iii) market value of any securities deposited as collateral after applying VaR based haircut. i. Lower of net balance sheet value or value determined through adjustments.	5,168,847	3,084,908	3,084,908
	ii. Incase receivables are against margin trading, 5% of the net balance sheet value. ii. Net amount after deducting haircut	-	-	-
	iii. Incase receivables are against securities borrowings under SLB, the amount paid to NCCPL as collateral upon entering into contract, iii. Net amount after deducting haircut	-	-	-
	iv. Incase of other trade receivables not more than 5 days overdue, 0% of the net balance sheet value. iv. Balance sheet value	110,274	-	110,274
	v. Incase of other trade receivables are overdue, or 5 days or more, the aggregate of (i) the market value of securities purchased for customers and held in sub-accounts after applying VAR based haircuts, (ii) cash deposited as collateral by the respective customer and (iii) the market value of securities held as collateral after applying VaR based haircuts. v. Lower of net balance sheet value or value determined through adjustments	183,153	27,056	27,056
	vi. 100% haircut in the case of amount receivable form related parties.	1,306,246	1,306,246	-
1.18	Cash and Bank balances			-
	I. Bank Balance-proprietary accounts	3,331,479	-	3,331,479
	ii. Bank balance-customer accounts	24,877,206	-	24,877,206
	iii. Cash in hand	-	-	-
1.19	Total Assets	105,388,851	43,779,422	62,481,357
2	**Liabilities**			
2.1	Trade Payables			-
	i. Payable to exchanges and clearing house	2,200,851	-	2,200,851
	ii. Payable against leveraged market products	-	-	-
	iii. Payable to customers	13,881,979	-	13,881,979

2.2	Current Liabilities			-
	i. Statutory and regulatory dues	-	-	-
	ii. Accruals and other payables	2,633,150	-	2,633,150
	iii. Short-term borrowings	-	-	-
	iv. Current portion of subordinated loans	-	-	-
	v. Current portion of long term liabilities	-	-	-
	vi. Deferred Liabilities	-	-	-
	vii. Provision for bad debts	-	-	-
	viii. Provision for taxation	1,004,985	-	1,004,985
	ix. Other liabilities as per accounting principles and included in the financial statements	-	-	-
2.3	Non-Current Liabilities	-	-	-
	i. Long-Term financing	-	-	-
	a. Long-Term financing obtained from financial institution: Long term portion of financing obtained from a financial institution including amount due against finance lease	-	-	-
	b. Other long-term financing	-	-	-
	ii. Staff retirement benefits	2,687,107	-	2,687,107
	iii. Advance against shares for Increase in Capital of Securities broker: 100% haircut may be allowed in respect of advance against shares if: a. The existing authorized share capital allows the proposed enhanced share capital b. Board of Directors of the company has approved the increase in capital c. Relevant Regulatory approvals have been obtained d. There is no unreasonable delay in issue of shares against advance and all regulatory requirements relating to the increase in paid up capital have been completed. e. Auditor is satisfied that such advance is against the increase of capital.	-	-	-
	iv. Other liabilities as per accounting principles and included in the financial statements	-	-	-
2.4	Subordinated Loans			-
	i. 100% of Subordinated loans which fulfill the conditions specified by SECP are allowed to be deducted: The Schedule III provides that 100% haircut will be allowed against subordinated Loans which fulfill the conditions specified by SECP. In this regard, following conditions are specified: a. Loan agreement must be executed on stamp paper and must clearly reflect the amount to be repaid after 12 months of reporting period b. No haircut will be allowed against short term portion which is repayable within next 12 months. c. In case of early repayment of loan, adjustment shall be made to the Liquid Capital and revised Liquid Capital statement must be submitted to exchange.	-	-	-
	ii. Subordinated loans which do not fulfill the conditions specified by SECP	-	-	-
2.5	Total Liabilities	22,408,072	-	22,408,072
3	**Ranking Liabilities Relating to :**			-
3.1	Concentration in Margin Financing			-
	The amount calculated client-to- client basis by which any amount receivable from any of the financees exceed 10% of the aggregate of amounts receivable from total financees.	-	5,154,776	5,154,776

3.2	Concentration in securities lending and borrowing			-
	The amount by which the aggregate of: (i) Amount deposited by the borrower with NCCPL (Ii) Cash margins paid and (iii) The market value of securities pledged as margins exceed the 110% of the market value of shares borrowed	-	-	-
3.3	Net underwriting Commitments			-
	(a) in the case of right issues : if the market value of securities is less than or equal to the subscription price; the aggregate of: (i) the 50% of Haircut multiplied by the underwriting commitments and (ii) the value by which the underwriting commitments exceeds the market price of the securities. In the case of rights issues where the market price of securities is greater than the subscription price, 5% of the Haircut multiplied by the net underwriting	-	-	-
	(b) in any other case : 12.5% of the net underwriting commitments	-	-	-
3.4	Negative equity of subsidiary			-
	The amount by which the total assets of the subsidiary (excluding any amount due from the subsidiary) exceed the total liabilities of the subsidiary	-	-	-
3.5	Foreign exchange agreements and foreign currency positions			-
	5% of the net position in foreign currency.Net position in foreign currency means the difference of total assets denominated in foreign currency less total liabilities denominated in foreign currency	-	-	-
3.6	Amount Payable under REPO	-	-	-
3.7	Repo adjustment			-
	In the case of financier/purchaser the total amount receivable under Repo less the 110% of the market value of underlying securities. In the case of financee/seller the market value of underlying securities after applying haircut less the total amount received ,less value of any securities deposited as collateral by the purchaser after applying haircut less any cash deposited by the purchaser.	-	-	-
3.8	Concentrated proprietary positions			-
	If the market value of any security is between 25% and 51% of the total proprietary positions then 5% of the value of such security. If the market of a security exceeds 51% of the proprietary position, then 10% of the value of such security	-	276,360	276,360
3.9	Opening Positions in futures and options			-
	i. In case of customer positions, the total margin requirements in respect of open positions less the amount of cash deposited by the customer and the value of securities held as collateral/ pledged with securities exchange after applying VaR haircuts	-	-	-
	ii. In case of proprietary positions , the total margin requirements in respect of open positions to the extent not already met	-	-	-
3.10	Short sell positions			-
	i. Incase of customer positions, the market value of shares sold short in ready market on behalf of customers after increasing the same with the VaR based haircuts less the cash deposited by the customer as collateral and the value of securities held as collateral after applying VAR based Haircuts	-	-	-
	ii. Incase of proprietary positions, the market value of shares sold short in ready market and not yet settled increased by the amount of VAR based haircut less the value of securities pledged as collateral after applying haircuts.	-	-	-
3.11	Total Ranking Liabilities	-	5,431,136	5,431,136
	Total Liquid Capital	82,980,779	38,348,286	34,642,149

24.9 Basis of preparation

This Statement of Liquid Capital has been prepared in accordance with the requirements of the Third Schedule of the Securities Brokers (Licensing and Operations) Regulations, 2016 (the Regulations) issued by the Securities & Exchange Commission of Pakistan (SECP).

25 Capital risk management

The Company's prime objective when managing capital is to safeguard its ability to continue as a going concern in order to provide adequate returns for shareholders and benefits for other shareholders and to maintain an optimal capital structure to reduce the cost of capital. Currently, the Company has zero borrowing at balance sheet thus minimizing the gearing ratio.

26	**No. of employees**		**Dec-21**	Jun-21
			Number	Number
	The total and average number of employees respectively are as follows:			
	Number of employees		**12**	**12**
	Average number of employees		**12**	**12**

		Note	**Dec-21**	Jun-21
27	**Capital adequacy level**		**Rupees**	Rupees
	Total assets	27	**105,388,851**	129,094,803
	Less: Total liabilities		**23,007,555**	50,977,555
	Revaluation surplus		**-**	-
			23,007,555	50,977,555
	Capital adequacy level		**82,381,296**	78,117,248

27.1. While determining the value of the total assets of the TREC Holder, Notional value of the TRE certificate held by the Company as at period ended 31 December 2021 as determined by Pakistan Stock Exchange has been considered.

28 Date of authorization

These financial statements have been authorized for issue by the Board of Directors of the Company on __________

08 APR 2022

CHIEF EXECUTIVE

DIRECTOR