

**PUNJAB CAPITAL SECURITIES
(PRIVATE) LIMITED**

**FINANCIAL STATEMENTS
(AUDITED)**

FOR THE YEAR ENDED DECEMBER 31, 2022



PUNJAB CAPITAL SECURITIES (PVT.) LTD.

(The Guardian of your Investments)

A Wholly Owned Subsidiary
of First Punjab Modaraba
A Group Company of The Bank of Punjab

Director's Report

On behalf of the Board of Directors of the Company, it gives me immense pleasure to present the Annual Report of the Company for the year ended December 31, 2022 together with the audited financial statements.

Economic Review

Pakistan's economy faced a number of challenges throughout 2022, making it one of the most difficult periods in the country's history. These challenges included domestic political uncertainties, a foreign exchange crisis, and import restrictions, all contributing to a significant increase in inflation and commodity and energy prices due to the Russia-Ukraine conflict. The start of the year was marked by a tense domestic political environment, which coincided with the Russia-Ukraine conflict, causing significant economic management difficulties. Despite successfully completing the 6th Review of the Extended Fund Facility of the International Monetary Fund (IMF-EFF) in February, fiscal slippages, mounting inflation, and current account deficits made the economic outlook bleak. This led to delays in the 7th and 8th Reviews of the IMF-EFF, which were completed in August 2022. The federal budget for FY 2022-23 reflected the necessary taxation measures for required fiscal and economic adjustments. In addition, massive floods caused an estimated economic damage of up to USD 30 billion, exacerbating the challenging circumstances. Despite an acute need for IMF backing to facilitate financing packages from friendly countries, the 9th Review of the IMF-EFF was delayed due to the high level of uncertainty and required realistic adjustments that would have caused enormous turmoil both politically and economically. As a result, Pakistan experienced an average Consumer Price Inflation (CPI) of 24.50 percent, a Policy Rate increase of 6.25 percent, a reduction of foreign exchange reserves by USD 13.04 billion, and a depreciation of PKR by 28.28 percent.

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Equity Market Review

The KSE-100 shares index declined by 9.36 percent during the year under review, representing the worst year for equities performance over the preceding 5 years. The index, however, remained range-bound, trouncing a high of 46,970 points and low of 39,279 points, over the period. In conjunction with depressed sentiments, average daily value traded declined significantly from PKR 16.993 billion in 2021 to PRK 6.94 billion in 2022.

Financial Performance

	December 2022 (Rupees)	Six Months ended December 2021 (Rupees)
Operating Revenue	18,562,312	15,056,850
Other Income	6,506,425	1,751,141
Administrative & Other Expenses	(21,873,490)	(10,889,053)
Profit/(Loss) before tax	3,166,193	5,911,676
Profit/(Loss) After Tax	1,495,591	4,319,387
Earnings Per Share	0.20	0.56
Earnings Per Share (diluted)	0.20	0.56

Company operating revenue has been decreased during the year as compared to last year which is on account of heightened economic risk arising from rising inflation, slowing growth, and weakening external control. The Company earned revenues of Rs. 18,562,312 for the year as compared to 12 months ended 31 December 2021 which was Rs. 31,707,420. Brokerage income was decreased by 41% as compared to 12 months of last year. The admin and operating expenses amounted to Rs. 21,873,490 for the year as compared to 12 months ended 31 December 2021 which was Rs. 22,671,233. Administration expenses was decreased by 4% as compared to 12 months of last year which showed the continuation of company

Signature



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strict policy over expenses. In bottom line we reported a profit of Rs. 1,495,591 after tax for a year as compared to 12 months ended 31 December 2021 which was Rs. 4,319,387, for the period ended December 31, 2021. The earnings per share of the Company amount to Rs. 0.20 as compared to Rs. 0.56 per share for period ended December 2021. The Management is assured to continue growth in coming period.

Corporate and Financial Framework

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

Name	Designation
Mr. Asif Riaz	Chairman / Non-Executive Director
Mr. Muhammad Imran Butt	CEO / Executive Director
Mr. Maqsood Ahmad	Non-Executive Director
Mr. Asim Jahangir Seth	Non-Executive Director
Mr. Mudassar Kaiser Pal	Non-Executive Director
Mr. Zeeshan Yaqoob	Non-Executive Director

- Risks are innate in the financial services business and include elements such as liquidity, market, credit, operational, legal, regulatory, and reputational risks. PCS risk management governance starts at the Board, which plays an integral role in reviewing and approving risk management policies and practices. Accordingly, the Management, with the approval of the Board has initiated comprehensive risk management processes through which it monitors, evaluates, and manages the risks that are assumed in conducting the activities. A rigorous framework of limits is applied to control risk across multiple transactions, products, businesses, and markets in which the Company carries out transactions. This includes setting credit and market risk limits at a variety of levels and monitoring these limits on a regular basis.
- The financial statements, prepared by the Management of the company, present fairly its state of affairs, the result of its operations, cash flows and changes in equity.

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- Proper books of account of the company have been maintained.
- During the year there have been no change in the nature of the business of the Company
- Appropriate accounting policies have been consistently applied in preparation of the financial statements.
- International Financial reporting standards, as applicable in Pakistan, have been followed in preparation of the financial statements.
- The system of internal control is sound in design and has been effectively implemented and monitored.
- There is no significant doubt upon the company's ability to continue as going concern.
- There are no transactions entered into by the company during the year which are fraudulent, illegal, or in violation of any securities market law.
- There is no material departure from the best practices of corporate governance.

Director's Remuneration:

During the year, the following remunerations / perks were paid by the company to the Chief Executive Office of the company

Particulars	Amount (Rs.)
Managerial remuneration	3,808,356
Other benefits	1,203,879
Performance bonus	172,480
Provident fund	198,276

No remuneration is paid to any Director other than Chief Executive.

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Pattern of Share Holding:

As at December 31, 2022

Shareholders	Number of Shareholders	%age of shares
Mr. Asim Jahangir Seth	1	0.00001%
Muhammad Imran Butt	1	0.00001%
Mr. Maqsood Ahmad	1	0.00001%
Mr. Asif Riaz	1	0.00001%
Mr. Mudassar Kaiser Pal	1	0.00001%
Mr. Zeeshan Yaqoob	1	0.00001%
First Punjab Modaraba	7,649,994	99.99994%
TOTAL	7,650,000	

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

Dividends:

The Board of Director has not proposed any cash dividend for the year ended December 31, 2022.

Subsequent Events:

Subsequent to the year end, on March 31, 2023, First Punjab Modaraba (the parent) decided to sell its 100% shareholding in the Company to the Bank of Punjab (the ultimate parent) at price of Rs 85.487 million.

The shareholders of the Bank of Punjab, in their Annual General Meeting on March 29, 2023 have given the approval of acquisition by the Bank.



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Future Outlook

The management remains committed to maintain focus on improving the financial position of the company. The conversion into the bank of Punjab wholly owned subsidiary company, would result in increase in high net worth cliental base as well as institutional clientage of the company. We expect inflation to remain elevated in the near term and hence interest rates will remain high. All these combined can exert pressure on the equity market and keep investors sentiments in check.

Auditors

The present Auditors M/s A.F. Ferguson & Co Chartered Accountants will retire on the conclusion of Annual General Meeting. M/s A.F. Ferguson & Co. has sent their consent for appointment as statutory auditor for the year ended December 31, 2023. Being eligible, The Board has recommended the appointment of M/s A.F. Ferguson & Co. Chartered Accountants, as auditors of the Company for the year ending on December 31, 2023, at a fee to be mutually agreed.

Appreciation and Acknowledgements

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

Muhammad Imran Butt
(CEO/ Director)
April 07, 2023



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STATEMENT BY THE CHIEF EXECUTIVE OFFICER

I, Muhammad Imran Butt, Chief Executive Officer of the Punjab Capital Securities (Private.) Limited, hereby certify that there were no transactions entered into by the Punjab Capital Securities (Private.) Limited during the year ended on December 31, 2022 which were fraudulent, illegal or in violation of any securities market laws

Muhammad Imran Butt
CEO

Place: Lahore
Date: April 07, 2023



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STATEMENT OF COMPLIANCE
WITH THE CORPORATE GOVERNANCE CODE FOR THE SECURITIES BROKER
FOR THE YEAR ENDED ON DECEMBER 31, 2022

This statement is being presented to certify the compliance with the Corporate Governance Code for Securities Broker ("Code") contained in annexure D of the Securities Broker (Licensing and Operations) Regulations, 2016 for the purpose of establishing a framework of good governance, whereby a securities broker is managed in compliance with the best practices of corporate governance. We hereby confirm that during the year ended on December 31, 2022 the Company has made the compliance of all material principles contained in the Code,

Muhammad Imran Butt
(Director & CEO)

Place: Lahore

Date: April 07, 2023



INDEPENDENT AUDITOR'S REPORT

To the members of Punjab Capital Securities (Private) Limited

Report on the Audit of the Financial Statements

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 December 31, 2022, and the statement of profit or loss and 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 December 31, 2022 and of the profit and other comprehensive income, the changes in equity and its cash flows for the year then ended.

Basis for Opinion

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

Information Other than the Financial Statements and Auditor's Report Thereon

Management is responsible for the other information. The other information comprises the information included in the Directors' report, but does not include the financial statements and our auditor's report thereon.

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

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

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Responsibilities of Management and Board of Directors for the Financial Statements

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

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

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

Auditor's Responsibilities for the Audit of the Financial Statements

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

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

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



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

Report on Other Legal and Regulatory Requirements

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

- (a) proper books of account have been kept by the Company as required by the Companies Act, 2017 (XIX of 2017);
- (b) the statement of financial position, the statement of 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;
- (c) the Company was in compliance with the requirements of section 78 of the Securities Act, 2015 and section 62 of the Futures Market Act, 2016, and the relevant requirements of Securities Brokers (Licensing and Operations) Regulations, 2016 as at the date on which the statement of financial position was prepared;
- (d) investments made, expenditure incurred and guarantees extended during the year were for the purpose of the Company's business; and
- (e) no Zakat was deductible at source under the Zakat and Ushr Ordinance, 1980 (XVIII of 1980).

Other matter

The financial statements of the Company for the six-month period ended December 31, 2021 were audited by another firm of Chartered Accountants, who expressed an unmodified opinion thereon vide their report dated April 27, 2022.

The engagement partner on the audit resulting in this independent auditor's report is Hammad Ali Ahmad.

A. F. Ferguson & Co.
Chartered Accountants

Lahore

Date: *April 11, 2023*

UDIN: AR202210092pq9BRfiVs

PUNJAB CAPITAL SECURITIES (PRIVATE) LIMITED
STATEMENT OF FINANCIAL POSITION
AS AT DECEMBER 31, 2022

	Note	2022	2021
		Rupees	
ASSETS			
Non - current assets			
Property and equipment	4	1,816,515	1,124,632
Intangible assets	5	7,140,225	7,140,225
Long term security deposits	6	8,292,027	8,192,027
Long term investment	7	23,879,429	20,466,394
		<u>41,128,196</u>	<u>36,923,278</u>
Current assets			
Trade debts	8	7,556,938	7,778,595
Advances, deposits, prepayments and other receivables	9	20,472,939	30,936,802
Tax refund due from Government		2,182,958	1,541,491
Cash and bank balances	10	35,759,397	28,208,685
		<u>65,972,232</u>	<u>68,465,573</u>
TOTAL ASSETS		<u><u>107,100,428</u></u>	<u><u>105,388,851</u></u>
EQUITY AND LIABILITIES			
Share capital and reserves			
Authorized share capital			
20,000,000 ordinary shares of Rs. 10 each (2021: 20,000,000 ordinary shares of Rs. 10 each)		<u>200,000,000</u>	<u>200,000,000</u>
Issued, subscribed and paid-up share capital	11	76,500,000	76,500,000
Fair value reserve		6,711,221	5,574,500
Accumulated (loss) / profit		<u>(2,517,000)</u>	<u>306,796</u>
Total equity		<u>80,694,221</u>	<u>82,381,296</u>
Non - current liabilities			
Deferred tax liability - net	12	<u>632,246</u>	<u>599,483</u>
		632,246	599,483
Current liabilities			
Trade and other payables	13	25,235,708	21,403,087
Provision for taxation		538,253	1,004,985
		<u>25,773,961</u>	<u>22,408,072</u>
TOTAL EQUITY AND LIABILITIES		<u><u>107,100,428</u></u>	<u><u>105,388,851</u></u>
CONTINGENCIES AND COMMITMENTS			
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The annexed notes from 1 to 29 form an integral part of these financial statements.


CHIEF EXECUTIVE OFFICER


DIRECTOR

PUNJAB CAPITAL SECURITIES (PRIVATE) LIMITED
STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME
FOR THE YEAR ENDED DECEMBER 31, 2022

		January 1, 2022 to December 31, 2022	July 1, 2021 to December 31, 2021
	Note	Rupees	
Brokerage income	15	18,562,312	15,056,850
Administrative and operating expenses	16	(21,873,490)	(10,889,053)
Operating (loss) / profit		<u>(3,311,178)</u>	<u>4,167,797</u>
Bank charges		(29,054)	(7,262)
		<u>(3,340,232)</u>	<u>4,160,535</u>
Other income	17	6,506,425	1,751,141
Profit before taxation for the year / period		<u>3,166,193</u>	<u>5,911,676</u>
Taxation	18	(1,670,602)	(1,592,289)
Profit after taxation for the year / period		<u>1,495,591</u>	<u>4,319,387</u>
Earnings per share - basic and diluted	19	<u>0.20</u>	<u>0.56</u>
Other Comprehensive Income			
Items that will not be re-classified subsequently to profit or loss			
Surplus / (deficit) on re-measurement of investments at fair value through other comprehensive income - net of tax		1,136,721	(67,518)
Other comprehensive income / (loss) for the year / period		<u>1,136,721</u>	<u>(67,518)</u>
Total comprehensive income for the year / period		<u>2,632,312</u>	<u>4,251,869</u>

The annexed notes from 1 to 29 form an integral part of these financial statements.

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CHIEF EXECUTIVE OFFICER


DIRECTOR

PUNJAB CAPITAL SECURITIES (PRIVATE) LIMITED
STATEMENT OF CHANGES IN EQUITY
FOR THE YEAR ENDED DECEMBER 31, 2022

	Issued, subscribed and paid-up share capital	Capital Reserve Fair Value Reserve	Revenue Reserve Accumulated profit / (loss)	Total
Rupees				
Balance as at January 1, 2021 (un-audited)	76,500,000	4,713,645	(8,693,129)	72,520,516
Profit for the twelve month period ended December 31, 2021	-	-	8,999,925	8,999,925
Other comprehensive income for the twelve month period ended December 31, 2021	-	860,855	-	860,855
Total comprehensive income for the period	-	860,855	8,999,925	9,860,780
Balance as at December 31, 2021 (audited)	<u>76,500,000</u>	<u>5,574,500</u>	<u>306,796</u>	<u>82,381,296</u>
Profit for the year	-	-	1,495,591	1,495,591
Dividend paid during the year	-	-	(4,319,387)	(4,319,387)
Other comprehensive income for the year	-	1,136,721	-	1,136,721
Total comprehensive income for the year	-	1,136,721	(2,823,796)	(1,687,075)
Balance as at December 31, 2022 (audited)	<u>76,500,000</u>	<u>6,711,221</u>	<u>(2,517,000)</u>	<u>80,694,221</u>

The annexed notes from 1 to 29 form an integral part of these financial statements.

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CHIEF EXECUTIVE OFFICER


DIRECTOR

PUNJAB CAPITAL SECURITIES (PRIVATE) LIMITED
STATEMENT OF CASH FLOWS
FOR THE YEAR ENDED DECEMBER 31, 2022

		January 1, 2022 to December 31, 2022	July 1, 2021 to December 31, 2021
	Note	Rupees	
CASH FLOWS FROM OPERATING ACTIVITIES			
Profit before taxation for the year / period		3,166,193	5,911,676
Adjustments for:			
Depreciation on property and equipment	16	257,243	95,645
Markup on margin financing and deposits maintained with Pakistan Stock Exchange Limited (PSX) and National Clearing Company of Pakistan Limited (NCCPL)	17	(5,214,639)	(979,183)
Dividend income	17	(1,223,764)	(759,578)
Cash generated from operating activities before working capital changes		<u>(3,014,967)</u>	<u>4,268,560</u>
Effect on cash flow due to working capital changes			
Decrease in current assets			
Advances, deposits, prepayments and other receivables		11,192,213	2,616,781
Trade debts		221,657	24,877,289
Increase / (decrease) in current liabilities			
Trade and other payables		<u>3,832,621</u>	<u>(27,991,704)</u>
Cash flows from operations		12,231,524	3,770,926
Income tax paid		(1,646,452)	(347,529)
Markup income received on margin financing and deposits maintained with Pakistan Stock Exchange Limited (PSX) and National Clearing Company of Pakistan Limited (NCCPL)		<u>4,486,289</u>	<u>1,036,168</u>
Net cash generated from operating activities		<u>15,071,361</u>	<u>4,459,565</u>
CASH FLOWS FROM INVESTING ACTIVITIES			
Purchase of property and equipment	4	(949,126)	(234,300)
Payment against right offer of shares	7	(3,375,900)	-
Security deposits paid		(100,000)	(5,100,036)
Dividend income received		1,223,764	759,578
Net cash generated used in investing activities		<u>(3,201,262)</u>	<u>(4,574,758)</u>
CASH FLOWS FROM FINANCING ACTIVITIES			
Dividend paid during the year		(4,319,387)	-
Net cash used in financing activities		<u>(4,319,387)</u>	<u>-</u>
Net increase / (decrease) in cash and cash equivalents		<u>7,550,712</u>	<u>(115,193)</u>
Cash and cash equivalents at the beginning of the year / period		28,208,685	28,323,878
Cash and cash equivalents at the end of the year / period	10	<u><u>35,759,397</u></u>	<u><u>28,208,685</u></u>

The annexed notes from 1 to 29 form an integral part of these financial statements.

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CHIEF EXECUTIVE OFFICER

[Signature]
DIRECTOR

**PUNJAB CAPITAL SECURITIES (PRIVATE) LIMITED
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2022**

1 GENERAL INFORMATION

The Punjab Capital Securities (Private) Limited ("the Company") is incorporated in Pakistan under the repealed Companies Ordinance, 1984 (the Ordinance) which has now been replaced by the Companies Act 2017 (the Act), as a company limited by shares on November 29, 2016. The Company is a holder of Trading Right Entitlement Certificate (TREC) of Pakistan Stock Exchange Limited. 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, 3rd 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 Modaraba which in turn is the subsidiary of Punjab Modaraba Services (Private) Limited, with ultimate parent of the company is The Bank of Punjab.

- 1.1 During the year 2021, the Company changed its financial year end from the June 30th to December 31st and as a result, financial statements of the Company were prepared for the six months period ended December 31, 2021.

The corresponding figures have been presented from the period July 1, 2021 to December 31, 2021 and therefore, are not entirely comparable in respect of the statement of profit or loss and other comprehensive income, statement of changes in equity, statement of cash flows, and notes to and forming part of the financial statements.

2 BASIS OF PREPARATION

2.1 Statement of compliance

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

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

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

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

2.2 Basis of measurement

These financial statements have been prepared under the historical cost convention except for long term investment in LSE Financial Services Limited which are carried at the fair value.

2.3 Critical accounting estimates and judgements

The preparation of financial statements in conformity with accounting and reporting standards as applicable in Pakistan requires the use of certain critical accounting estimates, judgments and assumptions that affect the reported amount of assets and liabilities, income and expenses. It also requires the 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 and 4)
- Useful lives, residual values and amortization method of intangibles - (note 3.1 and 4)
- Impairment of financial assets - (note 3.4.1.2, 6, 7, 8,9 and 10)
- Estimation of provisions - (note 3.5 and 13)
- Provision for current and deferred taxation - (note 3.12 and 18)

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 Standards, amendments and interpretations to accounting and reporting standards that are effective in the current year

There are certain standards, amendments and interpretations that are mandatory for the Company's accounting periods beginning on or after January 1, 2022 but are considered not to be relevant or do not have any significant effect on the Company's operations and are, therefore, not disclosed in these financial statements.

2.6 Standards, interpretations and amendments to accounting and reporting standards that are not yet effective

The following standards, amendments and interpretations of approved accounting standards are effective for accounting periods beginning on or after January 1, 2023:

Description	Effective date (accounting period beginning on or after)
Narrow scope amendments to IAS 1, Practice statement 2 and IAS 8	January 1, 2023
Amendment to IAS 12 – deferred tax related to assets and liabilities arising from a single transaction	January 1, 2023
Amendment to IFRS 16 – Leases on sale and leaseback	January 1, 2024
Amendment to IAS 1 – Non current liabilities with covenants	January 1, 2024

The Company is in the process of assessing the impact of these standards, interpretations and amendments on the financial statements of the Company.

There are certain other new standards, amendments and interpretations that are mandatory for the Company's accounting periods beginning on or after January 1, 2023. However, these will not have any significant impact on the Company's financial reporting and therefore have not been detailed in these financial statements.

3 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The significant accounting policies applied in the preparation of these financial statements are consistent in all those years presented in these financial statements:

3.1 Property and equipment

These are stated at cost less accumulated depreciation and impairment, if any. Cost comprises of acquisition and other directly attributable costs of bringing the assets to working condition for its intended use. Depreciation is charged to the profit or loss by applying the reducing balance method at the rates specified in note 4. Depreciation is charged on additions from the day the asset is put to into 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 derecognition of the asset is included in the profit or loss in the year the asset is derecognized. Any gain or loss arising on derecognition of the asset (calculated as the difference between the net disposal proceeds and the carrying amount of the asset) is charged in the profit or loss in the year in which asset is derecognized.

Maintenance and normal repairs are charged to profit or loss 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

Cash and cash equivalents are carried in the statement of financial position at the amortized cost. For the purpose of statement of cash flows, cash and cash equivalents comprise of cash in hand, balance with banks on current and deposit accounts.

3.3 Intangible assets

Intangible assets acquired separately are measured on initial recognition at cost. Following the 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 charged to profit or loss 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 charged in the profit or loss.

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 charged in the profit or loss when the asset is derecognized.

3.3.1 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 note 3.3 stated above.

3.3.2 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.

3.4 Right-of-use assets and their related lease liability

3.4.1 Right-of-use assets

On initial recognition, right-of-use assets are measured at an amount equal to initial lease liability adjusted for any lease payments made at or before the commencement date, plus any initial costs incurred and an estimate of costs to be incurred to dismantle and remove the underlying asset or the site on which it is located.

Right-of-use assets are subsequently stated at cost less any accumulated depreciation / accumulated impairment losses and are adjusted for any remeasurement of lease liability. The remeasurement of lease liability will only occur in cases where the terms of the lease are changed during the lease tenure.

Right-of-use assets are depreciated over their expected useful lives using the straight-line method. Depreciation on additions (new leases) is charged from the month in which leases are entered into. No depreciation is charged in month in which the leases mature or are terminated.

3.4.2 Lease liability against right-of-use assets

The lease liabilities are initially measured as the present value of the remaining lease payments, discounted using the interest rate implicit in the lease, or if that rate cannot be readily determined, the Company's incremental borrowing rate.

The lease liability is subsequently measured at amortised cost using the effective interest rate method. The lease liability is also measured to reflect any remeasurement or change in lease terms. These remeasurement of lease liabilities are recognised as an adjustment to the carrying amount of related right-of-use assets after the date of initial recognition.

Each lease payment is allocated between a reduction of the liability and a finance cost. The finance cost is charged to the statement of profit or loss as financial charges over the lease period so as to produce a constant periodic rate of interest on the remaining balance of the liability for each period.

The Company has elected to apply the practical expedient of not to recognise right-of-use assets and lease liabilities for short term leases that have a lease term of 12 months or less and leases of low-value assets. The lease payments associated with these leases is recognised as an expense on a straight line basis over the lease term.

3.5 Financial instruments

3.5.1 Financial assets

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

3.5.1.1 Classification and subsequent measurement

The Company classifies its financial assets in the following measurement categories in accordance with the requirements of IFRS 9:

- at amortized cost;
- at fair value through other comprehensive income (FVOCI); and
- at fair value through profit or loss (FVPL).

The classification requirements for debt and equity instruments are described below:

(i) Debt instruments

Debt instruments are those instruments that meet the definition of a financial liability from the issuer's perspective, such as loans, government and corporate bonds and puttable instruments like units of open-ended mutual funds.

Classification and subsequent measurement of debt instruments depend on:

- the Company's business model for managing the asset; and
- the Cash flow characteristics of the asset.

Based on these factors, the Company classifies its debt instruments in one of the following three measurement categories:

a) At amortized cost

Assets that are held for collection of contractual cash flows where those cash flows represent solely payments of principal and interest (SPPI), and that are not designated at FVPL, are measured at amortized cost. The carrying amount of these assets is adjusted by any expected credit loss allowance recognized and measured as described in note 3.5.1.2.

b) Fair value through other comprehensive income (FVOCI)

Financial assets that are held for collection of contractual cash flows and for selling the assets, where the assets' cash flows represent solely payments of principal and interest, and that are not designated at FVPL, are measured at fair value through other comprehensive income (FVOCI). Movements in the carrying amount are taken through other comprehensive income (OCI), except for the recognition of impairment gains or losses recognized and measured as described in note 3.5.1.2, interest revenue and foreign exchange gains and losses on the instrument's amortized cost which are recognized in the statement of profit or loss. When the financial asset is derecognized, the cumulative gain or loss previously recognized in other comprehensive income (OCI) is reclassified from surplus on remeasurement of financial assets to the statement of profit or loss account.

c) Fair value through profit or loss (FVPL)

Assets that do not meet the criteria for classification at amortized cost or FVOCI are measured at fair value through profit or loss. A gain or loss on a debt investment that is subsequently measured at fair value through profit or loss and is not part of a hedging relationship is recognized in the statement of profit or loss in the period in which it arises.

(ii) Equity instruments

Equity instruments are instruments that meet the definition of equity from the issuer's perspective and are instruments that do not contain a contractual obligation to pay and that evidence a residual interest in the issuer's net assets.

All equity investments are required to be measured in the statement of financial position at fair value, with gains and losses recognized in the statement of profit or loss, except where an irrevocable election has been made at the time of initial recognition to measure the investment at FVOCI. The fair value of investments is determined based on the rate of securities as quoted on the Pakistan Stock Exchange Limited.

The dividend income for equity securities classified under FVOCI are to be recognized in the statement of profit or loss. However, any surplus / (deficit) arising as a result of subsequent movement in the fair value of equity securities classified as FVOCI is to be recognized in other comprehensive income and is not recycled to the statement of profit or loss on derecognition.

3.5.1.2 Impairment

The Company assesses on a forward-looking basis the expected credit losses (ECL) associated with its debt instrument assets carried at amortized cost and FVOCI and trade receivables. The Company recognizes a loss allowance for such losses at each reporting date. The measurement of ECL reflects:

An unbiased and probability-weighted amount that is determined by evaluating a range of possible outcomes:

- The time value of money; and
- Reasonable and supportable information that is available without undue cost or effort at the reporting date about past events, current conditions and forecasts of future economic conditions.

Trade debts of the Company are collateralized against the custody of shares of the customers and therefore, there is no impact of expected credit loss on these receivables.

3.5.1.3 Derecognition

Financial assets, or a portion thereof, are derecognized when the contractual rights to receive the cash flows from the assets have expired, or when they have been transferred and either:

- (i) the Company transfers substantially all the risks and rewards of ownership; or
- (ii) the Company neither transfers nor retains substantially all the risks and rewards of ownership and the Company has not retained control.

3.5.1.4 Regular way contracts

All regular way purchases and sales of financial assets are recognized on the trade date i.e. the date on which the Company commits to purchase or sell the asset. Regular way purchases / sales of assets require delivery of securities within two days from the transaction date as per the stock exchange regulations.

3.5.2 Financial liabilities

The Company's financial liabilities include trade and other payables. Financial liabilities are initially recognized at fair value plus transaction costs and are subsequently measured at amortized cost except for financial liabilities at fair value through profit and loss.

3.5.2.1 Derecognition

Financial liabilities are derecognized at the time when these are extinguished i.e. when the obligation specified in the contract is discharged, cancelled or expired. Any gain or loss on derecognition of financial assets and financial liabilities is taken to the statement of profit or loss account.

3.6 Provisions, contingent assets and contingent liabilities

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

Contingent assets are disclosed when there is a possible asset that arises from past events and whose existence will be confirmed only by the occurrence or non-occurrence of one or more uncertain future events not wholly within the control of the Company. Contingent assets are not recognized until the inflow of economic benefits is virtually.

Contingent liabilities are disclosed when:

- there is a possible obligation that arises from past events and whose existence will be confirmed only by the occurrence or non-occurrence of one or more uncertain future events not wholly within the control of the Company; or

- there is a present obligation that arises from past events but it is not probable that an outflow of resources embodying economic benefits will be required to settle the obligation or the amount of the obligation cannot be measured with sufficient reliability.

3.7 Revenue from contract with customers

The Company recognizes revenue when the performance obligations are fulfilled. The obligations are fulfilled when the services have been rendered to the customer. Therefore, the Company recognizes revenue at the fair value of the consideration received or receivable on the following basis:

a) Brokerage revenue arising from sales / purchase of securities on client's behalf is recognized on the date of execution of the transaction by the Company i.e. on trade date basis;

b) Interest income on margin financing is recognized on outstanding balance at the rate of KIBOR plus margin at each day of the margin financing outstands.

3.8 Defined contribution plan

The Company operates a recognized contributory provident fund for all the permanent employees. Equal monthly contributions are made both by the Company and the employees at the rate of 8.33% of the basic salary. The Company has no further payment obligations once the contributions have been paid. The contributions made by the Company are recognized as employee benefit expense when they are due.

3.9 Dividend income

Dividend income is recorded when the right to receive the dividend is established.

3.10 Proposed dividend and transfer between reserves

Dividends declared and transfers between reserves, except appropriations which are required by law, made subsequent to the reporting date are considered as non-adjusting events and are recognized in the financial statements in the period in which such dividends and transfers are approved.

3.11 Earning per share (EPS)

The Company presents basic and diluted earnings per share (EPS) for its shareholders. Basic EPS is calculated by dividing the profit or loss attributable to the ordinary shareholders of the Company by the weighted average number of ordinary shares outstanding during the year. Diluted EPS is determined by adjusting the profit or loss attributable to the ordinary shareholders and the weighted average number of ordinary shares outstanding for the effects of all dilutive potential ordinary shares, if any.

3.12 Commitments

Commitments are disclosed in the financial statements at committed amounts.

3.13 Taxation

3.13.1 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.

3.13.2 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, except in the case of items credited or charged to equity in which case it is included in equity.

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4. **Property and equipment**

	Furniture and fixtures	Computers and related accessories	Office equipment	Total
	Rupees			
Net book value basis				
Year ended December 31, 2022				
Opening net book value	343,419	244,685	536,528	1,124,632
Additions (at cost)	396,946	141,700	410,480	949,126
Disposals (at NBV)	-	-	-	-
Depreciation for the year	(71,991)	(82,638)	(102,614)	(257,243)
Closing net book value	<u>668,374</u>	<u>303,747</u>	<u>844,394</u>	<u>1,816,515</u>
Gross book value basis				
As at December 31, 2022				
Cost	1,145,931	1,382,680	1,356,632	3,885,243
Accumulated depreciation	(477,557)	(1,078,933)	(512,238)	(2,068,728)
Net book value	<u>668,374</u>	<u>303,747</u>	<u>844,394</u>	<u>1,816,515</u>
Depreciation rate % per annum	<u>15%</u>	<u>30%</u>	<u>15%</u>	

Net book value basis

Year ended December 31, 2021

Opening net book value at July 1, 2021	371,264	254,923	359,790	985,977
Additions (at cost)	-	28,000	206,300	234,300
Disposals (at NBV)	-	-	-	-
Depreciation for the period	(27,845)	(38,238)	(29,562)	(95,645)
Closing net book value	<u>343,419</u>	<u>244,685</u>	<u>536,528</u>	<u>1,124,632</u>

Gross book value basis

As at December 31, 2021

Cost	748,985	1,240,980	946,152	2,936,117
Accumulated depreciation	(405,566)	(996,295)	(409,624)	(1,811,485)
Net book value	<u>343,419</u>	<u>244,685</u>	<u>536,528</u>	<u>1,124,632</u>
Depreciation rate % per annum	<u>15%</u>	<u>30%</u>	<u>15%</u>	

5. **Intangible assets**

	Note	2022	2021
		Rupees	
Lahore Stock Exchange (LSE) Financial Services Limited - Lease rights	5.1	4,640,225	4,640,225
Trading Right Entitlement Certificate (TREC)	5.2	2,500,000	2,500,000
		<u>7,140,225</u>	<u>7,140,225</u>

5.1 **Lahore Stock Exchange (LSE) Financial Services Limited - Lease rights**

Cost	5.1.1	<u>4,640,225</u>	<u>4,640,225</u>
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- 5.1.1 This represents the cost of the lease rights given by the LSE Financial Services Limited to the Company with the indefinite useful life. These are considered to be indefinite as there is no foreseeable limit on the period during which the Company expects to consume the future economic benefits.

	Note	2022	2021
Rupees			
5.2 Trading Right Entitlement Certificate (TREC)			
Cost	5.2.1	5,000,000	5,000,000
Accumulated Impairment	5.2.2	(2,500,000)	(2,500,000)
		2,500,000	2,500,000

- 5.2.1 This represents the TREC received by the company in accordance with the Stock Exchanges (Corporatization, Demutualization and Integration) Act, 2012 as amended by the Stock Exchanges (Corporatization, Demutualization and Integration) (Amendment) Act, 2015. These have been carried at cost less accumulated impairment losses.

Further in 2021, the TREC was under lien in favour of PSX to meet the requirement of the Base Minimum Capital (BMC) of the Risk Management Regulation of PSX Rule Book.

- 5.2.2 PSX vide notice no. PSX/N-255 dated February 16, 2021 have notified the notional fees of Trading Entitlement Certificates which amounts to Rs 2.5 million.

	Note	2022	2021
Rupees			
6. Long term security deposits			
Deposits placed with National Clearing Company of Pakistan Limited			
Initial security deposit		200,000	200,000
Basic deposit for trading in regular market		200,000	200,000
Basic deposit for trading in future market		1,000,000	1,000,000
Deposit against MSF		100,000	100,000
Deposits placed with Central Depository Company of Pakistan Limited			
Initial security deposit		100,000	100,000
Deposits placed with Pakistan Stock Exchange Limited			
Deposit against Base Minimum Capital	6.1	6,490,527	6,490,527
Other security deposits			
Others	6.2	201,500	101,500
		8,292,027	8,192,027

- 6.1 This represents the amount deposited with the Pakistan Stock Exchange (PSX) on account of the Base Minimum Capital (BMC) prescribed by the Risk Management Regulation of PSX Rule Book.

- 6.2 This includes the deposit of Rs 100,000 made to Chief Executive Officer of the Company, Mr. Muhammad Imran Butt against the office rented by the Company in Lahore Stock Exchange (LSE) Building, Lahore.

7. Long term investment

Financial assets at fair value through other comprehensive income

	Note	2022	2021
LSE Financial Services Limited			
Number of shares			
Opening number of shares		843,975	843,975
Add: Right issue exercised during the year	7.2	337,590	-
		1,181,565	843,975
Rupees			
Opening balance (revalued amount)		20,466,394	20,533,912
Right issue exercised during the year (at right price of Rs. 10)	7.2	3,375,900	-
Revaluation gain / (loss) during the year / period		37,135	(67,518)
		23,879,429	20,466,394

7.1 In the absence of the active market for shares of LSE Financial Services Limited, investment in the shares of the Company are measured using the net asset value of LSE Financial Services Limited as at December 31, 2022 of Rs. 20.21 (December 2021: Rs. 24.25), which approximates the fair value of shares of LSE Financial Services Limited as majority of the assets held by LSE Financial Services Limited are carried at revaluation / fair value model.

7.2 Board of Directors of the LSE Financial Services Limited in their meeting held on March 25, 2022 had offered the right issue of 40% to the existing shareholders at right price of Rs. 10.

The Company has exercised the right offer by making payment of Rs 3,375,900 on May 11, 2022 to LSE Financial Services Limited.

7.3 843,975 (2021: 843,975) shares of LSE Financial Services Limited are under lien in favor of Pakistan Stock Exchange (PSX) on account of the Base Minimum Capital (BMC) prescribed by the Risk Management Regulation of PSX Rule Book.

8. Trade debts	Note	2022	2021
Rupees			
Receivable from customers	8.1	4,568,058	1,599,673
Receivable against margin financing		2,383,665	5,168,847
Receivable from National Clearing Company of Pakistan Limited		605,215	1,010,075
		7,556,938	7,778,595
Considered good		7,556,938	7,778,595

8.1 This includes the receivable against the marketable securities and brokerage commission receivable.

8.2	Ageing Analysis	Note	2022	2021
			Rupees	
	Upto 5 days		4,131,928	385,453
	Above 5 days		436,130	1,214,220
			<u>4,568,058</u>	<u>1,599,673</u>
8.3	Due from Related parties			
	The Bank of Punjab		<u>124,192</u>	<u>1,306,246</u>
8.3.1	The ageing of trade debts from related parties as at reporting date is as follows:			
	Past due 1 - 30 days		124,192	652,483
	Past due 31 - 60 days		-	284,659
	Past due 61 - 90 days		-	369,104
	More than 90 days		-	-
			<u>124,192</u>	<u>1,306,246</u>
8.4	Customer assets			
	Central Depository System		<u>299,935,314</u>	<u>669,202,799</u>
9	Advances, deposits, prepayments & other receivables			
	Advances to suppliers		720,000	797,140
	Prepayments		1,425	99,303
	Deposits	9.1	18,900,000	29,917,195
	Accrued markup on deposits maintained with Pakistan Stock Exchange Limited and National Clearing Company of Pakistan Limited		851,514	123,164
			<u>20,472,939</u>	<u>30,936,802</u>
9.1	This represents deposits maintained with the National Clearing Company of Pakistan Limited against exposure arising out of the trading in securities in accordance with the regulations of the National Clearing Company of Pakistan Limited.			
10	Cash and bank balances	Note	2022	2021
			Rupees	
	Cash in hand		-	-
	Balance with Bank			
	Current accounts	10.1	35,277,681	25,548,482
	Saving accounts	10.2	481,716	2,660,203
			<u>35,759,397</u>	<u>28,208,685</u>
10.1	The bank balance include customer's bank balance held in designated bank accounts amounting to Rs 24.54 million (December 2021: Rs 24.87 million).			
10.2	The balance in the saving accounts bear mark-up at the rate of 4.4% to 7.25% (2021: 3.41% to 4%).			

11. Issued, subscribed and paid up share capital	Note	2022	2021
		Rupees	
7,650,000 ordinary shares of Rs.10 each paid in cash (2021: 7,650,000 ordinary shares of Rs. 10 each paid in cash)		76,500,000	76,500,000
12. Deferred tax liability - net			
Deferred tax liability	12.1	632,246	599,483
12.1 Taxable temporary differences arising in respect of:			
- Accelerated depreciation on property and equipment		151,496	80,144
- Accelerated depreciation on intangible assets		505,093	631,099
- Accelerated depreciation on Investment		517,019	1,616,605
		1,173,608	2,327,848
Deductible temporary differences arising in respect of:			
- Brought forward business losses		-	(853,384)
- Brought forward depreciation expense		(478,896)	(454,058)
- Alternate corporate tax		(62,466)	(420,923)
		(541,362)	(1,728,365)
		632,246	599,483
13. Trade and other payables			
Trade payables	13.1	19,379,547	13,881,979
Payable to NCCPL		4,083,042	2,200,851
Provident fund payable		-	2,687,107
Other payables	13.3	1,773,119	2,633,150
		25,235,708	21,403,087
13.1	The above balance of Rs.19.38 million (December 2021: Rs.13.88 million) has been reported under trade date basis while the balance under settlement date basis amounts to Rs. 19.41 million (December 2021: Rs. 15.05 million).		
13.2	The following amounts are payable to related parties:		
		2022	2021
		Rupees	
First Punjab Modaraba		8,189	-
Chief Executive Officer		2,471	23,648
Head of Operations		909	11,714
Head of Risk		26,468	288
Head of Internal Audit		59	290
		38,096	35,940
13.3	This includes penalty imposed by the Securities and Exchange Commission of Pakistan (the SECP) amounting to Rs 275,000. In 2020, the SECP issued a Show Cause Notice No. 2 (256) SMD /ADJ-I /2020 /427 (the Show Cause Notice) dated November 10, 2020 to the Company in violation of Securities and Exchange Commission of Pakistan (Anti Money Laundering and Countering Financing of Terrorism) Regulations, 2018. An Order No. 2 (256) SMD /ADJ-I /2020 /653 was passed on January 6, 2021 imposing the aforementioned penalty on the Company. The Company on February 6, 2021, being aggrieved by the Order, filed a review application under section 33 of the SECP Act, 1997 to the Learned Executive Director, HOD Adjudication Division (AD-1) and appealed to the Commission to reduce / waive off the penalty amount. The appeal is still pending adjudication.		

14. Contingencies and commitments

There are no material contingencies and commitments at the balance sheet date.(2021: Nil).

15. Brokerage income	Note	January 1, 2022 to	July 1, 2021 to
		December 31, 2022	December 31, 2021
		Rupees	
Gross Brokerage Income		22,097,990	17,924,822
Less: Federal Excise Duty		3,535,678	2,867,972
		<u>18,562,312</u>	<u>15,056,850</u>

15.1 Major revenue streams

Retail clients	13,161,156	11,478,473
Institutional clients	5,401,156	3,578,377
	<u>18,562,312</u>	<u>15,056,850</u>

Geographical region:

Pakistan	<u>18,562,312</u>	<u>15,056,850</u>
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Timing of provision of service

Service provided to customer at point in time	<u>18,562,312</u>	<u>15,056,850</u>
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16. Administrative and operating expenses

Salaries, allowances and other benefits	16.1	12,721,082	5,302,245
Sales reward allowance		2,568,879	2,552,471
Shariah advisor fee		600,000	300,000
Rent, rates and taxes		639,298	109,218
Repairs and maintenance		911,845	132,257
Utilities		787,383	329,049
Fees and subscription		439,088	197,660
PSX, clearing house and CDC charges		1,063,892	747,722
Insurance		272,195	176,231
Travelling and conveyance		89,172	22,400
Depreciation		257,243	95,645
Communication, printing and stationery		224,812	125,253
Legal and professional charges		359,445	285,525
Marketing expenses		252,000	126,630
Entertainment		283,083	117,340
Auditors' remuneration	16.2	400,000	260,000
Other expenses		4,073	9,407
		<u>21,873,490</u>	<u>10,889,053</u>

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16.1 Salaries, allowances and other benefits include Rs. 480,525 (2021: Rs. 217,068) in respect of the provident fund contribution by the Company.

16.2 Auditors' remuneration	Note	January 1, 2022 to	July 1, 2021 to
		December 31, 2022	December 31, 2021
		Rupees	
Statutory audit		300,000	200,000
Certifications		50,000	50,000
Out of pocket expenses		50,000	10,000
		<u>400,000</u>	<u>260,000</u>

17. Other income

Income from financial assets

Profit on bank deposit		61,507	3,775
Dividend income		1,223,764	759,578
Markup income on margin financing		1,476,948	269,389
Markup income on exposure deposit maintained with NCCPL		2,765,092	709,794
Markup income on exposure deposit maintained with PSX for BMC		972,599	-
Miscellaneous income		6,515	8,605
		<u>6,506,425</u>	<u>1,751,141</u>

18. Taxation

Current tax		538,253	1,004,985
Deferred tax		1,132,349	587,304
		<u>1,670,602</u>	<u>1,592,289</u>

18.1 Relationship between tax and accounting profit

Accounting profit before tax		<u>3,166,193</u>	<u>5,911,676</u>
Enacted tax rate (%)		29%	29%
Tax at applicable rate - 17% (2021: 17%)	18.2	538,253	1,004,985
Others		1,132,349	587,304
		<u>1,670,602</u>	<u>1,592,289</u>

18.2 As per the requirements of the Income Tax Ordinance 2001, the tax expense has been charged at the higher of the tax liability computed under Minimum Tax Regime, Normal Tax Regime and the tax liability computed as the Alternate Corporate Tax at the rate of 17% of the Accounting profit.

The Company has charged the tax expense as the Alternate Corporate Tax at the rate of 17% of the Accounting profit.

19. Earnings per share - basic and diluted		January 1, 2022 to	July 1, 2021 to
		December 31, 2022	December 31, 2021
		Rupees	
Profit for the year		<u>1,495,591</u>	<u>4,319,387</u>
		Number	
Weighted average number of ordinary shares outstanding		<u>7,650,000</u>	<u>7,650,000</u>
Earnings per share (Rs. per share)		<u>0.20</u>	<u>0.56</u>

19.1 There were no convertible dilutive potential ordinary shares in issue as at December 31, 2022 and December 31, 2021.

20. **Remuneration of Chief Executive, Director and Executives**

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

	Chief Executive	
	January 1, 2022 to December 31, 2022	July 1, 2021 to December 31, 2021
	Rupees	
Managerial remuneration	3,808,356	1,567,104
Other benefits	1,203,879	533,067
Performance bonus	172,480	-
Provident fund	198,276	81,588
	<u>5,382,991</u>	<u>2,181,759</u>
No. of persons	<u>1</u>	<u>1</u>

20.1 No remuneration is paid to any Director other than Chief Executive. Furthermore, other than Chief Executive of the Company, no other personnel of the Company meets the definition of the Executives as mentioned in the Fourth Schedule of the Companies Act 2017.

21. **Related party transactions**

The related parties comprise of parent, associates, directors and post employment benefit plans. The Company in the normal course of business carries out transactions with various related parties at mutually agreed terms and conditions. Amounts due from and to related parties are shown under respective notes of these financial statements. Other significant transactions with related parties are as follows:

Relationship with the Company	Aggregate % of shareholding	Nature of transactions	January 1, 2022 to December 31, 2022	July 1, 2021 to December 31, 2021
			Rupees	
Parent Company				
The Bank of Punjab	Ultimate Parent	Brokerage Commission charged by the Company	4,567,491	1,934,378
First Punjab Modaraba	100%	Brokerage Commission charged by the Company	15,013	-
Provident Fund				
Punjab Capital Securities (Private) Limited - Employees Provident Fund Trust	-	Transfer of funds at formation of Trust	3,106,574	-
Key management personnel				
Chief Executive Officer	-	Brokerage Commission charged by the Company	949,948	729,167
	-	Security deposit paid by the Company	100,000	-
	-	Rent paid by the Company	180,000	-
Head of Operations	-	Brokerage Commission charged by the Company	9,206	3,443
Senior Risk Manager	-	Brokerage Commission charged by the Company	1,161	690
Head of Internal Audit	-	Brokerage Commission charged by the Company	6,002	3,718

ATP

2021

	Mark-up bearing maturity				Sub-total	Upto one year	Non-mark-up bearing maturity		Sub-total	Total
	Upto one year	Over one year and upto five years	Over five years	Over five years			Upto one year	Over one year and upto five years		
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, deposits, 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

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	2,687,107	-	-	2,687,107	18,715,980	-	-	18,715,980	21,403,087
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22 Financial Instruments and related disclosures

22.1 Maturities of financial assets and liabilities

	2022									
	Mark-up bearing maturity					Non-mark-up bearing maturity				
	Upto one year	Over one year and upto five years	Over five years	Sub-total	Upto one year	Over one year and upto five years	Over five years	Sub-total	Total	
Financial assets	Rupees									
Long term security deposits	-	-	6,490,527	6,490,527	-	-	1,801,500	1,801,500	8,292,027	
Trade debts	2,383,665	-	-	2,383,665	5,173,273	-	-	5,173,273	7,556,938	
Advances, deposits, prepayments and other receivables	18,900,000	-	-	18,900,000	1,572,939	-	-	1,572,939	20,472,939	
Long term investment	-	-	-	-	-	-	23,879,429	23,879,429	23,879,429	
Cash and bank balances	481,716	-	-	481,716	35,277,681	-	-	35,277,681	35,759,397	
	21,765,381	-	6,490,527	28,255,908	42,023,893	-	25,680,929	67,704,822	95,960,730	
Financial liabilities										
On balance sheet										
Trade and other payables	-	-	-	-	25,235,708	-	-	25,235,708	25,235,708	
	-	-	-	-	25,235,708	-	-	25,235,708	25,235,708	
Off balance sheet										
	-	-	-	-	-	-	-	-	-	
	-	-	-	-	25,235,708	-	-	25,235,708	25,235,708	

22.2 Financial instruments by category

	2022			Total
	At amortised cost	At fair value through profit or loss	At fair value through other comprehensive income	
Rupees				
Financial assets				
Non-current assets				
Long term security deposits	8,292,027	-	-	8,292,027
Long term investment	-	-	23,879,429	23,879,429
Current assets				
Trade debts	7,556,938	-	-	7,556,938
Deposits and other receivables	19,751,514	-	-	19,751,514
Bank balances	35,759,397	-	-	35,759,397
	<u>71,359,876</u>	<u>-</u>	<u>23,879,429</u>	<u>95,239,305</u>
Financial liabilities				
Trade and other payables	25,235,708	-	-	25,235,708
	<u>25,235,708</u>	<u>-</u>	<u>-</u>	<u>25,235,708</u>
	2021			Total
	At amortised cost	At fair value through profit or loss	At fair value through other comprehensive income	
Rupees				
Financial assets				
Non-current assets				
Long term security deposits	8,192,027	-	-	8,192,027
Long term investment	-	-	20,466,394	20,466,394
Current assets				
Trade debts	7,778,595	-	-	7,778,595
Deposits and other receivables	30,040,359	-	-	30,040,359
Bank balances	28,208,685	-	-	28,208,685
	<u>74,219,666</u>	<u>-</u>	<u>20,466,394</u>	<u>94,686,060</u>
Financial liabilities				
Trade and other payables	21,403,087	-	-	21,403,087
	<u>21,403,087</u>	<u>-</u>	<u>-</u>	<u>21,403,087</u>

22.3 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, credit risk and operational risk. These risks need to be mitigated and managed in order for the company to be able to provide a return to its 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.

22.4 Market risk

Market risk is the risk that the value of the financial instrument may fluctuate as a result of changes in market interest rates or the market price due to a change in credit rating of the issuer or the instrument. The management manages market risk by monitoring exposure on marketable securities by following the internal risk management and investment policies and guidelines. Market risk comprises of three types of risk: currency risk, interest rate risk and price risk.

22.4.1 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.

22.4.2 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:

	2022	2021
	Rupees	
Financial assets		
Deposit against Base Minimum Capital	6,490,527	6,490,527
Receivable against margin financing	2,383,665	5,168,847
Deposits maintained with National Clearing Company of Pakistan Limited - against exposure arising out of the trading in securities	18,900,000	29,917,195
Cash and bank balances - savings accounts	481,716	2,660,203
	<u>28,255,908</u>	<u>44,236,772</u>
Financial liabilities		
Trade and other payables	-	2,687,107
	<u>-</u>	<u>2,687,107</u>
	<u>28,255,908</u>	<u>41,549,665</u>

The management of the Company estimates that a 1% decrease in the market interest rate, with all factors remaining constant, would decrease the Company's profit before tax by Rs. 282,559 (2021: Rs. 415,497) and a 1% increase would result in an increase in the Company's profit before tax by the same amount. However, in practice, the actual results may differ from the sensitivity analysis.

	Increase/ decrease in basis points	Effect of profit/(loss) before tax	Effect on equity
	Rupees		
2022	+1%	282,559	200,617
	-1%	(282,559)	(200,617)
2021	+1%	415,497	295,003
	-1%	(415,497)	(295,003)

22.4.3 Price risk

Price risk is the risk that the fair value or 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) whether those changes are caused by factors specific to the individual financial instrument or its issuer, or factors affecting all similar financial instruments traded in the market.

The Company is exposed to price risks because of investments held by the Company in shares of LSE Financial Services Limited (carried at the Level 3). In case of 1% increase / decrease in the market price of the shares held, the other comprehensive income before tax of the Company would be higher / lower by Rs. 238,794. (2021: Rs. 204,664).

22.5 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. The table below analyses the Company's financial liabilities into relevant maturity groupings based on the remaining period at the reporting date to the contractual maturity date. The amounts in the table are the contractual undiscounted cash flows.

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
Rupees					
2022					
Trade and other payables	25,235,708	25,235,708	25,235,708	-	-
2021					
Trade and other payables	21,403,087	21,403,087	21,403,087	-	-

22.6 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 at the reporting period end there is no provision recognized in the financial statements. 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			2022	2021
	Short term	Long term	Agency	Rupees	
Bank Alfalah Limited	A1+	AA+	PACRA	32,068,752	19,955,621
Bank Al Habib Limited	A1+	AAA	PACRA	1,314,644	4,976,905
MCB Bank Limited	A1+	AAA	PACRA	2,376,001	3,276,159
				35,759,397	28,208,685

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:

	2022	2021
	Rupees	
Trade debts	7,556,938	7,778,595
Deposits	25,390,527	38,109,222
Bank balances	35,759,397	28,208,685
	68,706,862	74,096,502

22.7 Operational risk

Operational risk is the risk of direct or indirect loss arising from a wide variety of causes associated with the processes, technology and infrastructure supporting the Company's operations either internally within the Company or externally at the Company's service providers, and from external factors other than credit, market and liquidity risks such as those arising from legal and regulatory requirements and generally accepted standards of investment management behaviour. Operational risks arise from all of the Company's activities.

The Company's objective is to manage operational risk so as to balance limiting of financial losses and damage to its reputation with achieving its investment objective of generating returns for investors.

The primary responsibility for the development and implementation of controls over operational risk rests with the Board of Directors. This responsibility encompasses the controls in the following areas:

- requirements for appropriate segregation of duties between various functions, roles and responsibilities;
- requirements for the reconciliation and monitoring of transactions;
- compliance with regulatory and other legal requirements;
- documentation of controls and procedures;
- requirements for the periodic assessment of operational risks faced, and the adequacy of controls and procedures to address the risks identified;
- ethical and business standards; and
- risk mitigation, including insurance where this is effective.

22.8 Fair values of financial instruments

Fair value is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date. Underlying the definition of fair value is the presumption that the Company is a going concern without any intention or requirement to curtail materially the scale of its operations or to undertake a transaction on adverse terms.

Financial assets which are tradable in an open market are revalued at the market prices prevailing on the reporting date. The estimated fair value of all other financial assets and liabilities is considered not to be significantly different from the respective book values.

International Financial Reporting Standard 13, 'Fair Value Measurement' requires the Company to classify assets using a fair value hierarchy that reflects the significance of the inputs used in making the measurements. The fair value hierarchy has the following levels:

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

Level 2: inputs other than quoted prices included within level 1 that are observable for the asset or liability either directly (i.e. as prices) or indirectly (i.e. derived from prices); and

Level 3: inputs for the asset or liability that are not based on observable market data (i.e. unobservable inputs).

There were no transfers between levels 1, 2 and 3 for recurring fair value measurements during the year.

22.8.1 Valuation techniques used to determine fair values

Level 3 investments in unlisted shares of LSE Financial Services Limited, as mentioned in note 7 of the financial statements are valued using the net assets value method as at December 31, 2022.

22.8.2 Valuation inputs and relationships to fair value

The following table summarizes the quantitative information about the significant unobservable inputs used in level 3 fair value measurements.

Description	Fair value at		Unobservable inputs	Range of inputs (Fair value per share)	
	2022	2021		2022	2021
	Rupees			Rupees	
Unlisted equity securities	23,879,429	20,466,394	Net assets value	20.21	24.25

Net asset value determined approximates the fair value of shares of LSE Financial Services Limited as majority of the assets held by LSE Financial Services Limited are carried at revaluation / fair value model.

As at December 31, 2022 and December 31, 2021, the Company held the following financial instruments measured at fair values:

	Level 1	Level 2	Level 3
2022			
Financial assets			
- at fair value through other comprehensive income	-	-	23,879,429
	-	-	23,879,429
2021			
Financial assets			
- at fair value through other comprehensive income	-	-	20,466,394
	-	-	20,466,394

22.9 Net Capital Balance (as per the requirements of the Securities Brokers (Licensing and Operation) Regulations, 2016)

Description	Valuation	Note	2022	2021
			Rupees	
Current Assets				
Cash in hand or in bank	As per Book Value	22.9.2	35,759,397	28,208,685
Deposits against exposure		9.1	18,900,000	29,917,195
Trade Receivables	Book Value less those overdue for more than 14 days	22.9.3	7,214,994	6,640,832
Investment in listed securities in the name of broker	Securities on the exposure list marked to market less 15% discount		-	-
Securities purchased for customers	Securities purchased for the customer and held by the broker where the payment has not been received within 14 days		213,261	109,363
Listed TFCs/Corporate Bonds of not less than BBB grade assigned by a credit rating company in Pakistan	Marked to market less 10% discount		-	-
FIBs	Marked to market less 5% discount		-	-
Treasury Bill	At market value		-	-
Any other current asset specified by the customer	As per the valuation basis determined by the commission		-	-
			<u>62,087,652</u>	<u>64,876,075</u>
Current liabilities				
Trade Payables	Book value less those overdue for more than 30 days	22.9.4	16,562,161	8,834,945
Other Liabilities	As classified under the generally accepted accounting principles	22.9.5	9,211,800	13,573,127
			<u>25,773,961</u>	<u>22,408,072</u>
Net Capital Balance			<u>36,313,691</u>	<u>42,468,003</u>

22.9.1 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) issued by the Securities & Exchange Commission of Pakistan (SECP), 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	2022	2021
		Rupees	
22.9.2 Cash in hand or in bank			
Cash in hand		-	-
Bank balance			
- pertaining to house account		11,222,079	3,331,479
- pertaining to client account		24,537,318	24,877,206
		<u>35,759,397</u>	<u>28,208,685</u>
22.9.3 Trade receivables			
Receivable against margin financing		2,383,665	5,168,847
Other trade receivables		5,173,273	2,609,748
	8	<u>7,556,938</u>	<u>7,778,595</u>
Less: over due for more than 14 days		(341,944)	(1,137,763)
		<u>7,214,994</u>	<u>6,640,832</u>
22.9.4 Trade payables			
Trade payables	13	23,462,589	16,082,830
Less: more than 30 days payable		(6,900,428)	(7,247,885)
		<u>16,562,161</u>	<u>8,834,945</u>
22.9.5 Other liabilities			
Trade payables for more than 30 days		6,900,428	7,247,885
Provident fund payable		-	2,687,107
Other payables		1,773,119	2,633,150
Provision for income tax		538,253	1,004,985
		<u>9,211,800</u>	<u>13,573,127</u>

22.10 Liquid Capital Statement (as per the requirements of the Securities Brokers (Licensing and Operation) Regulations, 2016)

S. No.	Head of Account	Value in Pak Rupees	Hair Cut / Adjustments Rupees	Net Adjusted Value
1	Assets			
1.1	Property & Equipment	1,816,515	1,816,515	-
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 up to 1 year			-
	ii. 7.5% of the balance sheet value, in the case of tenure from 1-3 years			-
	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 up to 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. (Provided that if any of these securities are pledged with the securities exchange for base minimum capital requirement, 100% haircut on the value of eligible securities to the extent of minimum required value of Base minimum capital)			-
	ii. If unlisted, 100% of carrying value	23,879,429	23,879,429	-
1.6	Investment in subsidiaries			-
1.7	Investment in associated companies/undertaking			-
	i. If listed 20% or VaR of each security 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 exchanges, clearing house or central depository or any other entity. However any excess amount of cash deposit with securities exchange to comply with requirements of base minimum capital may be taken in calculation of LC	8,090,527	8,090,527	-
1.9	Margin deposits with exchange and clearing house.	18,900,000	-	18,900,000
1.10	Deposit with authorized intermediary against borrowed securities under SLB			-
1.11	Other deposits and prepayments	922,925	922,925	-
1.12	Accrued interest, profit or mark-up on amounts placed with financial institutions or debt securities etc.(Nil)	851,514	-	851,514
	100% in respect of markup accrued on loans to directors, subsidiaries and other related parties			-
1.13	Dividends receivables			-
1.14	Amount 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	Advances and Receivables other than trade receivables			-
	1. No Haircut may be applied on the short term loan to employees provided these loans are secured and due for repayment within 12 months			-
	2. No Haircut may be applied to the advance tax to the extent it is netted with provision of taxation	2,182,958	538,253	1,644,705
	3. In all other cases 100% of net value			-
1.16	Receivables from clearing house or securities exchange(s)			-

S. No.	Head of Account	Value in Pak Rupees	Hair Cut / Adjustments Rupees	Net Adjusted Value
	100% value of claims other than those on account of entitlements against trading of securities in all markets including MtM gains	605,215		605,215
1.17	Receivables from customers			-
	i. In case receivables are against margin financing, the aggregate of (i) value of securities held in the blocked account after applying VAR based Haircut, (ii) cash deposited as collateral by the finnee (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	2,383,665	1,802,771	1,802,771
	ii. In case receivables are against margin trading, 5% of the net balance sheet value ii. Net amount after deducting haircut			-
	iii. In case 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	4,109,152		4,109,152
	v. In case 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	334,714	307,372	307,372
	vi. 100% haircut in the case of amount receivable form related parties In the case of amount of receivables from related parties, values determined after applying applicable haircuts on underlying securities readily available in respective CDS account of the related party in the following manner; (a) Up to 30 days, values determined after applying var based haircuts. (b) Above 30 days but upto 90 days, values determined after applying 50% or var based haircuts whichever is higher. (c) above 90 days 100% haircut shall be applicable. vi. Lower of net balance sheet value or value determined through adjustments	124,192	124,192	-
1.18	Cash and bank balances			
	i. Bank balance-Proprietary accounts	11,222,079		11,222,079
	ii. Bank balance-Customer accounts	24,537,318		24,537,318
	iii. Cash in hand	-		-
1.19	Subscription money against investment in IPO/Offer (i) No haircut may be applied in respect of amount paid as subscription money provided that shares have not been receivable against margin financing does not exceed Rs. 5 million. (ii) In case of Investment in IPO where shares have been allotted but not yet credited in CDS Account, 25% haircuts will be applicable on the value of such securities. (iii) In case of subscription in right shares where the shares have not yet been credited in CDS account, 15% or VAR based haircut whichever is higher, will be applied on right shares. NOTE: only amount exceeding by 10% of each finnee from aggregate amount shall be included in ranking liabilities.			
1.20	Total Assets	107,100,428	44,622,209	63,980,126

S. No.	Head of Account	Value in Pak Rupees	Hair Cut / Adjustments Rupees	Net Adjusted Value
2	Liabilities			
2.1	Trade payables			
	i. Payable to exchanges and clearing house	4,083,042		4,083,042
	ii. Payable against leveraged market products			-
	iii. Payable to customers	19,379,547		19,379,547
2.2	Current Liabilities			-
	i. Statutory and regulatory dues			-
	ii. Accruals and other payables	1,773,119		1,773,119
	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	538,253		538,253
	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			-
	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	632,246		632,246
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	26,406,207	-	26,406,207

S. No.	Head of Account	Value in Pak Rupees	Hair Cut / Adjustments	Net Adjusted Value
3	Ranking Liabilities Relating to :		Rupees	
3.1	Concentration in margin financing			
	<p>The amount calculated client-to-client basis by which any amount receivable from any of the finances exceed 10% of the aggregate of amounts receivable from total financees</p> <p>(Provided that above prescribed adjustments shall not be applicable where the aggregate amount of receivable against margin financing does not exceed Rs 5 million)</p> <p>Note: Only amount exceeding by 10% of each financee from aggregate amount shall be include in the ranking liabilities</p>		2,394,999	2,394,999
3.2	Concentration in securities lending and borrowing			
	<p>The amount by which the aggregate of</p> <p>(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</p> <p>(Note only amount exceeding by 110% of each borrower from market value of shares borrowed shall be included in the ranking liabilities)</p>			
3.3	Net underwriting Commitments			
	<p>(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</p> <p>(i) the 50% of Haircut multiplied by the underwriting commitments and (ii) the value by which the underwriting commitment exceeds the market price of the securities.</p> <p>In the case of rights issue where the market price of securities is greater than the subscription price, 5% of the Haircut multiplied by the net underwriting commitment</p>			
	(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			
	<p>In the case of financier/ purchaser the total amount receivable under Repo less the 110% of the market value of underlying securities.</p> <p>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</p>			
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		156,262	156,262

S. No.	Head of Account	Value in Pak Rupees	Hair Cut / Adjustments Rupees	Net Adjusted Value
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. In case 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. In case 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		2,551,261	2,551,261

Total Liquid Capital

35,022,658

22.10.1 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) and guidelines / clarifications issued by the Securities & Exchange Commission of Pakistan (SECP).

23 Capital risk management

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

24	Capital adequacy level	Note	2022	2021
			Rupees	
	Total assets	24.1	107,100,428	105,388,851
	Less: Total liabilities		26,406,207	23,007,555
	Less: Revaluation reserves (created upon revaluation of fixed assets)		-	-
			26,406,207	23,007,555
	Capital adequacy level		<u>80,694,221</u>	<u>82,381,296</u>

24.1. While determining the value of the total assets of the TREC Holder, Notional value of the TRE certificate held by the Company at the year ended December 31, 2022 as determined by Pakistan Stock Exchange has been considered.

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25. **Provident fund and related disclosures**

	2022	2021
	Rupees	
Size of the fund	3,729,804	-
Percentage of investments made	91%	-
Fair value of investments	3,400,000	-
Cost of investments made	3,400,000	-

The investments out of the provident fund have been made in accordance with the provisions of Section 218 of the Companies Act, 2017 and rules formulated for this purpose.

26. **No. of employees**

	2022	2021
	Number	
Number of employees	14	12
Average number of employees	13	12

27. **Subsequent events**

Subsequent to the year end, on March 31, 2023 the First Punjab Modaraba (the parent) decided to sell its 100% shareholding in the Company to the Bank of Punjab (the ultimate parent) at price of Rs 85.487 million.

The shareholders of the Bank of Punjab, in their Annual General Meeting on March 29, 2023 have given the approval of acquisition by the Bank.

28. **Date of authorization**

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

07 APR 2023

29. **General**

29.1 Figures have been rounded off to the nearest rupees.

29.2 Comparative information has been reclassified or rearranged in these financial statements for the purpose of better financial statements. However, there were no material reclassifications during the year.


CHIEF EXECUTIVE OFFICER


DIRECTOR