



**Financial Services
Limited**

ANNUAL REPORT

FOR THE YEAR ENDED JUNE 30TH, 2023



Financial Services
Limited

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Vision Statement

To build an institution which contributes, to strengthening local businesses, creating and sustaining jobs, improving clients' living standards and enhance, shareholders' value.

Mission Statement

Our mission is to serve as a trusted partner to our clients and counterparts, by efficiently, providing financial services that enable growth and economic progress.



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Company Information

Board of Directors

1. Mr. Zahid Latif Khan	Chairman/Independent Director
2. Mr. Ghulam Mustafa	Chief Executive Officer/MD
3. Mr. Aftab Ahmad Ch.	Non-Executive Director
4. Mr. Ammar ul Haq	Non-Executive Director
5. Mr. Asif Baig Mirza	Non-Executive Director
6. Ms. Huma Ejaz	Independent Director
7. Mr. Rizwan Ejaz	Independent Director
8. Mr. Muhammad Iqbal	Non-Executive Director
9. Mr. Khalid Waheed	Non-Executive Director
10. Mr. Shahnawaz Mahmood	Independent Director
11. Mr. Salman Majeed Sheikh	Non-Executive Director
12. Syed Muhammad Talib Rizvi	Non-Executive Director

Audit Committee

1. Ms. Huma Ejaz	Chairman
2. Mr. Aftab Ahmad Ch.	Member
3. Mr. Rizwan Ejaz	Member
4. Mr. Salman Majeed	Member
5. Mr. Shahnawaz Mahmood	Member
6. Mr. Muhammad Usman	Secretary

Human Resource and Remuneration Committee

1. Mr. Shahnawaz Mahmood	Chairman
2. Mr. Aftab Ahmad Ch.	Member
3. Mr. Ammar ul Haq	Member
4. Mr. Asif Baig Mirza	Member
5. Mr. Khalid Waheed	Member
6. Mr. Muhammad Usman	Secretary

Company Secretary

Mr. Muhammad Usman

Chief Financial Officer

Mr. Sarmad Raheel

Auditors

Crowe Hussain Chaudhry & Co. Chartered Accountant

Legal Advisor

Syed Hafeez and Mirza, Advocates & Legal Advisors

Share Registrar

CDC Share Registrar Services Limited
CDC House, 99-B, Block B, S.M.C.H.S., Main Shahrah-e-Faisal, Karachi

Registered Office

LSE Plaza, 19 – Khayaban-e-Aiwan-e-Iqbal, Lahore



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Chairman's Review

Dear Shareholders,

As we closed another financial year, it is my immense pleasure to present the review report for the year ended June 30, 2023, highlighting the overall performance of the Board and its role in guiding the Management of LSE Financial Services Limited (LSEFSL), to carry out its responsibility in achieving the Company's objectives for the benefit of its stakeholders.

During the year LSEFSL successfully completed the demerger/splitting process as per approved scheme of arrangement. With the revised capital and current investment, LSEFSL shall now be able to ensure full compliance with NBFC Rules and Regulations. At present, LSEFSL is a leading financier of the leveraged market - Margin Trading System (MTS) segment of National Clearing Company of Pakistan Limited (NCCPL) and share more than 15% of the MTS market size, which is generating core earning to the Company. The present majority shareholders have a plan to list LSEFSL at Pakistan Stock Exchange and to convert it into a deposit taking NBFC to unlock growth opportunities.

We are pleased to report that your Company's Board of Directors has continued to provide valuable guidance and oversight to ensure strong governance and to effectively provide encouragement and input to the management throughout the year.

The Board recognizes that well-defined governance practices are critical in strengthening corporate responsibility and is dedicated to achieving excellence in corporate governance practices to conserve and sustain stakeholders' value. All Directors, including the Independent Directors, actively contributed to the Board's decision-making processes. As Chairman of your Company, I will continue to be responsible for leading the Board, fostering a culture of openness and constructive debate during which all views are heard, and ensuring that the Board hears from an appropriate range of senior management.

The Company has an independent Internal Audit department that follows a risk-based audit methodology. Internal Audit reports are presented to the Board Audit Committee quarterly and areas for improvement are discussed and highlighted.

Finally, I would like to express my gratitude to all the shareholders for their continued trust and confidence in the Company. The Board and I are united in extending our thanks to the associates and other stakeholders of the Company, as we acknowledge their unwavering support and dedication to the Company. We are committed to maintaining our important role in the capital market and financial sector and pray to Almighty Allah to bless us in our endeavors in the future.

Zahid Latif Khan
Chairman



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Directors' Report

Dear Shareholders,

The Board of Directors of LSE Financial Services Limited is pleased to present its report, together with the audited financial statements and Auditors' report thereon, for the year ended June 30, 2023.

Economic Review

During the fiscal year 2022-23, Pakistan's economy confronted various challenges, including large trade deficit, high inflation, exorbitant discount rate, steep devaluation of Pakistani Rupee, exponential rise in public & foreign debt, depleting foreign reserves, devastating floods in various parts of the country and political uncertainty. The Government was able to get support from IMF and friendly countries, which has sustained macro-economic stability to some extent.

Rising cost of production, high power and fuel prices, rising financial cost, shortage of raw material due to strict restrictions on imports, increase in various taxes and duties have restricted the business activities and growth in all the sectors of the economy.

The KSE-100 index of Pakistan Stock Exchange (PSX) opened at 41,540.8 points on 1st July 2022 and closed at 41,452.6 points on 27th June 2023, declined by 0.21%. Market capitalization of the companies listed at PSX recorded at Rs. 6,956 billion on 30th June 2022 and closed at Rs 6,369 billion on 27th June 2023, reflecting a decline of 8.43%. The current situation calls for some drastic actions and measures from the Government to restore the confidence of the investors.

Demerger/splitting of LSEFSL

During the year under review, LSEFSL was revitalized by virtue of the scheme of compromises, arrangement and reconstruction for demerger/split of LSEFSL, with the approval of the Lahore High Court, Lahore, vide Order dated April 26th, 2023. Under the scheme, the non-NBFC business and strategic investments/assets of the former entity have been transferred to two newly incorporated subsidiary companies, i.e., LSE Ventures Limited (LSEVL) and LSE PropTech Limited (LSEPL), both of which subsequently attained the listing status by virtue of reverse merger/amalgamation with Data Textile Mills Limited (DATM), under the scheme.

As per the scheme, the shares already issued to members of LSEFSL have been cancelled and in return, each shareholder of LSEFSL has been given shares of LSEVL as per swap ratio of 99.862:100 and shares of LSEPL as per swap ratio of 501.62:1000. The shareholders of DATM have been allotted 25 shares of LSEVL and LSEPL against every 1,000 shares of DATM.

As per the scheme, LSEFSL has issued 10 million shares to LVL and as such LSEFSL, with a paid-up capital of Rs. 100 million, has become a wholly owned subsidiary of LSEVL (the group parent company). LSEFSL shall remain in existence as NBFC and its present capital structure and investment are in full compliance with NBFC Rules and Regulations.



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Financial Performance

Financial Highlights	2023 Rs. in '000	2022 Rs. in '000
Revenue	69,851	174,893
Share of profit of Associates-net of tax	37,362	202,021
Total Revenue	107,213	376,914
Operating expenditures	(73,169)	(162,363)
Profit before Taxation	34,044	214,092
Taxation	(33,009)	(56,821)
Net Profit for the period	1,035	157,271
Earnings Per Share (EPS)	Rs.0.04	Rs. 1.05

As per the approved the scheme, the assets and revenue stream which were not covered under the ambit of NBFC license have been transferred respective entities. The interest income on MTS, Bank Deposits, Investments and shares of income from associated undertakings have been transferred to LSEVL from the effective date of scheme i.e., 31st July 2022. The revenues stream generated from investment property has been transferred to LSEPL from the effective date. As per the scheme and section 97(a) of ITO 2001, the disposal of asset, under a scheme of arrangement and reconstruction under the Companies Act, 2017 (section 282L and 284 to 287), are tax neutral. Therefore, the tax deducted and deposited in the name of LSEFSL, till the sanctioned date, i.e., 26th April, 2023, have been treated as tax liabilities of the Company along with relevant income/revenue.

Proposed Final Cash Dividend

In view of low profitability of the Company, the directors have recommended no dividend for the year ended June 30, 2023 (2022: Rs, 2.15 per share, i.e., @ 21.50%).

Provident Fund

The Fully funded retirement benefit plan, i.e., the provident fund of the employees is maintained by the Trustees of the fund, who get them audited on yearly basis. The Trustees have informed the company that as per the audited financial statements 2023, the total assets of the fund is as follows:

Provident Fund Rs. 20.881 million (2022: Rs. 9.682 million)



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External Auditors

The present auditors, M/s. Crowe Hussain Chaudhury & Co., Chartered Accountants due to retire and being eligible, are offering themselves for reappointment, may be appointed as Auditors of your Company for another term at mutually agreed remuneration.

Internal Financial Control

The Company has completely outsourced its Internal Audit function to M/s. Kreston Hyder Bhimji & Co, Chartered Accountants. The Board has adequately ensured that the system of internal financial controls is sound in design and has been effectively implemented and monitored through outsourced Internal Auditors.

The financial statements, prepared by the management of your company, fairly present its state of affairs, the result of its operations, cash flows and changes in equity. Proper books of account have been maintained by your company. Appropriate accounting policies are consistently applied by your Company in the preparation of financial statements, and accounting estimates are based on reasonable and prudent judgment. International Accounting Standards, as applicable in Pakistan, have been followed in the preparation of these financial statements and any departure there from, if any, has been adequately disclosed. The system of Internal Control, being implemented in your Company is sound and has been effectively persisted throughout the year.

Credit Rating

VIS Credit Rating Company Limited (VIS) has recently maintained the entity ratings of LSEFSL at 'A/A-1' (Single A/A-One). Outlook on the assigned ratings is 'Stable'.

Corporate Social Responsibility & Environmental Management

The Company remained committed and engaged to undertake CSR and Environmental Management programs during the year. LSEFSL focused its activities on education, health care and protection of environment programs. LSEFSL endeavors to ensure that it qualifies as a responsible corporate citizen.

In compliance with section 227 of the Companies Act, 2017, the followings are hereby specifically disclosed:

- a. The names of the persons who, at any time during the financial year, were directors of the Company:

Sr. No.	Name of Director	Category
1	Mr. Zahid Latif Khan	Chairman/Independent Director
2	Mr. Amir Zia*	Chief Executive Officer
3	Mr. Ghulam Mustafa*	Chief Executive Officer
4	Mr. Aftab Ahmad Ch.	Executive Director
5	Mr. Ammar ul Haq	Non-Executive Director
6	Mr. Asif Baig Mirza	Non-Executive Director



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7	Mr. Khalid Waheed	Non-Executive Director
8	Mr. Muhammad Iqbal	Non-Executive Director
9	Mr. Salman Majeed	Non-Executive Director
10	Syed Muhammad Talib Rizvi**	Non-Executive Director
11	Ms. Huma Ejaz	Independent Director
12	Mr. Rizwan Ejaz	Independent Director
13	Mr. Shahnawaz Mahmood	Independent Director

* Mr. Amir Zia resigned on 11-01-2023 and subsequently Mr. Ghulam Mustafa was appointed as CEO on 21-06-2023

** Syed Muhammad Talib Rizvi was appointed on 25-02-2023 against the vacant seat

- b. The Company has been granted a license by SECP to carry out Investment Finance Services as non-deposit taking NBFC. This business is exposed to several threats such as credit risk, liquidity risk, operational risk, market risk and regulatory risk, etc. Risk Management policies and procedures adopted by the Company enable it to proactively manage uncertainty and changes in internal and external environment to limit negative impacts and capitalize on opportunities. The profitability of the Company is also influenced by the overall economic, geo-political conditions of the country, policies of the Government and the performance of associated companies as well as the capital markets.
- c. At present LSE Ventures Limited is the only shareholder of the Company holding 10 million shares of the Company.
- d. At present the Chief Executive and the Executive Director of the Company are being paid the salary and such other benefits as approved by the Board under the Articles of Association and as per HR Manual of the Company. No other director is being paid any extra remuneration by the Company, except the meeting fee for attending the Board and Committee meetings. The relevant figures have been disclosed in the financial statements.

Board Committees

During the year, the Board constituted following committees to assist the Board and provide recommendations on relevant functions:

Audit, Investment and Restructuring Committee:

1. Ms. Huma Ejaz: Chairperson
2. Mr. Aftab Ahmad Ch. Member
3. Mr. Rizwan Ejaz: Member
4. Mr. Salman Majeed: Member
5. Mr. Shahnawaz Mahmood: Member



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Human Resource and Remuneration Committee:

- | | | |
|----|------------------------|----------|
| 1. | Mr. Shahnawaz Mahmood: | Chairman |
| 2. | Mr. Aftab Ahmad Ch.: | Member |
| 3. | Mr. Ammar ul Haq: | Member |
| 4. | Mr. Asif Baig Mirza: | Member |
| 5. | Mr. Khalid Waheed: | Member |

Future Outlook

The present majority shareholders of the Company have a plan to enhance its capital, by way of merger with another company, to meet the requirement for its conversion into a deposit taking NBFC and subsequent listing at PSX, to unlock growth opportunities.

Acknowledgement

Your directors would like to express their sincere appreciation, for the assistance and cooperation received from SECP, all the government authorities, banks, associates, member and all the counterparts, during the period under review. Further, the directors, would, also like to place on record their deep appreciation, for the committed services by the Company's executives, staff and workers.

For and on behalf of the Board of Directors of LSE Financial Services Limited:

A blue ink signature of Ghulam Mustafa.

Ghulam Mustafa
Chief Executive Officer

A blue ink signature of a director.
Director



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Notice of the Annual General Meeting

NOTICE is hereby given that the Annual General Meeting (AGM) of the Members of LSE Financial Services Limited ("the Company") will be held on **Saturday, October 28th, 2023, at 2:00 p.m.**, at the Registered Office of the Company, in the Auditorium of LSE Plaza, 19-Khayaban-e-Aiwan-e-Iqbal, Lahore, and virtually through a video-link facility to transact the following business: -

ORDINARY BUSINESS:

1. To receive, consider and adopt the Audited Financial Statements, together with the Directors' Report, the Auditors' Report, thereon for the financial year ended June 30th, 2023.
2. To appoint the Auditors of the Company for the financial year ending June 30th, 2024 and to fix their remuneration.

By Order of the Board of Directors:



Company Secretary

Lahore: Dated October 6, 2023.

Notes:

1. CLOSURE OF SHARE TRANSFER BOOKS

The Register of Members and the Share Transfer Books will be closed from October 22nd, 2023 to October 28th, 2023 (both days inclusive). Transfers received in order at the office of the Company's Registrar namely, CDC Share Registrar Services Limited, CDC House, 99-B, Block B, S.M.C.H.S., Main Shahra-e-Faisal, Karachi – 74400, by the close of business on October 21st, 2023, will be considered in time for the purpose of determining the the right to attend and vote at the Annual General Meeting.

2. ATTENDING AGM AND APPOINTMENT OF PROXY

A Member entitled to attend, speak and vote at the AGM is entitled to appoint another member as his/her proxy to attend, speak and vote on his/her behalf. An instrument appointing proxy must be deposited at the registered office of the Company, at least 48 hours before the time of the meeting. Form of Proxy is attached. CDC Account Holders will further have to follow the guidelines as laid down in Circular 1 dated January 26, 2000, issued by the Securities and Exchange Commission of Pakistan.

3. PARTICIPATION IN THE AGM VIA THE VIDEO CONFERENCING FACILITY:

Shareholders interested in attending the meeting through video conferencing are requested to email the following information with the subject "Registration for AGM 2023" along with a valid copy of both sides of their Computerized National Identity Card (CNIC) to info@lse.com.pk. Video



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link and login credentials will be shared with only those members whose emails, containing all the required particulars, are received at least 48 hours before the time of AGM.

1. Folio No. / CDC Investors A/c No./ Sub-A/c No.: _____
2. Name of Shareholder : _____
3. Cell Phone Number: _____
4. Email Address: _____
5. No. of Shares held: _____



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Proxy Form

I/We, _____, the undersigned member, being a member of **LSE Financial Services Limited**, hereby appoint _____, the undersigned proxy, as my proxy to vote for me and on my behalf at the AGM of the Company to be held on - _____ and/or at any adjournment thereof.

<p><u>The Member:</u> Signature: _____</p> <div style="border: 1px solid black; padding: 10px; text-align: center; margin: 10px 0;"> <p>Signature over Revenue Stamp of Rs. 50/-</p> </div> <p>_____ Seal/Stamp of the Company</p> <p>Name and Designation of the Appointer: _____</p> <p>CNIC No.: _____ Father's name: _____ Address: _____ Date: _____ CDC Participant ID No.: _____ CDC Account/Sub-Account No.: _____ No. of Shares held: _____</p>	<p><u>The Proxy:</u> Signature: _____ Name: _____ CNIC No.: _____ Father's name: _____ Address: _____ Date: _____</p>
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Witness 1: _____
Signature: _____
Name: _____
CNIC No.: _____
Address: _____

Witness 2: _____
Signature: _____
Name: _____
CNIC No.: _____
Address: _____

Notes:

- Proxies, in order to be effective, must be received at the Company's Registered Office not later than 48 hours before the time for holding the meeting and must be duly stamped, signed and witnessed.
- CDC beneficial owners and Proxy Holders must bring with them their Computerize National Identity Cards (CNIC)/Passports in original to prove his/her identity and in case of Proxy, CDC beneficial owners and Proxy Holders must enclose an attested copy of their CNIC/Passport with Proxy Form.
- In case of corporate entity, the Board of Directors' resolution/power of attorney with specimen signature of the nominee (unless it has been provided earlier) should be attached with the proxy form.

INDEPENDENT AUDITOR'S REPORT

TO THE MEMBERS OF LSE FINANCIAL SERVICES LIMITED

REPORT ON THE AUDIT OF THE FINANCIAL STATEMENTS

Opinion

We have audited the annexed financial statements of **LSE FINANCIAL SERVICES LIMITED** (the Company), which comprise the statement of financial position as at June 30, 2023, and the statement of profit or loss, the statement of comprehensive income, the statement of changes in equity, the statement of cash flows for the year then ended, and notes to the financial statements, including a summary of significant accounting policies and other explanatory information, and we state that we have obtained all the information and explanations which, to the best of our knowledge and belief, were necessary for the purposes of the audit.

In our opinion and to the best of our information and according to the explanations given to us, the statement of financial position, the statement of profit or loss, the statement of comprehensive income, the statement of changes in equity and the statement of cash flows together with the notes forming part thereof conform with the accounting and reporting standards as applicable in Pakistan and give the information required by the Companies Act, 2017 (XIX of 2017), in the manner so required and respectively give a true and fair view of the state of the Company's affairs as at June 30, 2023 and of the profit, its 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 director's 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.

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 the Companies Act, 2017 (XIX of 2017) and for such internal control as the 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, the 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 the 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 the 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, the statement of comprehensive income, the statement of changes in equity and the statement of cash flows together with the notes thereon have been drawn up in conformity with the Companies Act, 2017 (XIX of 2017) and are in agreement with the books of account and returns;
- c) investments made, expenditure incurred and guarantees extended during the year were for the purpose of the Company's business; and
- d) zakat deductible at source under the Zakat and Ushr Ordinance, 1980 (XVIII of 1980), was deducted by the Company and deposited in the Central Zakat Fund established under section 7 of that Ordinance.

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

Lahore
Dated: October 06, 2023
UDIN: AR202310051jPu0BcE4N



CROWE HUSSAIN CHAUDHURY & CO.
Chartered Accountants

LSE FINANCIAL SERVICES LIMITED

STATEMENT OF FINANCIAL POSITION

AS AT JUNE 30, 2023

		2023	2022
	Note	Rupees in thousands	
ASSETS			
Non Current Assets			
Property and equipment	5	-	1,278,432
Intangible assets - capital work in progress		-	331
Investment property	6	-	378,431
Investments accounted for using the equity method	7	-	1,146,981
Deferred tax asset	19	7,284	-
Net investment in finance lease	8	-	4,280
Long term deposits	9	25,009	3,974
		32,293	2,812,429
Current Assets			
Inventory		-	1,314
Short term investments	10	363,648	895,157
Trade and other receivables	11	18,045	15,431
Advances and prepayments	12	1,006	7,529
Tax refunds due from the Government - net	13	44,319	41,886
Cash and bank balances	14	51,844	94,891
		478,862	1,056,208
		<u>511,154</u>	<u>3,868,637</u>
EQUITY AND LIABILITIES			
SHARE CAPITAL AND RESERVES			
Authorized Share Capital			
52,000,000 (2022: 200,000,000) ordinary shares of Rs. 10 each		<u>520,000</u>	<u>2,000,000</u>
Issued, subscribed and paid-up share capital	15	100,000	1,795,979
Surplus on revaluation of property and equipment	16	-	774,569
Revenue reserves:			
- Building reserve fund	17	-	3,829
- Unappropriated profit		718	917,101
		718	920,930
Total Equity		<u>100,718</u>	<u>3,491,478</u>
Non-Current Liabilities			
Long term financing	18	3,848	5,870
Deferred tax liability	19	-	148,497
		3,848	154,367
Current Liabilities			
Trade and other payables	20	390,591	103,300
Current portion of long term financing	18	1,924	1,924
Unpaid dividend		-	93,202
Unclaimed dividend		-	10,233
		392,515	208,659
Deposits payable related to discontinued operations	21	14,073	14,133
Contingencies and Commitments	22	-	-
		<u>511,154</u>	<u>3,868,637</u>

The annexed notes from 1 to 38 form an integral part of these financial statements.


 Chief Executive Officer


 Chief Financial Officer


 Director

LSE FINANCIAL SERVICES LIMITED

STATEMENT OF PROFIT OR LOSS FOR THE YEAR ENDED JUNE 30, 2023

		2023	2022
	Note	Rupees in thousands	
Revenue	23	54,299	148,013
Other income	24	15,552	26,880
Operating Expenses			
Administrative and general expenses	25	(56,313)	(151,983)
Other operating expenses	26	(16,585)	(10,381)
Operating (Loss) / Profit		(3,047)	12,529
Finance cost	27	(271)	(458)
Share of profit of associates accounted for using the equity method - net of tax	7	37,362	202,021
Profit before Taxation		34,044	214,092
Taxation	28	(33,009)	(56,821)
Net Profit for the Year		<u>1,035</u>	<u>157,271</u>
Earnings Per Share - Basic and Diluted	29	<u>0.04</u>	<u>1.05</u>

The annexed notes from 1 to 38 form an integral part of these financial statements.


Chief Executive Officer


Chief Financial Officer


Director

LSE FINANCIAL SERVICES LIMITED

STATEMENT OF COMPREHENSIVE INCOME FOR THE YEAR ENDED JUNE 30, 2023

	2023	2022
	Rupees in thousands	
Net Profit for the Year	1,035	157,271
Other Comprehensive Income		
Items that may be subsequently reclassified to profit or loss	-	-
Items that may not be reclassified to profit or loss:		
Share in other comprehensive income of associate - net of tax	4,843	-
	4,843	-
Total Comprehensive Income for the Year	<u>5,878</u>	<u>157,271</u>

The annexed notes from 1 to 38 form an integral part of these financial statements.


Chief Executive Officer


Chief Financial Officer


Director

STATEMENT OF CHANGES IN EQUITY
FOR THE YEAR ENDED JUNE 30, 2023

	Share Capital	Surplus on Revaluation of Property and Equipment	Revenue Reserves			Total Equity
			Building Reserve	Unappropriated Profit	Total	
	Rupees in Thousands					
Balance as at June 30, 2021	1,282,842	776,227	1,425	1,060,658	1,062,083	3,121,152
Net profit for the year	-	-	-	157,271	157,271	157,271
Other comprehensive income - net of tax	-	-	-	-	-	-
Total comprehensive income for the year	-	-	-	157,271	157,271	157,271
Transferred to building reserve	-	-	1,018	(1,018)	-	-
Amount collected from building occupants for fixed assets replacement fund	-	-	1,386	-	1,386	1,386
Transferred to retained earnings on account of incremental depreciation - net of tax	-	(1,658)	-	1,658	1,658	-
Transactions with owners:						
Right issue of shares	513,137	-	-	-	-	513,137
Cash dividends						
- Rs. 0.90 per share for the year ended Jun 30, 2021 (Final)	-	-	-	(115,456)	(115,456)	(115,456)
- Rs. 0.75 per share for the half year ended Dec 31, 2021 (Interim)	-	-	-	(96,213)	(96,213)	(96,213)
- Rs. 0.50 per share for the nine month period ended March 31, 2022 (Interim)	-	-	-	(89,799)	(89,799)	(89,799)
	-	-	-	(301,468)	(301,468)	(301,468)
Balance as at June 30, 2022	1,795,979	774,569	3,829	917,101	920,930	3,491,478
Net loss for the year	-	-	-	1,035	1,035	1,035
Other comprehensive income - net of tax	-	-	-	4,843	4,843	4,843
Total comprehensive loss for the year	-	-	-	5,878	5,878	5,878
Associate equity adjustment	-	-	-	24,376	24,376	24,376
Transferred to building reserve	-	-	1,261	(1,261)	-	-
Amount collected from building occupants for fixed assets replacement fund	-	-	4,146	-	4,146	4,146
Transferred to retained earnings on account of incremental depreciation - net of tax	-	(1,326)	-	1,326	1,326	-
Balance as at June 30, 2023 before Demerger Adjustments	1,795,979	773,243	9,236	947,420	956,656	3,525,878
Adjustments / Transfers as per Scheme of Demerger:						
Transfer of retained earnings as per demerger scheme to:						
LSE Proptech Limited	-	(706,080)	(9,236)	(155,016)	(164,252)	(870,332)
LSE Ventures Limited	-	(67,163)	-	(116,942)	(116,942)	(184,105)
	-	(773,243)	(9,236)	(271,958)	(281,194)	(1,054,437)
Adjustment of Data Textiles Limited as per scheme	-	-	-	(43,366)	(43,366)	(43,366)
Cancellation of investment in subsidiaries:						
LSE Proptech Limited	-	-	-	(50,000)	(50,000)	(50,000)
LSE Ventures Limited	-	-	-	(10,000)	(10,000)	(10,000)
	-	-	-	(60,000)	(60,000)	(60,000)
Adjustment with unappropriated profits to share capital for share issuance	571,378	-	-	(571,378)	(571,378)	-
Transfer of share capital to LSE Ventures Limited	(1,442,983)	-	-	-	-	(1,442,983)
Transfer of share capital to LSE Proptech Limited	(824,374)	-	-	-	-	(824,374)
	(2,267,357)	-	-	-	-	(2,267,357)
Balance as at June 30, 2023	100,000	-	-	718	718	100,718

The annexed notes from 1 to 38 form an integral part of these financial statements.


 Chief Executive Officer


 Chief Financial Officer


 Director

LSE FINANCIAL SERVICES LIMITED

STATEMENT OF CASH FLOWS FOR THE YEAR ENDED JUNE 30, 2023

		2023	2022
	Note	Rupees in thousands	
Cash Generated from Operations	30	7,493	17,038
Employees' welfare fund paid		-	(272)
Earned leaves paid		-	(1,545)
Finance cost paid		(310)	(431)
Income tax paid		(42,754)	(38,138)
Net Cash Used in Operating Activities		(35,571)	(23,348)
Cash Flows from Investing Activities			
Operating fixed assets purchased		(2,902)	(32,467)
Proceeds from disposal of capital work in progress		331	(5,225)
Proceeds from disposal of property and equipment		-	4,284
Net investment in finance lease - rentals		66	344
Investments made during the year		(680,173)	(570,853)
Investments matured during the year		895,157	177,661
Long term deposits paid		(21,035)	(2,500)
Return on Investment		-	9,753
Dividend received		16,098	176,592
Net Cash Generated from / (Used in) Investing Activities		207,542	(242,411)
Cash Flows from Financing Activities			
Dividend paid		(54,412)	(232,409)
Receipt from right issue of shares		-	513,137
Long term financing paid		(2,022)	(1,826)
Funds received from LSE Ventures Limited for MTS		316,525	-
Transfer to LVL and LPL as per demerger		(479,255)	-
Building reserve		4,146	-
Receipt of long term financing		-	1,924
Net Cash (Used in) / Generated from Financing Activities		(215,018)	280,826
Net (Decrease) / Increase in Cash and Cash Equivalents		(43,047)	15,067
Cash and cash equivalents at the beginning of the Year		94,891	79,824
Cash and Cash Equivalents at the end of the Year		51,844	94,891

The annexed notes from 1 to 38 form an integral part of these financial statements.


Chief Executive Officer


Chief Financial Officer


Director

LSE FINANCIAL SERVICES LIMITED

NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS FOR THE YEAR ENDED JUNE 30, 2023

Note 1

Legal Status and its Nature of Business

1.1 Legal status and operations

LSE Financial Services Limited ("the Company") was originally incorporated with the name of Lahore Stock Exchange (Guarantee) Limited under the Companies Act, 1913 (now the Companies Act, 2017) on October 05, 1970 as a Company limited by guarantee. The Company was re-registered as a public Company limited by shares under "Stock Exchange (Corporatization, Demutualization and Integration) Act, 2012 on August 27, 2012. The registered office of the Company is situated at 19, Khayaban-e-Aiwan-e-Iqbal, Lahore, Pakistan. Securities and Exchange Commission of Pakistan ("the Commission") vide its notification dated August 25, 2015 directed integration of the stock exchanges in the country. Consequent to the approved scheme of integration of stock exchanges, the Company ceased its stock exchange operations and was granted a license by the Commission on January 11, 2016 to operate as an investment finance services company under the name LSE Financial Services Limited.

Prior to cessation of the stock exchange operations, the Company was engaged in listing, conducting, regulating and controlling the trade or business of buying, selling and dealing in shares, scrips, participation term certificates, modaraba certificates, pre-organization certificates and securities, stocks, bonds, debentures, debenture stocks, Government papers, loans and any other instruments and securities of like nature including but not limited to special national fund bonds and documents of a similar nature issued by the Government of Pakistan or any institution or agency authorized by it.

1.2 Discontinuing Operations

The Company entered into a Memorandum of Understanding (MoU) on August 25, 2015 with Karachi Stock Exchange Limited and Islamabad Stock Exchange Limited with the objective to form an integrated stock exchange for development of capital market of Pakistan under the name of Pakistan Stock Exchange Limited (PSX). Pursuant to the MoU, the Board of Directors of the Company approved a scheme of integration on September 23, 2015. The scheme was approved by the members of the Company in extraordinary general meeting held on October 28, 2015 for submission to the Commission. As per the MoU and the proposed scheme of integration, only stock exchange operations were merged into Pakistan Stock Exchange Limited and Trading Rights Entitlement Certificate (TREC) Holders of Lahore Stock Exchange became TREC Holders of PSX under the scheme of integration. The Commission approved the application of the Company to change its name from Lahore Stock Exchange Limited to 'LSE Financial Services Limited' and the Company ceased to exist as stock exchange. The Company was granted license to carry out Investment Finance Services as a NBFC on January 11, 2016.

The JCR-VIS Credit Rating Company Limited reaffirmed long term and short term credit ratings of the Company as "A" and "A-1" respectively with stable outlook on February 14, 2023

Note 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;
- Provisions of and directives issued under the Companies Act, 2017; and
- Provisions of the Non-Banking Finance Companies (Establishment and Regulations) Rules, 2003 (the NBFC Rules), and Non-Banking Finance Companies and Notified Entities Regulations, 2008 (the NBFC Regulations).

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

These financial statements have been prepared for the purpose of determining balances under restructuring scheme filed by the Company with the Lahore High Court.

2.2 Standards, interpretations and amendments to published approved accounting standards

2.2.1 Standards, interpretations and amendments to approved accounting standards which became effective during the period

Certain standards, amendments and interpretations to IFRS are effective for the year ended June 30, 2023. These standards, amendments and interpretations are either not relevant to the Company's operations or are not expected to have significant impact on the Company's financial statements other than certain additional disclosures;

Note 2, Basis of Preparation - Continued...

Standard or Interpretation

Effective Date - Annual
Beginning on or After

IAS 16 Property, Plant and Equipment [Amendments]	January 1, 2022
IAS 37 Provisions, Contingent Liabilities and Contingent Assets [Amendments]	January 1, 2022
Annual Improvements to IFRS Standards 2018-2020	January 1, 2022

2.2.2 Standards, interpretation and amendments to approved accounting standards that are not yet effective

The following standards, amendments and interpretations are only effective for accounting periods, beginning on or after the date mentioned against each of them. These standards, interpretations and the amendments are either not relevant to the Company's operations or are not expected to have significant impact on the Company's financial statements other than certain additional disclosures.

Effective Date - Annual
Beginning on or After

IAS 1 Presentation of Financial Statements [Amendments]	January 1, 2023
IAS 8 Accounting Policies, Changes in Accounting Estimates and Errors (Amendments)	January 1, 2023
IAS 12 Income Taxes [Amendments]	January 1, 2023
IAS 12 Deferred tax related to assets and liabilities arising from a single transaction — (Amendments)	January 1, 2023
IFRS 16 Lease Liability in a Sale and Leaseback — (Amendments)	January 1, 2024
IAS 1 Classification of liabilities as current or non-current — (Amendments)	January 1, 2024
IAS 7 'Statement of Cash Flows' and 'IFRS 7 'Financial instruments disclosures' - Supplier Finance Arrangements (Amendments)	January 1, 2024

The Company will assess the impacts of these changes in the period of initial application once such changes become effective for the Company.

2.3 Functional and presentation currency

These financial statements are presented in Pakistan Rupee (Rs. / Rupees) which is the Company's functional and presentation currency. Amounts presented in the financial statements have been rounded off to the nearest thousand of Rupees, unless otherwise stated.

2.4 Basis of measurement

These financial statements have been prepared under the historical cost convention except to the extent of the following:

Certain property and equipment	Note - 5	Stated at revalued amount
Investment property	Note - 6	Stated at revalued amount
Investments in associates	Note - 7	Stated under the equity method
Net investment in finance lease	Note - 8	Stated at amortised cost
Short term investments - Equity Instruments	Note - 10	Stated at fair value

2.5 Use of estimates and judgments

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

- Useful lives, residual values and depreciation method of property and equipment - Note 3.1 & 5
- Fair value of investment property - Note 3.4 & 6
- Fair value of equity shares - Note 3.9 & 7
- Provision against doubtful trade and other receivables - Note 3.8 & 11
- Impairment loss of non-financial assets - Note 3.9.1 & 26
- Estimation of provisions and contingent liabilities - Note 3.15, 3.17 & 22
- Estimation of Current Income tax expense, provision for current tax and recognition of deferred tax asset / liabilities - Note 3.2, 13, 19 & 28

Revisions to accounting estimates (if any) are recognized in the period in which the estimate are revised if the revision affects only that period or in the period of the revision and future periods if the revision affects both current and future periods.

Note 3, Significant Accounting Policies - Continued...

Note 3

Significant Accounting Policies

The significant accounting policies adopted in the preparation of these financial statements are set out below and have been consistently applied in the preparation of these financial statements and are same as those applied in earlier periods presented, unless stated otherwise.

3.1 Property and equipment

Measurement

All property and equipment except freehold land are stated at cost / revalued amount less accumulated depreciation and identified impairment loss, if any. Freehold land is stated at revalued amount, being the fair value at the date of their revaluation, less subsequent accumulated impairment losses, if any.

Depreciation

Depreciation on all depreciable assets is charged to statement of profit or loss on the reducing balance method so as to write off the depreciable amount of an asset over its economic useful life using the annual rates mentioned in note 5.1.

Depreciation on additions to property and equipment is charged from the month in which an asset is acquired or capitalized while no depreciation is charged for the month in which the asset is disposed off.

Disposal

The gain or loss arising on disposal or retirement of an item of property and equipment is determined as the difference between the sales proceeds and the carrying amounts of the asset and is recognized as other income in profit or loss. In case of sale or retirement of a revalued property, the attributable revaluation surplus remaining in the surplus on revaluation is transferred directly to retained earnings.

Capital work-in-progress (CWIP)

Capital work-in-progress is stated at cost including, where relevant, related financing costs less identified impairment losses, if any. These are transferred to specific assets as and when these are available for their intended use.

3.2 Taxation

Income tax comprises current and deferred tax. Income tax is recognized in of profit or loss except to the extent that relates to items recognized directly in equity or other comprehensive income, in which case it is recognized in equity or other comprehensive income.

Current

Current income tax assets and liabilities for the current and prior periods are measured at the amount expected to be recovered from or paid to the taxation authorities, using the tax rates and tax laws that have been enacted or substantively enacted by the year end of the reporting date.

The charge for current tax is higher of corporate tax (higher of tax based on taxable income and minimum tax) and alternative corporate tax. Super tax applicable on the Company is also as per the applicable rates as per the Income Tax Ordinance, 2001. However, in case of loss for the year, income tax expense is recognized as minimum tax liability on turnover of the Company in accordance with the provisions of the Income Tax Ordinance, 2001.

Corporate tax is based on taxable income for the year determined in accordance with the prevailing laws of taxation. 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.

Alternative corporate tax is calculated at 17% of accounting profit, after taking into account the required adjustments. Current tax for current and prior periods, to the extent unpaid is recognized as a liability. If the amount already paid irrespective of current and prior period exceeds the amount due to those periods the excess recognized as an asset.

The Company offsets current tax assets and current tax liabilities if, and only if, the entity has a legally enforceable right to set off the recognized amounts and intends either to settle on a net basis, or to realize the asset and settle the liability simultaneously.

The management periodically evaluates positions taken in the tax returns with respect to situation in which applicable tax regulations are subject to interpretation and establishes provision where appropriate.

Note 3, Significant Accounting Policies - Continued...

Deferred

Deferred tax is accounted for using the balance sheet liability method in respect of all temporary timing differences arising from the difference between the carrying amount of assets and liabilities in the financial statements and the corresponding tax bases used in the computation of taxable profit. However, deferred tax is not accounted for if it arises from initial recognition of an asset or liability in a transaction other than a business combination that at the time of transaction neither affects accounting nor taxable profit or loss.

Deferred tax liabilities are recognized for all major taxable temporary differences.

Deferred tax assets are recognized for all major deductible temporary differences to the extent that it is probable that taxable profit will be available against which deductible temporary differences, unused tax losses and tax credits can be utilized.

The carrying amount of deferred tax asset is reviewed at each reporting date and reduced to the extent that it is no longer probable that sufficient taxable profits will be available to allow all or part of the deferred tax asset to be utilized.

Unrecognized deferred tax assets are reassessed at each reporting date and are recognized to the extent of probable future taxable profit available that will allow deferred tax asset to be recovered.

Deferred tax is calculated at rates that are expected to apply to the period when the differences reverse based on the tax rates and tax laws that have been enacted or have been notified for subsequent enactment by the reporting date.

When different tax rates apply to different levels of taxable income, deferred tax assets and liabilities are measured using the average rates that are expected to apply to the taxable profit (tax loss) of the periods in which temporary differences are expected to reverse.

Off-setting

Deferred tax assets and liabilities are offset when there is a legally enforceable right to offset current tax assets and liabilities and when the deferred tax balances relate to the same taxation authority. Current tax assets and tax liabilities are offset where the entity has a legally enforceable right to offset and intends either to settle on a net basis, or to realise the asset and settle the liability simultaneously.

3.3 Net investment in finance lease

Leases in which the Company transfers substantially all the risks and rewards incidental to the ownership of an asset to the lessees are classified as finance leases. A receivable is recognized at an amount equal to the present value of the minimum lease payments, which are included in the financial statements as "net investment in finance leases".

3.4 Investment property

Investment property, which is property held to earn rentals and/or for capital appreciation, and is measured initially at its cost, including transaction costs. Subsequent to initial recognition, investment property whose fair value can be measured reliably without undue cost or effort on an ongoing basis after initial recognition are measured at fair value, at each reporting date. The changes in fair value are recognized in the statement of profit or loss. The fair value of investment property is determined at each reporting date using current market prices for comparable real estate, adjusted for any differences in nature, location and condition. Fair value gain / loss is included in other income.

3.5 Intangible assets

Intangible assets are measured at cost less accumulated amortization and accumulated impairment losses, if any. Amortization is charged so as to allocate the cost of assets over their estimated useful lives, using the straight-line method. Amortization on additions to intangible assets is charged from the month in which an asset is acquired or capitalized while no amortization is charged for the month in which the asset is disposed off.

3.6 Investments accounted for using the equity method

The Company's interest in equity-accounted investees represents interest in associates. Associates are those entities in which the Company has significant influence, but not control or joint control, over the financial and operating policies. Interests in associates are accounted for using the equity method. These are initially recognized at cost, which includes transaction costs. Subsequent to initial recognition, the financial statements include the Company's share of the profit or loss and OCI of equity-accounted investees, until the date on which significant influence ceases.

3.7 Inventory

Inventory represents usable stores and spares and are valued principally on First in First Out Basis (FIFO), while items considered obsolete are carried at nil value.

3.8 Trade and other receivables

Measurement

Trade receivables are recognized and carried at original invoice value less an allowance for impairment. Bad debts are written off when identified.

Note 3, Significant Accounting Policies - Continued...

Impairment

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

3.9 Financial instruments

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

3.9.1 Financial assets

All financial assets are recognized at the time when the Company becomes a party to the contractual provisions of the instrument.

a) Classification

Financial assets are classified in either of the three categories: at amortized cost, at fair value through other comprehensive income and at fair value through profit or loss. Currently, the Company classifies its financial assets at amortized cost and fair value through profit or loss. This classification is based on the Company's business model for managing the financial assets and the contractual cash flow characteristics of the financial asset. The management determines the classification of its financial assets at the time of initial recognition.

b) Initial recognition and measurement

All financial assets are initially measured at fair value plus transaction costs that are directly attributable to its acquisition except for trade receivable that are initially measured at the transaction price.

c) Subsequent measurement

Financial assets measured at amortized cost are subsequently measured using the effective interest rate method (EIR). The amortized cost is reduced by impairment losses, if any. Interest income and impairment are recognized in profit or loss.

Financial assets measured at fair value through profit or loss are subsequently measured at fair value prevailing at the reporting date. The difference arising is charged to profit or loss.

d) Derecognition

Financial assets are derecognized when the contractual rights to receive cash flows from assets have expired. The difference between the carrying amount and the consideration received is recognized in profit or loss.

e) Impairment of financial assets

The Company recognizes an allowance for expected credit losses (ECLs) for all financial assets which are measured at amortised cost. ECLs are based on the difference between the contractual cash flows due in accordance with the contract and all the cash flows that the Company expects to receive, discounted at an approximation of the original EIR.

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

For trade receivables, the Company applies a simplified approach in calculating ECLs. Therefore, the Company does not track changes in credit risk, but instead recognizes a loss allowance based on lifetime ECLs at each reporting date. The Company has established a provision matrix that is based on its historical credit loss experience, adjusted for forward looking factors specific to the debtors and the economic environment.

3.9.2 Financial liabilities

a) Initial recognition and measurement

Financial liabilities are initially classified at amortized cost. Such liabilities are recognized at the time when the Company becomes a party to the contractual provisions of the instrument and include trade and other payables, loans or borrowings and accrued mark up etc.

Note 3, Significant Accounting Policies - Continued...

b) Subsequent measurement

The Company measures its financial liabilities subsequently at amortized cost using the EIR method. Amortized cost is calculated by taking into account any discount or premium on acquisition and fees or costs that are an integral part of the EIR. The EIR amortization is included as finance costs in profit or loss. Difference between the carrying amount and consideration paid is recognized in profit or loss when the liabilities are derecognized.

Off-setting of financial assets and financial liabilities

A financial asset and a financial liability is offset and the net amount is reported in the statement of financial position if the Company has a legally enforceable right to offset the recognized amounts and intends either to settle on a net basis or to realize the asset and settle the liability simultaneously.

3.10 Impairment of non-financial assets

The assets that are subject to depreciation or amortization are assessed at each reporting date to determine whether there is any indication that the assets are impaired. If there is an indication of possible impairment, the recoverable amount of the asset is estimated and compared with its carrying amount. An impairment loss is recognized if the carrying amount of an asset exceeds its estimated recoverable amount. The impairment loss is recognized in profit or loss, unless the relevant asset is carried at a revalued amount, in which case the impairment loss is treated as a revaluation decrease. An impairment loss is reversed only to the extent that the asset's carrying amount does not exceed the carrying amount that would have been determined, net of depreciation or amortization, if no impairment loss had been recognized. The Company recognizes the reversal immediately in profit or loss, unless the asset is carried at a revalued amount in accordance with the revaluation model. Any reversal of an impairment loss of a revalued asset is treated as a revaluation increase.

3.11 Fair value measurement

Fair value is the price that would be received to sell an asset or paid to transfer a liability at the measurement date in an orderly transaction between market participants in the principal, or in its absence, the most advantageous market to which the Company has access at that date. There are three levels which are as under:

The Company measures the fair value of an instrument using the quoted price in an active market for that instrument. A market is regarded as active if transactions for the asset or liability take place with sufficient frequency and volume to provide pricing information on an ongoing basis.

When there is no quoted price in an active market, the Company determines transaction price by applying valuation techniques. The chosen valuation technique incorporates all the factors that market participants would take into account in pricing a transaction. The best evidence of the fair value of a financial instrument at initial recognition is normally the transaction price i.e. the fair value of the consideration given or received.

If the Company determines that the fair value at initial recognition differs from the transaction price and the fair value is evidenced neither by a quoted price in an active market for an identical asset or liability nor based on a valuation technique that uses only data from observable markets, the instrument is initially measured at fair value, adjusted to defer the difference between the fair value at initial recognition and the transaction price. Subsequently, that difference is credited or charged to profit or loss on an appropriate basis over the life of the instrument but no later than when the valuation is supported wholly by observable market data or the transaction is closed out.

The Company's policy is to recognize transfers into and transfers out of fair value hierarchy levels as of the date of the event or change in circumstances that caused the transfer.

3.12 Long term deposits

Deposits are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market. They are included in non-current assets for having maturities greater than 12 months after the reporting date. Initially they are recognized at fair value and subsequently stated at amortized cost.

3.13 Cash and cash equivalents

Cash and cash equivalents are carried in the statement of financial position at cost. For the purpose of cash flows statement, cash and cash equivalents comprise cash in hand, savings accounts and current accounts.

3.14 Trade and other payables

Liabilities for creditors and other amounts payable are carried at cost which is the fair value of the consideration to be paid in future for the goods and/or services received, whether or not billed to the Company.

Note 3, Significant Accounting Policies - Continued...

3.15 Provisions

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

3.16 Related party transactions

Transactions with related parties are based on the transfer pricing policy that all transactions between the Company and its related parties are at arm's length prices using the comparable uncontrolled price method except in circumstances where it is in the interest of the Company to not to do so.

3.17 Contingent liabilities

A Contingent liability is disclosed when there is a possible obligation that arises from past events and whose existence is confirmed only by the occurrence or non-occurrence of one or more uncertain future events not entirely within the control of the Company.

A contingent liability is also disclosed when there is present obligation that arises from past events but it is not probable that an outflow of resources embodying economic benefits would be required to settle the obligation or the amount of the obligation cannot be measured with sufficient reliability.

3.18 Revenue recognition

Revenue is measured based on the consideration specified in a contract with a customer. The Company recognises revenue as follow:

Room maintenance services / Software services

Revenue is recognised when the Company has a right to invoice. Customers are invoiced on a monthly basis and consideration is payable within 10 days from the invoice date.

Funds management fee

Income from trusts operations is recognized on the basis of average monthly net asset value of the funds.

Finance lease income

The Company follows the 'financing method' in accounting for recognition of finance lease. The total unearned finance income i.e. the excess of minimum lease payments over the cost of the leased asset is deferred and then amortized over the term of the lease, so as to produce a systematic return on the net investment in finance leases.

Return on MTS investments and fixed income securities

Return on MTS Investments and fixed income securities is recognized on a time proportionate basis over the term of the investments that takes into account the EIR method.

Rental income

Rental income from investment property is recognized in profit or loss on a straight-line basis over the lease term.

Dividend income

Dividend income is recognized in profit or loss on accrual basis in case of cumulative preference shares and at the time dividend is declared in case of ordinary shares.

Other income

Other income, if any, is recognized on accrual basis.

3.19 Dividend

Dividend distribution and appropriations other than statutory appropriations are recorded in the period in which they are approved.

3.20 Earnings per share (EPS)

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

Note 4

Restructuring Scheme

LSE Financial Services Limited (LSEFSL or the Company) filed the restructuring scheme with Lahore High Court which was approved through Court order number 58175/2022. Following entities were merged / demerged / amalgamated under the scheme of arrangement (the Scheme):

Part - 1: Demerger of LSE Financial Services Limited

- i. LSE Financial Services Limited; Transferor (LSEFSL, the Company)
- ii. LSE Ventures Limited; Transferee (LVL, a subsidiary company)
- iii. LSE Proptech Limited; Transferee (LPL, a subsidiary company)
- iv. LSE Financial Services Limited (as residual); Transferee (LSE FSL, the Company)

Part - 2: Merger of Data Textiles Limited

- i. Data Textiles Limited; Transferor (DATM)
- ii. LSE Ventures Limited; Transferee (LVL)
- iii. LSE Proptech Limited; Transferee (LPL)

In pursuant to this scheme, following objectives shall be derived from this scheme:

- a. As per scheme; undertakings, assets, businesses and investments of LSE FSL shall be transferred to LVL and LPL.
- b. Shareholders of LSEFSL shall surrender their shares to LVL;
- c. LVL and LPL shall issue their shares to shareholders of LSE FSL in the ratio of 99.862:100 and 501.62:1000 respectively, as mentioned in the scheme;
- d. All assets and liabilities of DATM shall be merged into assets and liabilities of LPL;
- e. LVL and LPL shall issue shares to shareholders of DATM in the ratio as mentioned in the scheme;
- f. Upon merger, LVL and LPL shall obtain listing status and DATM will be dissolved under the order of Honorable Lahore High Court, Lahore (the Court) without winding up.

LSEFSL presented and obtained the approval of the Board of Directors and shareholders in their meetings held on July 20, 2022 and August 26, 2022 and filed said petition under sections 279, 280, 282 read with 285 (8) of the Companies Act, 2017. The Court approved this schemes vide order dated April 26, 2023.

In consequence of this scheme:

- (i) All suits, appeals, arbitrations, governmental investigations and other legal proceedings instituted by or against LSEFSL in respect of any transferred assets and undertakings and pending before any court, tribunal, regulatory body or any other authority shall be treated as suits, appeals and legal proceedings by or against the transferee to whom the relevant assets and undertakings have been transferred under this scheme and may be continued, prosecuted and enforced by or against the transferee accordingly.
- (ii) All taxes on income, including but not limited to, advance tax and withholding taxes, collected/deducted from the effective date till the sanction date in respect of any transferred assets and undertakings shall, and be deemed to, be to the benefit and credit of LSE FSL and shall not be transferred.
- (iii) The capital reserves, revenue reserves, revaluation surpluses and accumulated profits and losses of LSE FSL as at the day preceding the effective date and immediately preceding the sanction date respectively, shall constitute and be treated as reserves of a corresponding nature of the transferee and shall be accounted for on that basis in the books of account of the transferee.
- (iv) The shares of LVL and LPL held by LSE FSL shall stand cancelled. The authorized share capital of LSE FSL shall stand reduced to Rs. 520 million divided into 52 million ordinary shares of Rs. 10 each whereas the paid up capital shall be Rs. 100 million divided into 10 million ordinary shares of Rs. 10 each wholly owned by LVL.
- (v) LSEFSL shall continue to run as a NBFC and validly hold its license to provide investment finance services.
- (vi) The designated immovable and movable assets, liabilities, revaluations reserves, capital and revenue reserves as shown below shall be transferred to LPL and LVL from LSE FSL.
- (vii) All the immovable assets and properties and other rights, connections of DATM shall stand transferred in the name of LPL and LVL.

Note 4, Restructuring Scheme - Continued...

LSE Financial Services Limited

	Before Merger	Transferred to		Merger Adjustments		After Merger	June 30, 2023
		LPL	LVL	LSE FSL	DATM	LSEFSL	LSE FSL
Note	Rupees in thousands						
Property and equipment	1,285,028	(1,285,028)	-	-	-	-	-
Investment property	378,432	(378,432)	-	-	-	-	-
Investment in subsidiaries	60,000	-	-	(60,000)	-	-	-
Investment accounted for using the equity method	1,203,015	-	(1,203,015)	-	-	-	-
Net investment in finance lease	4,214	(4,214)	-	-	-	-	-
Long term deposits	3,974	-	-	-	-	3,974	25,009
Inventory	2,991	(2,991)	-	-	-	-	-
Short term investments	890,226	-	(373,779)	(477,225)	(39,222)	-	363,648
Trade and other receivables	40,985	(9,273)	(28,798)	-	-	2,914	18,045
Advances and prepayments	36,131	(21,940)	(4,191)	-	-	10,000	1,006
Refund due from Government	42,777	-	-	-	-	42,777	44,319
Cash and bank balances	51,087	(10,000)	(412,000)	477,225	-	106,312	51,844
Long term financing	(6,253)	-	-	-	-	(6,253)	(5,772)
Other liabilities - deposits from employees	(5,153)	5,153	-	-	-	-	-
Deferred tax asset / (liability)	(148,437)	3,422	145,075	-	-	60	7,284
Trade and other payables	(174,070)	48,498	80,812	-	-	(44,760)	(390,591)
Receivable from / payable to group companies	9,642	4,000	(9,498)	-	(4,144)	-	-
Unpaid dividend	(33,455)	-	33,455	-	-	-	-
Unclaimed dividend	(15,568)	-	15,568	-	-	-	-
Liabilities related to discontinued operations	(14,433)	-	-	-	-	(14,433)	(14,073)
Share capital	(1,795,979)	824,374	1,442,983	(472,282)	(99,096)	(100,000)	(100,000)
Unappropriated profit	(946,385)	155,016	116,942	532,282	142,463	317	(718)
Profit for the period from July 01, 2022 to April 26, 2023	(86,290)	(43,902)	129,283	-	-	(908)	-
Revaluation surplus on property and equipment	(773,244)	706,080	67,164	-	-	(0)	-
Building reserve fund	(9,236)	9,236	-	-	-	-	-
	-	-	-	-	-	-	-

DATA TEXTILES LIMITED

	Before Merger	Transfer to		Merger Effect	After Merger
		LPL	LVL	DATM	DATM
	Rupees in thousands				
Property and equipment	128	(128)	-	-	-
Refund due from Government	1,721	(1,721)	-	-	-
Cash and bank balances	45	(45)	-	-	-
Long term financing	(39,222)	-	-	39,222	-
Trade and other payables	(23,019)	23,019	-	-	-
Payable to LSE Financial Services Limited	(4,144)	-	-	4,144	-
Share capital	(99,096)	-	-	99,096	-
Unappropriated loss	163,587	(21,124)	-	(142,463)	-
	-	-	-	-	-

4.1 According to the audited accounts as of April 26, 2023, the balances for advances and prepayments and trade and other payables were Rs. 32.437 million and Rs. 160.733 million respectively. However, the amounts presented in note 4 show balances of Rs. 36.131 million and Rs. 174.070 million, resulting in a net variance of Rs. 9.642 million.

4.2 The amount of Rs. 9.642 million has been disclosed separately in intercompany (payables) / receivables which includes receivables of Rs. 4.144 million and Rs. 9.498 million from DATM and LVL respectively. It also includes Rs. 4 million payable to LPL.

	LPL	LVL	DATM	Total
	Rupees in thousands			
Intercompany (payables) / receivables	(4,000)	9,498	4,144	9,642

Note 5
Property and Equipment

Operating fixed assets
Capital work-in-progress

Note 5.1

Operating Fixed Assets

	2023	2022
Note		
Rupees in thousands		
5.1	1,272,737	
5.2	5,695	
	-	1,278,432

Particulars	Cost / Revalued Amounts				Accumulated Depreciation				Written Down Value as at June 30, 2023
	As at July 1, 2022	Additions	Disposals	Transfer to LPL	Rate	As at July 1, 2022	Charge for the year	Disposals	
					%				
	Rupees in thousands						Rupees in thousands		

Rupees in thousands

Rupees in thousands

Owned assets									
Land freehold	1,059,660	-	-	(1,059,660)	-	-	-	-	-
Buildings on freehold land	120,071	2,315	-	(122,386)	5%	15,572	445	-	(16,017)
Computer and accessories	34,803	143	-	(34,946)	30%	30,020	123	-	(30,143)
Furniture and fixture	15,080	199	-	(15,279)	10%	8,451	57	-	(8,508)
Office equipment	6,631	-	-	(6,631)	20%	6,414	3	-	(6,417)
Electric fittings and appliances	136,677	246	-	(136,923)	20%	83,870	885	-	(84,755)
Vehicles	21,521	-	-	(21,521)	20%	1,812	328	-	(2,140)
Elevator	19,969	-	-	(19,969)	20%	14,221	96	-	(14,317)
Generators	34,206	-	-	(34,206)	10%	19,232	124	-	(19,356)
Arms and security equipment	6,210	-	-	(6,210)	10%	2,500	31	-	(2,531)
Library books	318	-	-	(318)	25%	317	0	-	(317)
Leasehold improvements	5,697	-	-	(5,697)	20%	5,697	-	-	(5,697)
	1,460,843	2,902	-	(1,463,745)		188,106	2,093	-	(190,199)

Particulars	Cost / Revalued Amounts			Accumulated Depreciation			Written Down Value as at June 30, 2022		
	As at July 1, 2021	Additions	Disposals	Balance as at June 30, 2022	Rate	As at July 1, 2021		Change for the year	Disposals
					%				
Owned assets	Rupees in thousands			% Rupees in thousands					

Rupees in thousands

Rupees in thousands

Owned assets									
Land freehold	1,059,660	-	-	1,059,660	-	-	-	-	1,059,660
Buildings on freehold land	119,460	611	-	120,071	5%	10,097	5,475	-	104,499
Computer and accessories	51,355	4,261	(20,813)	34,803	30%	49,481	873	(20,334)	4,783
Furniture and fixture	13,867	3,549	(2,336)	15,080	10%	9,420	468	(1,437)	8,451
Office equipment	7,351	-	(720)	6,631	20%	6,894	81	(561)	6,414
Electric fittings and appliances	136,630	2,187	(2,140)	136,677	20%	73,701	12,225	(2,056)	83,870
Vehicles	3,345	20,317	(2,141)	21,521	20%	2,513	807	(1,508)	1,812
Elevator	19,969	-	-	19,969	20%	12,931	1,290	-	14,221
Generators	34,206	-	-	34,206	10%	17,573	1,659	-	19,232
Arms and security equipment	5,316	1,542	(648)	6,210	10%	2,646	301	(447)	2,500
Library books	318	-	-	318	25%	316	1	-	317
Leasehold improvements	5,697	-	-	5,697	20%	5,697	-	-	5,697
	1,457,174	32,467	(28,798)	1,460,843		191,269	23,180	(26,343)	188,106

1,272,737

Note 5, Property and Equipment - Continued...

5.1.1 Reconciliation of transfer as per note - 4

	2023
	Rupees in thousands
Transfer as per Note 4 as at April 26, 2023	(1,285,028)
Less: Capital work in progress	4,837
Operating fixed assets transferred	(1,280,191)
<u>Movement transfer during the transit period Aug 01, 2022 to Apr 26, 2023</u>	
Additions	29,563
Disposals	(6,527)
	23,036
Depreciation for the period	22,146
Disposal depreciation	(5,755)
	(16,391)
Balance as at July 31, 2022 - effective date	(1,273,546)

5.2 Capital work in progress

	2023	2022
	Rupees in thousands	
Opening balance	5,695	801
Additions during the period	-	4,894
	5,695	5,695
Transfers during the year before demerger effect	(858)	-
	4,837	5,695
Demerger balances transfers as per Note # 4 to LPL	(4,837)	-
Closing balance	-	5,695

Note 6

Investment Property (At fair value)

	2023	2022
	Rupees in thousands	
Carrying value	-	378,431

6.1 This represented office spaces in LSE Towers representing 25,018 square feet. Latest fair value of investment property was determined by an external, independent property valuers M/s Unicorn International Surveyors as on June 30, 2022, having recognition on the panel of NBFI and Modarba Association of Pakistan. The valuer used a market comparable approach to arrive at the fair value. The key observable inputs under this approach are the price per square feet from current year sales of comparable commercial properties in the area (location and size).

6.2 Forced sale value of the investment property was assessed as Rs. 321.66 million as at 30 June, 2022.

6.3 Amounts recognised in profit or loss

The rental income in respect of this property amounting to Rs. 14.322 million has been recognized in profit or loss and included in 'Revenue' (note 23).

Note 7

Investments Accounted for Using the Equity Method

	2023	2022
	Rupees in thousands	
Under Equity Method		
The Pakistan Credit Rating Agency Limited (PACRA)	-	60,689
Central Depository Company of Pakistan Limited (CDC)	-	584,521
National Clearing Company of Pakistan Limited (NCCPL)	-	501,771
	-	1,146,981

7.1

	2023			
	PACRA	CDC	NCCPL	Total
	Rupees in thousands			
Opening balance	60,689	584,521	501,771	1,146,981
Share of profit	7,848	14,899	14,615	37,362
Dividend received	(16,098)	-	-	(16,098)
	(52,439)	(599,420)	(516,386)	(1,168,245)
Closing balance	-	-	-	-
Shareholding in %age	0.00%	0.00%	0.00%	

Note 7, Investments Accounted for Using the Equity Method - Continued...

	2022			
	PACRA	CDC	NCCPL	Total
	----- Rupees in thousands -----			
Opening balance	51,323	546,217	518,065	1,115,605
Share of profit for the year	32,932	84,054	85,035	202,021
Fair value gain	5,947	-	-	5,947
Dividend received during the year	(29,513)	(45,750)	(101,329)	(176,592)
Closing balance	60,689	584,521	501,771	1,146,981
Shareholding in %age	36.00%	10.00%	23.53%	

7.2 These are locally incorporated companies. The country of incorporation / registration of these companies is also their principal place of business. The Company has significant influence on associates due to its representation on the Board of Directors of investees and consequently, they were treated as associates according to the requirements of IAS 28 'Investment in Associates'. Therefore, investments in these associates were accounted for under the equity method. The shares of these associates are not listed on stock exchange, hence published price quotes were not available. Shares of all the associated companies have a face value of Rs. 10 each.

7.3 The investments in associated companies had made in accordance with the requirements of the Companies Act, 2017.

7.4 The company has the following ownership interest in associates:

	2023		2022	
	Share held	%age	Share held	%age
PACRA	-	0.00%	2,683,044	36.00%
CDC	-	0.00%	30,000,000	10.00%
NCCPL	-	0.00%	23,730,462	23.53%

7.5 Reconciliation of transfer as per note - 4

	PACRA	CDC	NCCPL	Total
	----- Rupees in thousands -----			
Transfer as per Note - 4 as on April 26, 2023	(55,612)	(646,793)	(500,610)	(1,203,015)
Equity adjustment	(5,735)	34,893	(4,782)	24,376
Share of profit	24,993	67,631	41,294	133,918
Dividend received	(16,099)	(47,957)	(45,468)	(109,524)
Share of other comprehensive income of associate	4,843	-	-	4,843
Balance as at July 31, 2022	(47,610)	(592,226)	(509,566)	(1,149,402)
Income retained for adjustment of tax	(4,829)	(7,194)	(6,820)	(18,843)
Balance as at July 31, 2022	(52,439)	(599,420)	(516,386)	(1,168,245)

Note 8

Net Investment in Finance Lease

	2023	2022
	Rupees in thousands	
Opening balance	4,280	4,281
Add: Finance Income for the year	29	343
Less: Rental received during the year	-	(344)
Transferred to LPL as per demerger Scheme	(4,309)	-
Closing balance	-	4,280

8.1 The following table sets out a maturity analysis of lease payments, showing the undiscounted lease payments to be received after the reporting date.

Upto one year	-	344
Two to five years	-	1,376
Above five years	-	26,424
	-	28,144
Less: Discounting	-	(23,864)
Closing balance	-	4,280

Note 8, Net Investment in Finance Lease - Continued...

- 8.2** The Company had entered into lease arrangements for lease of office spaces i.e. 106,199 square feet in North and South Towers for a lease period of upto 99 years. Interest rate implicit @ 8% in the lease was used as a discount factor to determine the present value of minimum lease payments.

8.3 Reconciliation of transfer as per note - 4

	TO LPL
	Rupees in thousands
Transfer as per Note 4 as on April 26, 2023	(4,214)
Add: Finance income	249
Less: Rental received	(344)
Balance as per July 31, 2022	<u>(4,309)</u>

Note 9

Long Term Deposits

	2023	2022
	Rupees in thousands	
Utilities	1,224	1,224
Marginal Trading System of NCCPL	23,785	2,750
	<u>25,009</u>	<u>3,974</u>

Note 10

Short Term Investments

		2023	2022
	Note	Rupees in thousands	
<i>At amortised cost</i>			
Investment in Margin Trading System of NCCPL	10.1	363,648	444,989
Government treasury bills	10.2	-	267,044
Advance for purchase of investment	10.3	-	50,000
<i>Fair value through profit or loss</i>			
Pakistan General Insurance Company Limited (PGI) - Listed	10.4	-	53,120
<i>Unlisted - at fair value</i>			
Pakistan Mercantile Exchange Limited (PMEX)	10.5	-	19,086
Digital Clearing Company Limited (DCCL) [related party]	10.6	-	60,000
Reckitt Benckiser Pakistan Limited	10.7	-	490
RB Hygiene Home Pakistan Limited	10.7	-	428
		<u>363,648</u>	<u>895,157</u>

- 10.1** Investment on margin Trading System of NCCPL is an undisclosed market of financees and financiers with a participation ratio of 85 to 15 carrying markup of KIBOR with spread of maximum upto 8% (2022: 8%).
- 10.2** This represented last years investment in treasury bills having maturity upto six months carrying mark-up at 14.75% p.a. Lien of Rs. 24.5 million had been marked against bank guarantee issued in favour of NCCPL as margin exposure for Margin Trading System by MCB Bank Limited.
- 10.3** During the year, the investments were transferred to LVL as per the approved demerger scheme sanctioned on April 26, 2023 as disclosed in note - 4.
- 10.4** The Company held 4,860,000 equity shares of Pakistan General Insurance Limited (PGI), representing 10.47% equity, a Company listed on Pakistan Stock Exchange.
- 10.5** The Company held 2,272,727 equity shares of Pakistan Mercantile Exchange Limited which represented 7.25% ownership.
- 10.6** The Company held 5,221,973 equity shares of Digital Clearing Company Limited a related party, which is public unlisted entity. 1,110,000 shares were acquired at Rs. 54.05. During the period, DCCL made a bonus issue of 4,111,973 shares bringing the total number of shares held to 5,221,973. There was no change in the shareholding percentage of 9.99%.
- 10.7** The Company held 656 shares in Reckitt Benckiser Pakistan Limited and 176 share of RB Hygiene Home Pakistan Limited.

Note 11

Trade and Other Receivables

		2023	2022
	Note	Rupees in thousands	
Receivables from ex-members		-	4,015
Other receivables:			
- From related parties	11.1	9,239	2,007
- Accrued mark-up	11.2	8,120	5,746
- Tenant		-	3,663
- Dividend	11.3	686	-
		<u>18,045</u>	<u>15,431</u>

11.1 Other receivables from related parties

MCF Trust Fund	297	231
IPF Trust Fund	903	690
TCF Trust Fund	1,342	1,086
Modaraba Al Mali	940	-
LSE Proptech Limited	4,228	-
LSE Ventures Limited	1,529	-
	<u>9,239</u>	<u>2,007</u>

11.1.1 Age analysis of trade receivables from related parties

Description	Year End	Past due					Total Gross
		0-30 Days	31-60 Days	61-90 Days	91-365 Days	Above 365 days	
Rupees in thousands							
Trade Receivable	2023	9,239	-	-	-	-	9,239

11.1.2 This represents unsecured receivable in respect of fund management services. The maximum aggregate amount outstanding at any time during the year from MCF Trust Fund, IPF Trust Fund and TCF Trust Fund was Rs. 0.381 million (2022: Rs. 0.464 million), Rs. 0.952 million (2022: Rs. 1.366 million) and Rs. 1.582 million (2022: Rs. 2.149 million) respectively at the end of a month.

11.1.3 This represents receivable in respect of expenses paid by LSE Financial Services Limited on behalf of LSE Proptech Limited.

11.2 This represents markup receivable on investment in MTS trading system.

11.3 This represents dividend receivable against the investment in RB Hygiene Home Pakistan Limited and Reckitt Benckiser Pakistan Limited.

Note 12

Advances and Prepayments

		2023	2022
	Note	Rupees in thousands	
Unsecured - Considered good			
Advances to employees against expenses		-	104
Advances to employees against salaries		-	223
Prepayments	12.1	1,006	7,202
		<u>1,006</u>	<u>7,529</u>

12.1 This includes amount paid to insurance companies pertaining to insurance facility for employees. This also includes annual fee paid to NBFI & Modaraba Association of Pakistan.

Note 13

Tax Refunds Due from the Government - Net

		2023	2022
	Note	Rupees in thousands	
Income tax	13.1	44,319	41,857
Sales tax		-	29
		<u>44,319</u>	<u>41,886</u>
13.1 Income tax			
Wealth tax paid:			
- under protest	13.2	10,063	10,063
- with returns		461	461
		10,524	10,524
Less: Provision for wealth tax		<u>(3,728)</u>	<u>(3,728)</u>
		6,796	6,796
Income tax deducted at source - net		75,866	75,418
Less: Provision of income tax for the year		<u>(38,343)</u>	<u>(40,357)</u>
		<u>44,319</u>	<u>41,857</u>

Note 14

Cash and Bank Balances

		2023	2022
	Note	Rupees in thousands	
Cash in hand		-	100
Cash at banks on:			
-Current accounts		-	53
-Saving accounts	14.1	51,844	94,738
		51,844	94,791
		<u>51,844</u>	<u>94,891</u>

14.1 Cash at banks in saving accounts carry profit ranging from 12.25% to 20.50% p.a. (2022: 5.50% to 12.25% p.a.).

Note 15

Issued, Subscribed and Paid-up Share Capital

2023	2022		2023	2022
Number of shares			Rupees in thousands	
-	51,313,680	Ordinary shares of Rs. 10 each paid in cash	-	513,137
10,000,000	128,284,200	Ordinary shares of Rs. 10 each issued other than in cash	100,000	1,282,842
<u>10,000,000</u>	<u>179,597,880</u>		<u>100,000</u>	<u>1,795,979</u>

15.1 The Company has demerged as per Lahore High Court Order dated April 26, 2023 under which share capital has been transferred to LSE Ventures Limited and 100% equivalent shares of the Company have been issued in favour of LSE Ventures Limited amounting to Rs. 100 million from effective date i.e. July 31, 2022.

15.2 The shareholders are entitled to receive all distributions including dividends and other entitlements in the form of bonus and right shares as and when declared by the Company. All shares carry one vote per share without restriction.

15.3 Reconciliation of changes in number of shares is as follows

	2023	2022
	Number of shares	
Opening balance	179,597,880	128,284,200
Share cancelled during the year	(179,597,880)	-
Shares issued during the year	10,000,000	51,313,680
Closing balance	<u>10,000,000</u>	<u>179,597,880</u>

Note 16

Surplus on Revaluation of Property and Equipment

	2023	2022
	Rupees in thousands	
Gross opening balance	778,189	780,038
Incremental depreciation for the year	(1,474)	(1,849)
	776,715	778,189
Less: Deferred tax		
Opening balance	(3,620)	(3,811)
Incremental depreciation for the year	149	191
Closing balance	(3,471)	(3,620)
	773,244	774,569
Transfer to LPL as per demerger Scheme - Note 4	(706,080)	-
Transfer to LVL as per demerger Scheme - Note 4	(67,164)	-
	-	774,569

16.1 The surplus on revaluation of property and equipment is not available for distribution to the shareholders in accordance with section 241 of the Companies Act, 2017.

16.2 The revaluation surplus represents net cumulative increase in the carrying amount as a result of revaluation of property and equipment.

Note 17

Building Reserve Fund

This reserve was created for replacement of fixed assets of the Company and the Company and its tenants contribute their respective shares in fund. This fund has been transferred to LSE Proptech Limited as per demerger scheme.

Note 18

Long Term Financing

	2023	2022
	Rupees in thousands	
Bank Al Habib Limited	5,772	7,794
Less: Current portion	(1,924)	(1,924)
	3,848	5,870

18.1 The long term financing facility has been obtained from Bank Al Habib Limited for the purchase and installation of 100 KW On-Grid Solar System under the State Bank of Pakistan financing scheme for Renewable Energy Category-II. It carries mark-up at SBP rate of 2% with spread of 2% per annum, payable quarterly. The bank has marked lien over PLS accounts for Rs. 7.55 million. The tenor of the facility is 5 years from the date of disbursement.

Note 19

Deferred Tax (Asset) / Liability - Net

	Note	2023	2022
		Rupees in thousands	
Taxable temporary differences	19.2	-	162,872
Deductible temporary differences		(7,284)	(14,375)
		(7,284)	148,497

19.1 Reconciliation of deferred tax (assets) / liabilities - Net

Opening balance	148,497	127,698
Transferred as per demerger scheme	(148,497)	-
Deferred tax effect charged to profit or loss	(7,284)	20,799
Closing balance	(7,284)	148,497

Note 19, Deferred Tax (Asset) / Liability - Net - Continued...

19.2 Analysis of change in deferred tax (assets) / liabilities:

	Accelerated tax depreciation including finance lease	Unabsorbed Depreciation	Investments in associated companies	Trade and other receivable	Others	Total
Rupees in thousands						
Balance as at July 01, 2022	21,417	(9,789)	145,075	(4,864)	(3,342)	148,497
Transfer as per Note 4	(21,417)	9,789	(145,075)	4,864	3,342	(148,497)
Charged / (credited) to profit or loss for the period	-	7,284	-	-	-	7,284
Balance as at June 30, 2023	-	7,284	-	-	-	7,284
Balance as at July 01, 2021	17,945	(22,360)	140,369	(4,678)	(3,579)	127,697
Charged / (credited) to profit or loss for the year	3,472	12,571	4,706	(186)	237	20,800
Balance as at June 30, 2022	21,417	(9,789)	145,075	(4,864)	(3,342)	148,497

Note 20

Trade and Other Payables

	Note	2023 Rupees in thousands	2022 Rupees in thousands
Trade creditors		1,034	11,612
Accrued liabilities		1,444	13,489
Due to members		2,158	2,158
Defaulted members' membership sale proceeds	20.1	44,131	44,131
Advance rent received from tenants		-	11,409
Loan from LSE Ventures Limited for MTS [related party]	20.2	316,525	-
Return on loan payable to LSE Ventures Limited [related party]	20.3	20,551	-
Advances received from ex - members and companies		996	6,427
Retention money		-	1,694
Punjab Workers Welfare Fund payable	20.4	2,345	12,299
Sales tax payable		1,365	-
Accrued mark-up		42	81
		<u>390,591</u>	<u>103,300</u>

20.1 This represents amounts realized through auctions of the defaulted members' memberships and have been retained by the Company for settlement of claims against these members.

20.2 This represents loan received from LSE Ventures Limited for investment in MTS Trading System. Investment on Margin Trading System of NCCPL is an undisclosed market of financees and financiers with a participation ratio of 85 to 15 carrying markup of KIBOR with spread of maximum upto 8%. The LSE Ventures Limited has invested the amount through LSE Financial Services Limited's MTS platform and receives markup income net of 2% service charges and MTS charges.

20.3 This represents return on loan payable to LSE Ventures Limited for investment in MTS Trading System.

20.4 Punjab Workers Welfare Fund

Opening Balance	12,299	8,007
Provision during the year	2,345	4,292
Transferred to LSE Ventures Limited as per Note 4	(12,299)	-
Closing Balance	<u>2,345</u>	<u>12,299</u>

Note 21

Deposits Payable Related to Discontinued Operations

These deposits have not been kept in a separate bank account and have been utilized by the Company in the ordinary course of its business.

Note 22

Contingencies and Commitments

22.1 Contingencies

22.1.1 On April 12, 2010, the Company had filed a suit for the recovery of US Dollar 105,000 and Rs. 3,314,015 against InfoTech (Private) Limited in the Court of Senior Civil Judge Lahore, which was referred by the Court for Arbitration. Currently the matter is pending before the Arbitration Tribunal for hearing of miscellaneous applications and recording evidence of the Company. However, the Company expects a favourable outcome of the case.

22.1.2 After the integration of all the three Stock Exchanges in Pakistan vide Order No. 1 of 2016 dated January 11, 2016 issued by SECP, all the pending 33 (2022: 33) cases related to Brokers and TREC Holders of erstwhile Lahore Stock Exchange Limited were referred to the Funds Committee (constituted by SECP under the Stock Exchanges (Corporatization, Demutualization and Integration) Regulations, 2012 for follow up and disposals of cases. These cases have been taken up by the Funds Committee and have been reported to the SECP through quarterly reports. Accordingly, the relevant contingent liability was also transferred to relevant MCF, IPF and TCF Trusts to the tune of Rs. 1.324 billion (2022: Rs. 1.324 billion).

Note 22, Contingencies and Commitments - Continued...

22.1.3 The Income Tax Appellate Tribunal, vide its order dated June 03, 2003 and November 01, 2005 for the Assessment years 1992-93 to 2000-01 accepted the contention that the Company qualifies for exemption under section 5(1)(i)/clause 22 of the Second Schedule to the Wealth Tax Act, 1963. The Department has filed a written petition before the Lahore High Court, Lahore against the aforesaid order of the Income Tax Appellate Tribunal. However, the Honorable Lahore High Court decided the case in favour of the Company. Now, the tax department has filed the CPLA before the Honorable Supreme Court of Pakistan.

22.2 Commitments

There is no commitment outstanding as at the reporting date (2022: Rs. 0.770 million).

Note 23
Revenue

The Company generates revenue primarily from investment in finance services i.e. margin trading system of NCCPL. Other sources of revenue include rental income from investment properties; rendering of room maintenance services to tenants; software services; and fund management fee etc.

		2023	2022
	Note	Rupees in thousands	
Revenue from Margin Trading System of NCCPL		14,403	50,533
Investment properties - rental income		14,322	52,666
<i>Other revenues - inclusive of PRA sales tax</i>			
Room maintenance services		3,622	25,651
Fund and operational management fee	23.1	25,592	22,050
Software services		408	3,967
		29,622	51,668
Less: PRA sales tax		(4,049)	(6,854)
		25,573	44,814
		54,299	148,013

23.1 This represents fund and operational management fee charged to MCF, IPF and TCF trusts. Fund management and operational fee is calculated at 2% (2022: 2%) on closing net assets of the fund as per un-audited accounts of the respective fund as at June 30, 2023.

Note 24
Other Income

	2023	2022
	Rupees in thousands	
Income from financial assets		
<i>At amortized cost / under effective interest method</i>		
Cash and cash equivalents - profit on saving bank accounts	9,744	8,031
Market Treasury Bills (T-Bills)	3,161	3,776
	12,904	11,807
<i>At fair value through profit or loss</i>		
Investments in unlisted securities	-	918
Fair value gain on investments	-	5,947
<i>Loans and receivables</i>		
Finance income on net investment in finance lease	29	343
	12,933	19,015
Income from non - financial assets		
Gain on disposal of property and equipment	99	1,829
Reversal of impairment loss	482	917
Dividend Income	807	-
Advertisement income / parking charges & Misc.	1,231	5,119
	2,619	7,865
	15,552	26,880

24.1 This includes sales tax on car parking charges and advertisement income amounting to Rs. 0.531 million (2022: Rs. 0.544 million).

Note 25

Administrative and General Expenses

		2023	2022
	Note	Rupees in thousands	
Salaries and benefits	25.1	26,724	45,349
Information technology related expenses		883	2,693
Underwriting commission		-	17,471
Insurance		74	877
Travelling and conveyance		2,682	4,519
Printing and stationery		37	851
Utilities		1,207	7,244
Repairs and maintenance		6,386	12,279
Security expenses		1,570	5,011
Communication and public relations		1,103	2,977
Legal and professional charges		4,265	6,791
Marginal Trading System charges		1,083	4,576
Fees and subscription		1,016	1,072
SECP incorporation fee of subsidiary company		-	6,613
Rent, rates and taxes		154	2,329
Auditors' remuneration	25.2	1,121	494
Board meetings fee		4,730	6,165
Others		1,185	1,492
Depreciation		2,093	23,180
		56,313	151,983

25.1 Salaries and benefits include Rs. 1.267 million (2022: Rs. 1.645 million) in respect of contribution to provident fund.

25.2 Auditors' remuneration

Audit services

Annual audit fee	333	289
Other assurance services	525	-
Half yearly review fee	111	95
Out of pocket expenses	-	36
Certifications for regulatory purposes	74	74
Agreed upon procedures	79	-
	1,121	494

Note 26

Other Operating Expenses

	2023	2022
	Rupees in thousands	
Punjab Workers' Welfare Fund	2,345	4,292
Diminution in the value of investment	14,240	6,089
	16,585	10,381

Note 27

Finance Cost

	2023	2022
	Rupees in thousands	
Mark-up on long term financing	243	369
Bank charges	28	89
	271	458

Note 28

Taxation

		2023	2022
	Note	Rupees in thousands	
Current		38,343	40,357
Prior year		1,949	(4,335)
Deferred	28.2	(7,284)	20,799
		33,009	56,821

Note 28, Taxation - Continued...

28.1 Income tax return has been filed to the income tax authorities upto and including tax year 2022 under the provisions of the Income Tax Ordinance, 2001.

28.2 Numerical reconciliation between average effective tax rate and the applicable tax rate is not practicable due to application of normal income tax rate and minimum tax rate on services under section 153 (1) (b) of the Income Tax Ordinance, 2001.

Note 29

Earnings per Share - Basic and Diluted

		2023	2022
Net profit for the year attributable to ordinary shareholders (Rupees in thousands)		1,035	157,271
Weighted average number of ordinary shares (Number of shares in thousands)		24,404	150,470
Weighted average number of dilutive shares (Number of shares in thousands)		24,404	150,470
Earnings per share - Basic (Rupees)		0.04	1.05
Earnings per share - Diluted (Rupees)		0.04	1.05

29.1 There is no dilutive effect on the basic earnings per share of the Company as the Company has no such commitments that would result in dilution of earnings of the Company.

Note 30

Cash Generated from Operations

	2023	2022
	Rupees in thousands	
Profit before tax	34,044	214,092
Adjustments		
Depreciation	2,093	23,180
Share of profit of associates	(37,362)	(202,021)
Return on investments	-	(12,725)
Finance income on net investment in finance lease	(29)	(343)
Lease rentals	(14,322)	(52,666)
Gain on disposal of property and equipment	(99)	(1,829)
Unrealized Fair Value Loss on Investment - net	14,240	142
Fair value unrealized gain equity instruments	-	(918)
Workers welfare fund	2,345	4,292
Employees' welfare fund	-	272
Provision against earned leaves	-	1,090
Impairment loss on trade and other receivables - net	(482)	(917)
Finance cost	271	458
Loss before working capital changes	(33,346)	(241,985)
(Increase) / decrease in current assets:		
- Inventory	(1,677)	451
- Trade and other receivables	(40,685)	(2,069)
- Advances, deposits and prepayments	(19,608)	(5,058)
	(61,971)	(6,676)
Increase / (decrease) in current liabilities:		
- Trade and other payables	54,503	1,366
- Deposits payable related to discontinued operations	(60)	(2,235)
- Advance rent received from tenants	14,322	52,476
	68,765	51,607
	6,795	44,931
Cash (Used in) / Generated from Operations	7,493	17,038

Note 31

Financial Risk Management

The Company's activities expose it to a variety of financial risks: market risk (including currency risk, interest rate risk and other price risk), credit risk and liquidity risk. The Company's overall risk management programme focuses on having cost efficient funding as well as to manage financial risk to minimize earnings volatility and provide maximum return to shareholders.

Risk management is carried by the Board of Directors (the Board). The Board provides principles for overall risk management as well as policies covering specific areas such as currency risk, other price risk, interest rate risk, credit risk and liquidity risk.

31.1 Market risk

Market risk is the risk that the fair value of future cash flows of a financial instrument may fluctuate because of changes in foreign currency, interest rate, commodity price and equity price that will affect the Company's income or the value of its holdings of financial instruments.

Currency risk

Foreign currency risk is the risk that the fair value of future cash flows of a financial instrument will fluctuate because of changes in foreign exchange rates. As there are no foreign currency receivables / payables of the Company, it is not exposed to currency risk (2022: Nil).

Interest rate risk

Interest rate risk is the risk that the fair value or future cash flows of a financial instrument will fluctuate because of changes in market interest rates. The Company is not significantly exposed to floating interest rate risk as it does not have any significant interest bearing liabilities. However, the Company has fixed and variable interest based investments. These investments are classified as short term and long term considering relative sensitivity of interest rates and management's intention. Other assets and liabilities of the Company do not expose the Company to interest rate risk substantially.

T-Bills are Government backed securities with guaranteed return. The maximum maturity profile of investment in T - bills is upto one eighty two days and of investment in MTS is upto sixty four days. T-Bills are fixed interest based investments. Therefore, changes in interest rates shall not affect the cash flows of the Company. The interest rate profile of the Company's interest-bearing financial instruments as at the reporting date is as follows:

	2023	2022
	Rupees in thousands	
<u>Floating rate instruments</u>		
Financial assets		
Marginal Trading System (MTS)	363,648	444,989
Bank balances	51,844	94,738
<u>Fixed rate instruments</u>		
Financial assets		
Investment in T - Bills	-	267,044
Net investment in finance lease	-	4,280
Financial liabilities		
Long term financing	5,772	7,794

Note 31, Financial Risk Management - Contd...

Cash flow sensitivity analysis for variable rate instruments

As at reporting date, if interest rates get 1% higher / lower with all other variables held constant, profit before tax for the year would have been higher / lower by Rs. 4.155 million (2022: Rs. 5.397 million), mainly as a result of yield on floating investment based financial assets.

Price risk

Price risk represents 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 individual financial instrument or its issuer or factors affecting all similar financial instrument traded in the market. The Company is not exposed to equity price risk in respect of certain investments amounting to Nil (2022: Rs. 53.120 million).

A change of 1% in the value of investments at fair value through profit or loss would have no effect on the profitability of the Company (2022: increase / decrease profits by Rs. 0.531 million) on the basis that all other variables remain constant.

31.2 Credit risk

Credit risk is the risk that a counterparty will not meet its obligations under a financial instrument or customer contract, leading to a financial loss. The Company is exposed to credit risk from its operating activities (primarily trade receivables) and from its financing activities, including deposits with banks and financial institutions, and other financial instruments.

The management assesses the credit quality of the customers, taking into account their financial position, past experience and other factors. The utilization of credit limits is regularly monitored. For banks and financial institutions, only independently rated parties with a strong credit rating are accepted.

The Company monitors the credit quality of its financial assets with reference to historical performance of such assets and available external credit ratings, if any. As at the reporting date, the maximum exposure to credit risk is equal to the carrying amount of the financial assets as detailed below:

		2023	2022
	Note	Rupees in thousands	
Investments in associates	7	-	1,146,981
Long term deposits	9	25,009	3,974
Net investment in finance lease	8	-	4,280
Short term investments	10	363,648	895,157
Trade and other receivables	11	18,045	15,431
Bank balances	14	51,844	94,791
		<u>458,546</u>	<u>2,160,614</u>

The Company's exposure to credit risk is influenced mainly by the individual characteristics of each customer such as repayment behavior, credit loss history and available securities etc. The management also considers other relevant factors that may influence the credit risk of its customer base, including the default risk associated with the customer. Majority of the Company's customers have been transacting with the Company for over five years, and only trivial customers' balances have been written off. In monitoring customer credit risk, customers are individually assessed according to their trading history and repayment behavior with the Company.

The risk management committee has established a credit policy under which each new customer is analysed individually for creditworthiness before the Company's standard payment terms are offered.

The Company establishes an allowance for impairment that represents its estimate of incurred losses in respect of trade and other receivables.

Note 31, Financial Risk Management - Contd...

The Company evaluates the concentration of risk with respect to trade receivables as low, as its customers are operated in largely independent markets. The credit risk on liquid funds is limited because the counter parties are either banks (with reasonably high credit ratings) and trade receivables for which the exposure is spread over a large number of counter parties.

The credit quality of bank balances that are neither past due nor impaired can be assessed by reference to external credit ratings (if available) or to historical information about counterparty default rate:

	Rating			2023	2022
	Short term	Long term	Agency		
Rupees in thousands					
Allied Bank Limited	A1+	AAA	PACRA	7	6
Bank Alfalah Limited	A1+	AA+	PACRA	4,275	2,981
Bank Al-Habib Limited	A1+	AAA	PACRA	11,990	26,158
Habib Bank Limited	A-1+	AAA	VIS	28,537	37,917
MCB Bank Limited	A1+	AAA	PACRA	6,925	27,664
National Bank of Pakistan	A1+	AAA	PACRA	58	53
Summit Bank Limited	A3	BBB-	VIS	52	12
				51,844	94,791

31.3 Liquidity risk

Liquidity risk represents the risk that the Company will encounter difficulties in meeting obligations associated with financial liabilities. Prudent liquidity risk management implies maintaining sufficient cash and marketable securities, the availability of funding through an adequate amount of committed credit facilities. Due to dynamic nature of the business, the Company maintains flexibility in funding by maintaining committed credit lines available. The Company's liquidity management involves projecting cash flows and considering the level of liquid assets necessary to meet these, monitoring critical liquidity ratios and maintaining debt financing plans. The table below analyses the Company's financial liabilities into relevant maturity groupings based on the remaining period at the reporting date to contractual maturity dates. The amounts disclosed in the table are the contractual undiscounted cash flows:

Description	Carrying Amount	Contractual cash flows	Within 1 year	1-2 Years	2-5 Years	5 - 10 years
Rupees in thousands						
Contractual maturities of financial liabilities as at June 30, 2023:						
Long term financing	5,772	6,692	2,145	2,069	2,478	-
Trade and other payables	341,755	341,755	341,755	-	-	-
	<u>347,527</u>	<u>348,446</u>	<u>343,900</u>	<u>2,069</u>	<u>2,478</u>	<u>-</u>

Contractual maturities of financial liabilities as at June 30, 2022:

Long term financing	7,794	8,107	1,602	1,602	4,903	-
Trade and other payables	27,340	27,340	27,340	-	-	-
	<u>35,134</u>	<u>35,447</u>	<u>28,942</u>	<u>1,602</u>	<u>4,903</u>	<u>-</u>

The contractual cash flows relating to the above financial liabilities have been determined on the basis of interest rates / mark up rates effective as at the reporting date. The rates of interest / mark up have been disclosed in relevant notes to these financial statements, where applicable

31.4 Financial instruments by categories

Fair value through profit or loss	At amortized cost	At fair value through other comprehensive income	Total
----- Rupees in thousands -----			
-	18,045	-	18,045
-	25,009	-	25,009
-	363,648	-	363,648
-	51,844	-	51,844
-	458,546	-	458,546

Note 31, Financial Risk Management - Continued...

Financial assets as at June 30, 2022

	Fair value through profit or loss	At amortized cost	At fair value through other comprehensive income	Total
Net investment in finance lease	-	4,280	-	4,280
Long term deposits	-	3,974	-	3,974
Trade and other receivables	-	15,431	-	15,431
Short term investments	133,124	762,033	-	895,157
Cash and bank balances	-	94,891	-	94,891
	<u>133,124</u>	<u>880,609</u>	<u>-</u>	<u>1,013,733</u>

Financial liabilities at amortized cost

	2023	2022
	Rupees in thousands	
Long term financing	5,772	7,794
Trade and other payables	341,755	27,340
	<u>347,527</u>	<u>35,134</u>

31.5 Fair value of financial instruments

Fair value is an amount for which an asset could be exchanged, or a liability settled, between knowledgeable willing parties in an arm's length transaction. Consequently, differences may arise between the carrying value and the fair value estimates.

Financial assets which are tradable in an open market are revalued at the market prices prevailing on the reporting date. Fair value is determined on the basis of objective evidence at each reporting date. The management believes that the fair values of financial assets and financial liabilities approximate to their carrying amounts largely due to the short-term maturities of these instruments.

Note 32

Capital Risk Management

The Board's policy is to maintain an efficient capital base so as to maintain investor, creditor and market confidence and to sustain the future development of its business. The Board of Directors monitors the return on capital employed, which the Company defines as operating income divided by total capital employed. The Board of Directors also monitors the level of dividends to shareholders.

The Company's objectives when managing capital are:

- a) to safeguard its ability to continue as a going concern, so that it can continue to provide returns for shareholders and benefits for other stakeholders; and
- b) to provide an adequate return to shareholders.

The Company manages the capital structure in the context of economic conditions and the risk characteristics of the underlying assets. In order to maintain or adjust the capital structure, the Company may, for example, adjust the amount of dividends paid to shareholders, issue new shares, if possible, selling surplus property and equipment without affecting the optimal operating level and regulating its dividend payout thus maintaining smooth capital management.

In line with the industry norms, the Company monitors capital on the basis of the gearing ratio. This ratio is calculated as net debt divided by total capital. Net debt is calculated as total borrowings (including current and non current) less cash and cash equivalents. Total capital is calculated as equity, as shown in the statement of financial position, plus net debt.

The gearing ratio of the Company is calculated as follows:

	2023	2022
	Rupees in thousands	
Net debt	5,772	7,794
Equity	100,718	3,491,478
Total capital employed	<u>106,490</u>	<u>3,499,272</u>
Gearing ratio	<u>5.42%</u>	<u>0.22%</u>

Note 33

Transactions and Balances with Related Parties

The related parties of the Company are as follows:

Names of Related Parties	Relationship	Basis of relationship / (percentage shareholding or common directorship)	
LSE Ventures Limited	Holding Company	100%	
LSE Proptech Limited	Group Company	Group Company	
Modaraba Al Mali	Associate through Holding company	Associate through Holding company	
Mr. Zahid Latif Khan	Chairman/Independent Director	Director	0%
Mr. Ghulam Mustafa	Chief Executive Officer	Director	0%
Mr. Aftab Ahmad	Non-Executive Director	Director	0%
Mr. Ammar ul Haq	Non-Executive Director	Director	0%
Mr. Asif Baig Mirza	Non-Executive Director	Director	0%
Ms. Huma Ejaz	Independent Director	Director	0%
Mr. Khalid Waheed	Non-Executive Director	Director	0%
Mr. Muhammad Iqbal	Non-Executive Director	Director	0%
Mr. Iqbal Usman	Non-Executive Director	Director	0%
Mr. Rizwan Ejaz	Independent Director	Director	0%
Mr. Salman Majeed	Non-Executive Director	Director	0%
Mr. Shahnawaz Mahmood	Independent Director	Director	0%
Mr. Talib Rizvi	Non-Executive Director	Director	0%
Lahore Stock Exchange Limited - Employees' Provident Fund Trust	Post employment benefit		
MCF Trust Fund	Associate	Trusts managed by LSE	
IPF Trust Fund	Associate		
TCF Trust Fund	Associate		

Transactions during the year

		2023	2022
		Rupees in thousands	
LSE Ventures Limited	Shares purchased by the Company	(10,000)	-
	Reimbursement of accrued profit	(20,551)	-
	Funds received for investment in MTS	(316,526)	-
	Expenses paid on behalf of the Company	1,529	-
LSE Proptech Limited	Funds received for investment in MTS	42,000	-
	Funds paid	(42,000)	-
	Interest paid on investment in MTS	(1,779)	-
	Reimbursement of expenses - receivable	4,228	-
MCF Trust Fund	Fund and operational management fee received	2,401	2,162
IPF Trust Fund	Fund and operational management fee received	7,055	6,365
TCF Trust Fund	Fund and operational management fee received	10,064	10,022
Modaraba Al Mali	Expenses paid on behalf of company	(940)	-
	Dividend paid	-	(24,635)
	Bills receivable - billing	-	30
	Reimbursement of facilities - receipts	-	30
Employees' Provident Fund Trust	Contribution for the year	437	1,645

Balances outstanding as at,

Trade and Other Receivables - Considered good

- MCF Trust Fund	297	231
- IPF Trust Fund	903	690
- TCF Trust Fund	1,342	1,086
- Modaraba Al Mali	940	-
- Receivable from LSE Proptech Limited	4,228	-
- Receivable from LSE Ventures Limited	1,529	-

Trade and other payables

Payable to LSE Venture Limited	20,551	-
Loan from LSE Venutres Limited for MTS	316,525	-

Note 34

Remuneration of Chief Executive Officer, Directors and Executives

The aggregate amount charged in these accounts for the year for remuneration, including benefits to chief executive of the company is as follows:

	Chief Executive Officer		Directors		Executives		Total	
	2023	2022	2023	2022	2023	2022	2023	2022
Rupees in Thousand								
Managerial remuneration	7,920	3,375	-	-	2,940	2,790	10,860	6,165
Company's contribution to the provident fund trust	720	338	-	-	267	279	987	617
Housing and utilities	3,960	1,688	-	-	1,470	1,395	5,430	3,083
Meeting fees	-	-	4,730	2,250	-	-	4,730	2,250
Others	3,963	1,601	1,350	3,709	820	1,460	6,133	6,770
	16,563	7,002	6,080	5,959	5,497	5,924	28,140	18,885
Number of persons	1	1	10	7	2	1	13	9

34.1 Chief Executive is provided with the Company's maintained vehicle.

34.2 An executive is define as an employee, other than the chief executive officer and directors, whose basis salary exceeds Rs. 1.2 million in a financial year.

Note 35

No. of Employees

	2023	2022
Total number of employees at the year end	3	54
Average number of employees during the year	4	49

Note 36

Provident Fund Trust - Related Party

All investments out of provident fund have been made in accordance with the provisions of section 218 of the Companies Act, 2017 and the conditions specified thereunder.

Note 37

Authorization For Issue

These financial statements have been authorized for issue by the Board of Directors of the Company in its meeting held on

06-10-2023

Note 38

General

Comparative figures are re-arranged / reclassified, wherever necessary, to facilitate comparison. No re-arrangement has been made in these financial statements.


Chief Executive Officer


Chief Financial Officer


Director