



# NOTICE OF EXTRAORDINARY GENERAL MEETING

## SCHEME OF COMPROMISES, ARRANGEMENT AND RECONSTRUCTION FOR AMALGAMATION/MERGER OF

### PART-1 COMPLETE TRANSFER OF ASSETS AND UNDERTAKINGS

1. MODARABA AL-MALI (AND ITS MEMBERS)
2. LSE PROPTech LIMITED (AND ITS MEMBERS)

#### WITH AND INTO

3. LSE CAPITAL LIMITED (AND ITS MEMBERS)

### PART-2 PARTIAL TRANSFER OF DESIGNATED ASSETS

1. LSE CAPITAL LIMITED (AND ITS MEMBERS)

#### WITH AND INTO

2. LSE FINANCIAL SERVICES LIMITED (AND ITS MEMBERS)

(IN TERMS OF PROVISIONS OF SECTIONS 279 TO 283 AND ALL OTHER ENABLING PROVISIONS OF THE  
COMPANIES ACT, 2017)

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## CORPORATE INFORMATION

### LSE CAPITAL LIMITED

#### Board of Directors

1.	Mr. Usman Hassan	Chairman/ Independent
2.	Mr. Aftab Ahmad Ch.	Chief Executive Officer
3.	Mr. Siddique-ur Rehman Khurram	Non-Executive Director
4.	Ms. Aasiya Riaz	Independent Director
5.	Mr. Hussain Ozgen	Independent Director
6.	Mr. Hafiz Mudassir Alam	Non-Executive Director
7.	Mr. Muhammad Usman	Non-Executive Director
8.	Mr. Aoun Muhammad	Non-Executive Director

<b>Registered office</b>	-	Room No. 508, 19-LSE Plaza, Khayaban-e-Aiwan-Iqbal, Lahore.
<b>External Auditors</b>	-	Rafaqat Mansha Mohsin Dossani Masoom & Co., Chartered Accountants
<b>Legal Advisors</b>	-	Bawaney & Partners Mohsin Tayebaly & Co.-Advocate & Legal Consultants
<b>Listing Status</b>	-	Unlisted Public Limited Company

Compliance to the Listed Companies (Code of Corporate Governance) Regulations, 2019 regarding composition of Board of Directors, committees and other matters shall be made before listing of **LSECAP** at PSX.

## LSE FINANCIAL SERVICES LIMITED

### Board of Directors

1.	Mr. Zahid Latif Khan	Chairman/Independent Director
2.	Mr. Ghulam Mustafa	Chief Executive Officer
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

Fresh election under Section 162 of the Companies Act, 2017 was held on November 21, 2023 and following Board of Directors are elected (subject to the approval of SECP):

1	Mr. Aftab Ahmad	Non-Executive Director
2	Mr. Amir Zia	Non-Executive Director
3	Rana Naveed Ahmad	Non-Executive Director
4	Ms. Aasiya Riaz	Non-Executive Director
5	Mr. Muhammad Sajjad Hyder	Non-Executive Director
6	Mr. Muhammad Usman	Non-Executive Director
7	Mr. Adil Jahangir Syed	Non-Executive Director
8	Syed Jawwad Ahmad	Non-Executive Director
9	Mr. Gohar Rehman Mirza	Independent Director
10	Mr. Muhammad Iqbal	Independent Director / Chairman
11	Ms. Huma Ejaz	Independent Director
12	Mr. Ghulam Mustafa	Chief Executive Officer

Compliance to the Listed Companies (Code of Corporate Governance) Regulations, 2019 regarding composition of Board of Directors, committees and other matters shall be made before listing of **LSEFSL** at PSX.

<b>Registered office</b>	-	19-LSE Plaza, Khayaban-e-Aiwan-Iqbal, Lahore.
<b>External Auditors</b>	-	Crowe Hussain Chaudhury & Co., Chartered Accountants
<b>Legal Advisors</b>	-	Zafar Pervaiz, Advocate High Court
<b>Listing Status</b>	-	Unlisted Public Limited Company

## MODARABA AL-MALI

### Board of Directors

1.	Mr. Usman Hassan	Chairman/ Independent
2.	Mr. Aftab Ahmad Ch.	Chief Executive Officer
3.	Mr. Siddique-ur Rehman Khurram	Non-Executive Director
4.	Ms. Aasiya Riaz	Independent Director
5.	Mr. Hussain Ozgen	Independent Director
6.	Mr. Hafiz Mudassir Alam	Non-Executive Director
7.	Mr. Muhammad Usman	Non-Executive Director
8.	Mr. Aoun Muhammad	Non-Executive Director

<b>Registered office</b>	-	Room No. 508, 19-LSE Plaza, Khayaban-e-Aiwan-Iqbal, Lahore.
<b>External Auditors</b>	-	Kreston Hyderbhimji & Co., Chartered Accountants
<b>Legal Advisors</b>	-	Bawaney & Partners Mohsin Tayebaly & Co.-Advocate & Legal Consultants
<b>Shariah Advisor</b>	-	Mufti Zeeshan Abdul Aziz Al-Hikmah Shariah Advisory Services (Private) Limited
<b>Share Registrar</b>	-	F.D Registrar Services (Pvt.) Limited
<b>Listing Status</b>		Listed
<b>PSX Trading Symbol</b>		MODAM

## LSE PROPTech LIMITED

### Board of Directors

- |    |                            |                                   |
|----|----------------------------|-----------------------------------|
| 1. | Mr. Habib Ur Rehman Gilani | Chairman/ Independent Director    |
| 2. | Mr. Aftab Ahmad Chaudhry   | Chief Executive Officer /Director |
| 3. | Mr. Kashif Shabbir         | Independent Director              |
| 4. | Ms. Maleeha Mimi Bangash   | Independent Director              |
| 5. | Mr. Ghulam Mustafa         | Non-Executive Director            |
| 6. | Mr. Khalid Waheed          | Non-Executive Director            |
| 7. | Mr. Rizwan Ejaz            | Non-Executive Director            |

- |                           |   |  |
|---------------------------|---|--|
| <b>Registered office</b>  | - | 19-LSE Plaza, Khayaban-e-Aiwan-Iqbal, Lahore.        |
| <b>External Auditors</b>  | - | Crowe Hussain Chaudhury & Co., Chartered Accountants |
| <b>Legal Advisors</b>     | - | Zafar Pervaiz, Advocate High Court                   |
| <b>Share Registrar</b>    | - | CDC Share Registrar Services Limited                 |
| <b>Listing Status</b>     |   | Listed   |
| <b>PSX Trading Symbol</b> |   | LSEPL  |



## LSE CAPITAL LIMITED

### NOTICE OF EXTRAORDINARY GENERAL MEETING FOR APPROVAL OF SCHEME OF COMPROMISES, ARRANGEMENTS AND RECONSTRUCTION

**PART-1 - Complete Transfer of Assets and Undertakings**  
MODARABA AL-MALI (AND ITS MEMBERS) AND LSE PROPTech LIMITED (AND ITS MEMBERS) WITH AND INTO LSE CAPITAL LIMITED (AND ITS MEMBERS)

**PART-2 - Partial Transfer of Designated Assets**  
LSE CAPITAL LIMITED (AND ITS MEMBERS) WITH AND INTO LSE FINANCIAL SERVICES LIMITED (AND ITS MEMBERS)

In compliance with the order dated November 28, 2023 passed by the Honorable Lahore High Court, Lahore in Civil Original No. **78278/2023**, notice is hereby given that the Extra-ordinary General Meeting (EOGM) of the shareholders of **LSE Capital Limited (LSECAP)** will be held on **Tuesday, December 26, 2023** at **11:00 A.M.** at the registered office of the **LSE Capital Limited** i.e. LSE Plaza, 19-Khayaban-e-Aiwan-e-Iqbal, Lahore to consider and if deemed fit, adopt, agree and approve the Scheme of Compromises, Arrangements and Reconstruction ('the Scheme') of:

**PART-1 - Complete Transfer of Assets and Undertakings**  
MODARABA AL-MALI (AND ITS MEMBERS) AND LSE PROPTech LIMITED (AND ITS MEMBERS) WITH AND INTO LSE CAPITAL LIMITED (AND ITS MEMBERS)

**PART-2 - Partial Transfer of Designated Assets**  
LSE CAPITAL LIMITED (AND ITS MEMBERS) WITH AND INTO LSE FINANCIAL SERVICES LIMITED (AND ITS MEMBERS)  
and to pass the special resolution, with or without any modification, subject to the terms and conditions entailed in the Scheme.

The Board of Directors in its meeting held on **November 24, 2023** has approved the Scheme and has recommended the resolutions as outlined in the Statement of Information accompanying the Notice to the Members under Section 281(1)(A) / 134(3) of the Companies Act, 2017 to the Shareholders for their approval with or without amendment/alteration. The Board of Directors of the Company has passed the following resolution:

**RESOLVED THAT** the draft scheme of merger (as Part-1) of **LSE Proptech Limited** (& its Members) with and into the **LSE Capital Limited** in terms of the provisions of Sections 279 to 283 and all other enabling provisions of the Companies Act, 2017 be and is hereby approved.

**RESOLVED FURTHER THAT** the draft scheme of merger (as Part-1) of **Modaraba Al-Mali** (& its Members) with and into the **LSE Capital Limited** in terms of the provisions of Sections 279 to 283 and all other enabling provisions of the Companies Act, 2017 be and is hereby approved.



**RESOLVED FURTHER THAT** the draft scheme of merger (partially as Part-2) of **LSE Capital Limited** (& its Members) with and into the **LSE Financial Services Limited** in terms of the provisions of Sections 279 to 283 and all other enabling provisions of the Companies Act, 2017 be and is hereby approved.

**RESOLVED FURTHER THAT** the approval of draft scheme of merger (Part-1 and Part-2) is subject to the approval of Registrar Modaraba.

In compliance to the above order of the Honorable High Court, Notice is hereby given of an EOGM of the Company to be held at the date, time and place mentioned above.

**Mr. Hafeez Saeed Akhtar**  
Advocate Supreme Court  
Sayeed, Hafeez & Mirza  
Advocate & Legal Advisors  
19-Sir Ganga Ram Mansions  
The Mall, Lahore

**Syed Ali Rizvi**  
Advocate High Court  
Khosā & Rizvi  
Advocates and Legal Consultants  
Office 140-A, Ahmad Block  
New Garden Town, Lahore

**Date: December 2<sup>nd</sup>, 2023**

**Notes:**

1. The detailed explanatory statement accompanying the notice to the members is being sent along with the Notice of the Extra Ordinary General Meeting of the Company.
2. Copies of the Scheme, statement u/s 281 of the Companies Act, 2017 recent annual/quarterly accounts along with all published or otherwise required accounts of all previous periods of the above referred companies along with financial details on swap ratio, Memorandum and Articles of Association, requisite approvals and any other related information/ documents may also be inspected/ procured during the business hours on any working day at Registered Office of the Company from the date of publication of this Notice till the conclusion of the Extra-Ordinary General Meeting.

**Closure of Share Transfer Books**

The share transfer Books of the Company shall remain closed from **December 19, 2023 to December 26, 2023** (both days inclusive) for the purpose of attending Extraordinary General Meeting. Transfers received in order at the office of our **Company Secretary, LSE Plaza, 19-Khayaban-e-Aiwan-Iqbal, Lahore** at the close of business on **December 18, 2023** will be considered in time to attend the EOGM.

**Participation in the Extraordinary General Meeting (EOGM)**

In the light of COVID-19 situation in the Country, the Company has made the arrangement for the safety of the members attending the meeting physically. The relevant SOPs should be followed strictly. All members entitled to attend and vote at this Meeting may appoint another person as his/her proxy to attend, speak and vote for him / her. Proxies in order to be effective must be received at the Registered Office of the Company **not less than 48 hours before the time of holding the meeting**. The CDC





Accounts Holders will further have to follow the guidelines as laid down in Circular 1 dated January 26, 2000 issued by the Securities & Exchange Commission of Pakistan. Proxy form is available at the Company's website i.e., [www.lse.com.pk](http://www.lse.com.pk).

#### **For Attending the Meeting**

- a. In case of individuals, the account holder or sub-account holder and / or the person whose securities are in group account and their registration detail is uploaded as per the Regulations, shall authenticate their identity by showing his/ her original National Identity Card ("CNIC") or original passport at the time of attending the meeting.
- b. In case of corporate entity, Board of Directors' resolution/ power of attorney with specimen signature of the nominee shall be produced (unless provided earlier) at the time of the meeting.

#### **For Appointing Proxies**

- a) In case of individuals, the account holder or sub-account holder is and / or the person whose securities are in group account and their registration detail is uploaded as per the CDC Regulations, shall submit the proxy form as per the above requirement.
- b) The proxy form shall be witnessed by two persons whose names, addresses and CNIC numbers shall be mentioned on the form.
- c) Attested copies of the CNIC or passport of the beneficial owners and the proxy shall be furnished with the proxy form.
- d) The proxy shall produce his/her original CNIC or original passport at the time of the meeting.
- e) In case of corporate entities, board of directors' resolution/ power of attorney with specimen signature of the nominee shall be submitted (unless provided earlier) along with the proxy form to Company.

#### **Consent For Video Conference**

Pursuant to SECP's Circular No 10 dated 21 May 2014, if the Company receives consent from members holding in aggregate 10% or more shareholding residing at a geographical location, to participate in the meeting through video conference at least 10 days prior to the date of meeting, the Company will arrange video conference facility in that city subject to availability of such facility in that city. In this regard, please fill the following and submit to registered address of the Company at least 10 days before the date of EOGM.

I/We \_\_\_\_\_ of \_\_\_\_\_, being member(s) of LSE Capital Limited holder \_\_\_\_\_ Ordinary share(s) as per Register Folio No. \_\_\_\_\_ hereby opt for video conference facility at \_\_\_\_\_



## LSE FINANCIAL SERVICES LIMITED

### NOTICE OF EXTRAORDINARY GENERAL MEETING FOR APPROVAL OF SCHEME OF COMPROMISES, ARRANGEMENTS AND RECONSTRUCTION

**PART-1 - Complete Transfer of Assets and Undertakings**  
MODARABA AL-MALI (AND ITS MEMBERS) AND LSE PROPTech LIMITED (AND ITS MEMBERS) WITH AND INTO LSE CAPITAL LIMITED (AND ITS MEMBERS)

**PART-2 - Partial Transfer of Designated Assets**  
LSE CAPITAL LIMITED (AND ITS MEMBERS) WITH AND INTO LSE FINANCIAL SERVICES LIMITED (AND ITS MEMBERS)

In compliance with the order dated November 28, 2023 passed by the Honorable Lahore High Court, Lahore in Civil Original No. **78278/2023**, notice is hereby given that the Extra-ordinary General Meeting (EOGM) of the shareholders of **LSE Financial Services Limited (LSEFSL)** will be held on **Tuesday, December 26, 2023 at 11:15 A.M.** at the registered office of the **LSE Financial Services Limited** i.e. LSE Plaza, 19-Khayaban-e-Aiwan-e-Iqbal, Lahore to consider and if deemed fit, adopt, agree and approve the Scheme of Compromises, Arrangements and Reconstruction ('the Scheme') of:

**PART-1 - Complete Transfer of Assets and Undertakings**  
MODARABA AL-MALI (AND ITS MEMBERS) AND LSE PROPTech LIMITED (AND ITS MEMBERS) WITH AND INTO LSE CAPITAL LIMITED (AND ITS MEMBERS)

**PART-2 - Partial Transfer of Designated Assets**  
LSE CAPITAL LIMITED (AND ITS MEMBERS) WITH AND INTO LSE FINANCIAL SERVICES LIMITED (AND ITS MEMBERS)

and to pass the special resolution, with or without any modification, subject to the terms and conditions entailed in the Scheme.

The Board of Directors in its meeting held on **November 23, 2023** has approved the Scheme and has recommended the resolutions as outlined in the Statement of Information accompanying the Notice to the Members under Section 281(1)(A) / 134(3) of the Companies Act, 2017 to the Shareholders for their approval with or without amendment/alteration. The Board of Directors of the Company has passed the following resolution:

**RESOLVED THAT** the draft scheme of merger (as Part-1) of **LSE Proptech Limited** (& its Members) with and into the **LSE Capital Limited** in terms of the provisions of Sections 279 to 283 and all other enabling provisions of the Companies Act, 2017 be and is hereby approved.

**RESOLVED FURTHER THAT** the draft scheme of merger (as Part-1) of **Modaraba Al-Mali** (& its Members) with and into the **LSE Capital Limited** in terms of the provisions of Sections 279 to 283 and all other enabling provisions of the Companies Act, 2017 be and is hereby approved.

**RESOLVED FURTHER THAT** the draft scheme of merger (partially as Part-2) of **LSE Capital Limited** (& its Members) with and into the **LSE Financial Services Limited** in terms of the provisions of Sections 279 to 283 and all other enabling provisions of the Companies Act, 2017 be and is hereby approved.

**RESOLVED FURTHER THAT** the approval of draft scheme of merger (Part-1 and Part-2) is subject to the approval of Registrar Modaraba.

In compliance to the above order of the Honorable High Court, Notice is hereby given of an EOGM of the Company to be held at the date, time and place mentioned above.



**Mr. Hafeez Saeed Akhtar**  
Advocate Supreme Court  
Sayeed, Hafeez & Mirza  
Advocate & Legal Advisors  
19-Sir Ganga Ram Mansions  
The Mall, Lahore



**Syed Ali Rizvi**  
Advocate High Court  
Khosa & Rizvi  
Advocates and Legal Consultants  
Office 140-A, Ahmad Block  
New Garden Town, Lahore

**Date: December 2<sup>nd</sup>, 2023**

**Notes:**

3. The detailed explanatory statement accompanying the notice to the members is being sent along with the Notice of the Extra Ordinary General Meeting of the Company.
4. Copies of the Scheme, statement u/s 281 of the Companies Act, 2017 recent annual/quarterly accounts along with all published or otherwise required accounts of all previous periods of the above referred companies along with financial details on swap ratio, Memorandum and Articles of Association, requisite approvals and any other related information/ documents may also be inspected/ procured during the business hours on any working day at Registered Office of the Company from the date of publication of this Notice till the conclusion of the Extra-Ordinary General Meeting.

**Closure of Share Transfer Books**

The share transfer Books of the Company shall remain closed from **December 19, 2023 to December 26, 2023** (both days inclusive) for the purpose of attending Extraordinary General Meeting. Transfers received in order at the office of our **Company Secretary, LSE Plaza, 19-Khayaban-e-Aiwan-Iqbal, Lahore** at the close of business on **December 18, 2023** will be considered in time to attend the EOGM.

**Participation in the Extraordinary General Meeting (EOGM)**

In the light of COVID-19 situation in the Country, the Company has made the arrangement for the safety of the members attending the meeting physically. The relevant SOPs should be followed strictly. All members entitled to attend and vote at this Meeting may appoint another person as his/her proxy to attend, speak and vote for him / her. Proxies in order to be effective must be received at the Registered

Office of the Company **not less than 48 hours before the time of holding the meeting.** The CDC Accounts Holders will further have to follow the guidelines as laid down in Circular 1 dated January 26, 2000 issued by the Securities & Exchange Commission of Pakistan. Proxy form is available at the Company's website i.e., [www.lse.com.pk](http://www.lse.com.pk).

#### For Attending the Meeting

- a. In case of individuals, the account holder or sub-account holder and / or the person whose securities are in group account and their registration detail is uploaded as per the Regulations, shall authenticate their identity by showing his/ her original National Identity Card ("CNIC") or original passport at the time of attending the meeting.
- b. In case of corporate entity, Board of Directors' resolution/ power of attorney with specimen signature of the nominee shall be produced (unless provided earlier) at the time of the meeting.

#### For Appointing Proxies

- f) In case of individuals, the account holder or sub-account holder is and / or the person whose securities are in group account and their registration detail is uploaded as per the CDC Regulations, shall submit the proxy form as per the above requirement.
- g) The proxy form shall be witnessed by two persons whose names, addresses and CNIC numbers shall be mentioned on the form.
- h) Attested copies of the CNIC or passport of the beneficial owners and the proxy shall be furnished with the proxy form.
- i) The proxy shall produce his/her original CNIC or original passport at the time of the meeting.
- j) In case of corporate entities, board of directors' resolution/ power of attorney with specimen signature of the nominee shall be submitted (unless provided earlier) along with the proxy form to Company.

#### Consent For Video Conference

Pursuant to SECP's Circular No 10 dated 21 May 2014, if the Company receives consent from members holding in aggregate 10% or more shareholding residing at a geographical location, to participate in the meeting through video conference at least 10 days prior to the date of meeting, the Company will arrange video conference facility in that city subject to availability of such facility in that city. In this regard, please fill the following and submit to registered address of the Company at least 10 days before the date of EOGM.

I/We \_\_\_\_\_ of \_\_\_\_\_, being member(s) of **LSE Financial Services Limited** holder \_\_\_\_\_ Ordinary share(s) as per Register Folio No. \_\_\_\_\_ hereby opt for video conference facility at \_\_\_\_\_



## MODARABA AL-MALI (managed by LSE CAPITAL LIMIED)

### NOTICE OF EXTRAORDINARY GENERAL MEETING FOR APPROVAL OF SCHEME OF COMPROMISES, ARRANGEMENTS AND RECONSTRUCTION

**PART-1 - Complete Transfer of Assets and Undertakings**  
MODARABA AL-MALI (AND ITS MEMBERS) AND LSE PROPTech LIMITED (AND ITS MEMBERS) WITH AND INTO LSE CAPITAL LIMITED (AND ITS MEMBERS)

**PART-2 - Partial Transfer of Designated Assets**  
LSE CAPITAL LIMITED (AND ITS MEMBERS) WITH AND INTO LSE FINANCIAL SERVICES LIMITED (AND ITS MEMBERS)

In compliance with the order dated November 28, 2023 passed by the Honorable Lahore High Court, Lahore in Civil Original No. **78278/2023**, notice is hereby given that the Extra-ordinary General Meeting (EOGM) of the certificate-holders of **Modaraba Al-Mali (MODAM)** will be held on **Tuesday, December 26, 2023** at **11:30 A.M.** at the registered office of the **Modaraba Al-Mali (through LSE Capital Limited)** i.e. LSE Plaza, 19-Khayaban-e-Aiwan-e-Iqbal, Lahore to consider and if deemed fit, adopt, agree and approve the Scheme of Compromises, Arrangements and Reconstruction ('the Scheme') of:

**PART-1 - Complete Transfer of Assets and Undertakings**  
MODARABA AL-MALI (AND ITS MEMBERS) AND LSE PROPTech LIMITED (AND ITS MEMBERS) WITH AND INTO LSE CAPITAL LIMITED (AND ITS MEMBERS)

**PART-2 - Partial Transfer of Designated Assets**  
LSE CAPITAL LIMITED (AND ITS MEMBERS) WITH AND INTO LSE FINANCIAL SERVICES LIMITED (AND ITS MEMBERS)

and to pass the special resolution, with or without any modification, subject to the terms and conditions entailed in the Scheme.

The Board of Directors in its meeting held on **November 15, 2023** has approved the Scheme and has recommended the resolutions as outlined in the Statement of Information accompanying the Notice to the Members under Section 281(1)(A) / 134(3) of the Companies Act, 2017 to the Shareholders for their approval with or without amendment/alteration. The Board of Directors of the Company has passed the following resolution:

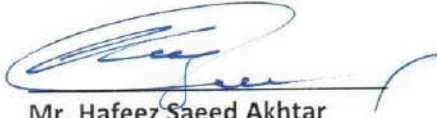
**RESOLVED THAT** the draft scheme of merger (as Part-1) of **LSE Proptech Limited** (& its Members) with and into the **LSE Capital Limited** in terms of the provisions of Sections 279 to 283 and all other enabling provisions of the Companies Act, 2017 be and is hereby approved.

**RESOLVED FURTHER THAT** the draft scheme of merger (as Part-1) of **Modaraba Al-Mali** (& its Members) with and into the **LSE Capital Limited** in terms of the provisions of Sections 279 to 283 and all other enabling provisions of the Companies Act, 2017 be and is hereby approved.

**RESOLVED FURTHER THAT** the draft scheme of merger (partially as Part-2) of LSE Capital Limited (& its Members) with and into the LSE Financial Services Limited in terms of the provisions of Sections 279 to 283 and all other enabling provisions of the Companies Act, 2017 be and is hereby approved.

**RESOLVED FURTHER THAT** the approval of draft scheme of merger (Part-1 and Part-2) is subject to the approval of Registrar Modaraba.

In compliance to the above order of the Honorable High Court, Notice is hereby given of an EOGM of the Company to be held at the date, time and place mentioned above.



**Mr. Hafeez Saeed Akhtar**  
Advocate Supreme Court  
Sayeed, Hafeez & Mirza  
Advocate & Legal Advisors  
19-Sir Ganga Ram Mansions  
The Mall, Lahore



**Syed Ali Rizvi**  
Advocate High Court  
Khosa & Rizvi  
Advocates and Legal Consultants  
Office 140-A, Ahmad Block  
New Garden Town, Lahore

**Date: December 2<sup>nd</sup>, 2023**

**Notes:**

5. The detailed explanatory statement accompanying the notice to the members is being sent along with the Notice of the Extra Ordinary General Meeting of the Company.
6. Copies of the Scheme, statement u/s 281 of the Companies Act, 2017 recent annual/quarterly accounts along with all published or otherwise required accounts of all previous periods of the above referred companies along with financial details on swap ratio, Memorandum and Articles of Association, requisite approvals and any other related information/ documents may also be inspected/ procured during the business hours on any working day at Registered Office of the Company from the date of publication of this Notice till the conclusion of the Extra-Ordinary General Meeting.

**Closure of Share Transfer Books**

The share transfer Books of the Company shall remain closed from **December 19, 2023 to December 26, 2023** (both days inclusive) for the purpose of attending Extraordinary General Meeting. Transfers received in order at the office of our **Company Secretary, LSE Plaza, 19-Khayaban-e-Aiwan-Iqbal, Lahore** at the close of business on **December 18, 2023** will be considered in time to attend the EOGM.

**Participation in the Extraordinary General Meeting (EOGM)**

In the light of COVID-19 situation in the Country, the Company has made the arrangement for the safety of the members attending the meeting physically. The relevant SOPs should be followed strictly. All members entitled to attend and vote at this Meeting may appoint another person as his/her proxy to attend, speak and vote for him / her. Proxies in order to be effective must be received at the Registered



Office of the Company **not less than 48 hours before the time of holding the meeting.** The CDC Accounts Holders will further have to follow the guidelines as laid down in Circular 1 dated January 26, 2000 issued by the Securities & Exchange Commission of Pakistan. Proxy form is available at the Company's website i.e., [www.lse.com.pk](http://www.lse.com.pk).

#### For Attending the Meeting

- a. In case of individuals, the account holder or sub-account holder and / or the person whose securities are in group account and their registration detail is uploaded as per the Regulations, shall authenticate their identity by showing his/ her original National Identity Card ("CNIC") or original passport at the time of attending the meeting.
- b. In case of corporate entity, Board of Directors' resolution/ power of attorney with specimen signature of the nominee shall be produced (unless provided earlier) at the time of the meeting.

#### For Appointing Proxies

- k) In case of individuals, the account holder or sub-account holder is and / or the person whose securities are in group account and their registration detail is uploaded as per the CDC Regulations, shall submit the proxy form as per the above requirement.
- l) The proxy form shall be witnessed by two persons whose names, addresses and CNIC numbers shall be mentioned on the form.
- m) Attested copies of the CNIC or passport of the beneficial owners and the proxy shall be furnished with the proxy form.
- n) The proxy shall produce his/her original CNIC or original passport at the time of the meeting.
- o) In case of corporate entities, board of directors' resolution/ power of attorney with specimen signature of the nominee shall be submitted (unless provided earlier) along with the proxy form to Company.

#### Consent For Video Conference

Pursuant to SECP's Circular No 10 dated 21 May 2014, if the Company receives consent from members holding in aggregate 10% or more shareholding residing at a geographical location, to participate in the meeting through video conference at least 10 days prior to the date of meeting, the Company will arrange video conference facility in that city subject to availability of such facility in that city. In this regard, please fill the following and submit to registered address of the Company at least 10 days before the date of EOGM.

I/We \_\_\_\_\_ of \_\_\_\_\_, being member(s) of **Modaraba Ali-Mali** holder \_\_\_\_\_ Ordinary share(s) as per Register Folio No. \_\_\_\_\_ hereby opt for video conference facility at \_\_\_\_\_



## LSE PROPTech LIMITED

### NOTICE OF EXTRAORDINARY GENERAL MEETING FOR APPROVAL OF SCHEME OF COMPROMISES, ARRANGEMENTS AND RECONSTRUCTION

#### **PART-1 - Complete Transfer of Assets and Undertakings**

MODARABA AL-MALI (AND ITS MEMBERS) **AND** LSE PROPTech LIMITED (AND ITS MEMBERS) **WITH AND INTO** LSE CAPITAL LIMITED (AND ITS MEMBERS)

#### **PART-2 - Partial Transfer of Designated Assets**

LSE CAPITAL LIMITED (AND ITS MEMBERS) **WITH AND INTO** LSE FINANCIAL SERVICES LIMITED (AND ITS MEMBERS)

In compliance with the order dated November 28, 2023 passed by the Honorable Lahore High Court, Lahore in Civil Original No. **78278/2023**, notice is hereby given that the Extra-ordinary General Meeting (EOGM) of the shareholders of **LSE Proptech Limited (LSEPL)** will be held on **Tuesday, December 26, 2023** at **12:00 Noon** at the registered office of the **LSE Proptech Limited** i.e. LSE Plaza, 19-Khayaban-e-Aiwan-e-Iqbal, Lahore to consider and if deemed fit, adopt, agree and approve the Scheme of Compromises, Arrangements and Reconstruction ('**the Scheme**') of:

#### **PART-1 - Complete Transfer of Assets and Undertakings**

MODARABA AL-MALI (AND ITS MEMBERS) **AND** LSE PROPTech LIMITED (AND ITS MEMBERS) **WITH AND INTO** LSE CAPITAL LIMITED (AND ITS MEMBERS)

#### **PART-2 - Partial Transfer of Designated Assets**

LSE CAPITAL LIMITED (AND ITS MEMBERS) **WITH AND INTO** LSE FINANCIAL SERVICES LIMITED (AND ITS MEMBERS)

and to pass the special resolution, with or without any modification, subject to the terms and conditions entailed in the Scheme.

The Board of Directors in its meeting held on **November 15, 2023** has approved the Scheme and has recommended the resolutions as outlined in the Statement of Information accompanying the Notice to the Members under Section 281(1)(A) / 134(3) of the Companies Act, 2017 to the Shareholders for their approval with or without amendment/alteration. The Board of Directors of the Company has passed the following resolution:

**RESOLVED THAT** the draft scheme of merger (as Part-1) of **LSE Proptech Limited** (& its Members) with and into the **LSE Capital Limited** in terms of the provisions of Sections 279 to 283 and all other enabling provisions of the Companies Act, 2017 be and is hereby approved.

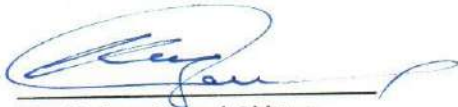
**RESOLVED FURTHER THAT** the draft scheme of merger (as Part-1) of **Modaraba Al-Mali** (& its Members) with and into the **LSE Capital Limited** in terms of the provisions of Sections 279 to 283 and all other enabling provisions of the Companies Act, 2017 be and is hereby approved.



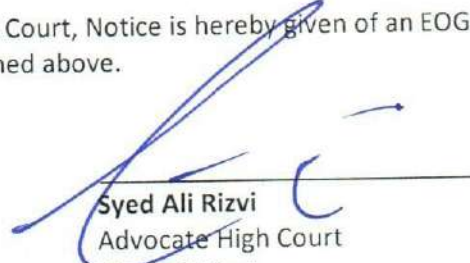
**RESOLVED FURTHER THAT** the draft scheme of merger (partially as Part-2) of **LSE Capital Limited** (& its Members) with and into the **LSE Financial Services Limited** in terms of the provisions of Sections 279 to 283 and all other enabling provisions of the Companies Act, 2017 be and is hereby approved.

**RESOLVED FURTHER THAT** the approval of draft scheme of merger (Part-1 and Part-2) is subject to the approval of Registrar Modaraba.

In compliance to the above order of the Honorable High Court, Notice is hereby given of an EOGM of the Company to be held at the date, time and place mentioned above.



**Mr. Hafeez Saeed Akhtar**  
Advocate Supreme Court  
Sayeed, Hafeez & Mirza  
Advocate & Legal Advisors  
19-Sir Ganga Ram Mansions  
The Mall, Lahore



**Syed Ali Rizvi**  
Advocate High Court  
Khosa & Rizvi  
Advocates and Legal Consultants  
Office 140-A, Ahmad Block  
New Garden Town, Lahore

**Date: December 2<sup>nd</sup>, 2023**

**Notes:**

7. The detailed explanatory statement accompanying the notice to the members is being sent along with the Notice of the Extra Ordinary General Meeting of the Company.
8. Copies of the Scheme, statement u/s 281 of the Companies Act, 2017 recent annual/quarterly accounts along with all published or otherwise required accounts of all previous periods of the above referred companies along with financial details on swap ratio, Memorandum and Articles of Association, requisite approvals and any other related information/ documents may also be inspected/ procured during the business hours on any working day at Registered Office of the Company from the date of publication of this Notice till the conclusion of the Extra-Ordinary General Meeting.

**Closure of Share Transfer Books**

The share transfer Books of the Company shall remain closed from **December 19, 2023 to December 26, 2023** (both days inclusive) for the purpose of attending Extraordinary General Meeting. Transfers received in order at the office of our **Company Secretary, LSE Plaza, 19-Khayaban-e-Aiwan-Iqbal, Lahore** at the close of business on **December 18, 2023** will be considered in time to attend the EOGM.

**Participation in the Extraordinary General Meeting (EOGM)**

In the light of COVID-19 situation in the Country, the Company has made the arrangement for the safety of the members attending the meeting physically. The relevant SOPs should be followed strictly. All members entitled to attend and vote at this Meeting may appoint another person as his/her proxy to

attend, speak and vote for him / her. Proxies in order to be effective must be received at the Registered Office of the Company **not less than 48 hours before the time of holding the meeting**. The CDC Accounts Holders will further have to follow the guidelines as laid down in Circular 1 dated January 26, 2000 issued by the Securities & Exchange Commission of Pakistan. Proxy form is available at the Company's website i.e., [www.lse.com.pk](http://www.lse.com.pk).

**For Attending the Meeting**

- a. In case of individuals, the account holder or sub-account holder and / or the person whose securities are in group account and their registration detail is uploaded as per the Regulations, shall authenticate their identity by showing his/ her original National Identity Card ("CNIC") or original passport at the time of attending the meeting.
- b. In case of corporate entity, Board of Directors' resolution/ power of attorney with specimen signature of the nominee shall be produced (unless provided earlier) at the time of the meeting.

**For Appointing Proxies**

- p) In case of individuals, the account holder or sub-account holder is and / or the person whose securities are in group account and their registration detail is uploaded as per the CDC Regulations, shall submit the proxy form as per the above requirement.
- q) The proxy form shall be witnessed by two persons whose names, addresses and CNIC numbers shall be mentioned on the form.
- r) Attested copies of the CNIC or passport of the beneficial owners and the proxy shall be furnished with the proxy form.
- s) The proxy shall produce his/her original CNIC or original passport at the time of the meeting.
- t) In case of corporate entities, board of directors' resolution/ power of attorney with specimen signature of the nominee shall be submitted (unless provided earlier) along with the proxy form to Company.

**Consent For Video Conference**

Pursuant to SECP's Circular No 10 dated 21 May 2014, if the Company receives consent from members holding in aggregate 10% or more shareholding residing at a geographical location, to participate in the meeting through video conference at least 10 days prior to the date of meeting, the Company will arrange video conference facility in that city subject to availability of such facility in that city. In this regard, please fill the following and submit to registered address of the Company at least 10 days before the date of EOGM.

I/We \_\_\_\_\_ of \_\_\_\_\_, being member(s) of **LSE Proptech Limited** holder \_\_\_\_\_ Ordinary share(s) as per Register Folio No. \_\_\_\_\_ hereby opt for video conference facility at \_\_\_\_\_

**STATEMENT OF INFORMATION**  
**ACCOMPANYING NOTICE TO THE MEMBERS**  
 UNDER SECTION 281(1)(a) / 134(3) OF THE COMPANIES ACT, 2017

**Background**

**LSE CAPITAL LIMITED (LSECAP)**, is the Modaraba Company and its principal object is to initiate, sponsor, promote, float, organize, manage, administer and operate modaraba companies, modaraba funds and modaraba of all type and descriptions, mutual funds, unit trust and other similar concerns either in syndicates or otherwise. Currently **LSECAP** is Modaraba Company of Modaraba Al-Mali. Currently **LSECAP** holds the following licenses/ registrations/approvals:

Sr. no.	Type of Licenses/Approvals	From
1 -	Registration as a modaraba company under the Modaraba Companies and Modaraba (Floatation and Control) Ordinance, 1980	Securities and Exchange Commission of Pakistan
2 -	License as a consultant to the issue under the Public Offering (Regulated Securities Activities Licensing) Regulations, 2017	Securities and Exchange Commission of Pakistan
3 -	Floated and Listed Modaraba Al-Mali	Securities and Exchange Commission of Pakistan
4 -	Permission (with periodical extensions in the time) for the floatation of following Modarabas: 1. Modaraba Al-Istathmar 2. Modaraba Al-Makatib 3. Modaraba Al-Tameer	Securities and Exchange Commission of Pakistan

**LSE PROPTech LIMITED (LSEPL)** was incorporated under the Companies Act, 2017 with the principal business to develop, import, market, construct and maintain and offer software services for efficient real estate management and to provide online/e-commerce market places/networked warehouses and smart architectural, maintenance, safety, security and assurance solutions and eco-systems for Internet of Things (IoT) for buildings, shared grids and data centers and insulated construction methodologies, and to provide digital platform for information, analytics, data for real estate management and to buy, sell, export, import of software, hardware and establishment of incidental infrastructural facilities, subject to the permission of the relevant authorities, wherever required. The Corporate Unique Identification (CUIN) of **LSEPL** is **020194** and the date of incorporation is May 11, 2022. The company's shares were listed on PSX under an earlier scheme having been sanctioned by the honorable Lahore High Court accomplished through Scheme of Compromises, Arrangement and Reconstruction under Section 279 to 283 of the Companies Act, 2017.

**MODARABA AL-MALI (MODAM)** is a multipurpose and perpetual Modaraba floated in Pakistan on July 8, 1987, under the Modaraba Companies and Modaraba (Floatation and Control) Ordinance, 1980 ("Modaraba Ordinance, 1980"), and Modaraba Companies and Modaraba Rules, 1981 ("Modaraba Rules, 1981"). The Modaraba is being managed by LSE Capital Limited (the "**Modaraba Company**"), a company

registered under the repealed Companies Ordinance, 1984 (now Companies Act, 2017). The Modaraba is listed on the Pakistan Stock Exchange Limited. The registered office of the Modaraba is relocated to 505, 5th Floor, LSE Plaza, Kashmir-Edgerton Road, Lahore, in the province of Punjab. Upon transfer to the new management, Modaraba's focus has been changed from conventional Islamic financing modaraba to undertaking Islamic venture capital, private equity and corporate & financial restructuring /rehabilitation transactions of potentially viable companies through resource mobilization.

**LSE FINANCIAL SERVICES LIMITED (LSEFSL)** 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 limited company by shares under “Stock Exchange (Corporatization, Demutualization and Integration) Act, 2012 on August 27, 2012. The Securities Exchange and Commission of Pakistan (SECP) vide its notification dated August 25, 2015 directed integration of stock exchanges in the Country. Consequent to the approved scheme of integration of stock exchanges, the Company ceased its stock exchange operations on January 11, 2016, and was granted a license of “investment finance services” under the Non-Banking Finance Companies (Establishment and Regulation) Rules, 2003 (and related regulations under the Non-Banking Finance Companies and Notified Entities Regulations, 2008) to operate as an investment finance services company under the name of “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, Sukuks, bonds, debentures, commercial papers and other securities.

**LSE Financial Services Limited** was demerged into LSE Ventures Limited and LSE Proptech Limited through Scheme of Compromises, Arrangement and Reconstruction under Section 279 to 283 of the Companies Act, 2017 sanctioned by the honorable Lahore High Court. **LSEFSL** is continued under license of “investment finance services” within NBFC Rules and Regulations. Under the “investment finance service” license, **LSEFSL** has to operate within the ambit defined by the Non-Banking Finance Companies (Establishment and Regulation) Rules, 2003 (and related regulations under the Non-Banking Finance Companies and Notified Entities Regulations, 2008) that generally includes provision of finance, loans, guarantee, financial accommodation etc. Further, the license is also valid for undertaking leasing, housing finance services and discounting services without the requirement of obtaining separate licenses for each form of business under the NBFC rules and regulations. **LSEFSL** operates under the ambit of NBFC Rules and Regulations, and holds the license of investment finance services (IFS). Moreover, **LSEFSL** is continued to comply within the restrictions and requisite requirements placed by Integration Order 1/2016 by the Commission under Stock Exchange (Corporatization, Demutualization and Integration) Act, 2012. However, status of NBFC can be changed, if approved by the shareholder/member through special resolution in the general meeting.

## Objective of the Scheme

1. Book value of **MODAM** per certificate is Rs. 14.04 whereas its market value is Rs. 3.65 per certificate (as on November 13, 2023). Likewise, Book value of **LSEPL** per share is **Rs. 19.37** whereas its market value is **Rs. 3.34** per share (as on November 13, 2023) i.e. shares (and certificates) of **LSEPL** and **MODAM** are undervalued.
2. Modaraba certificates are non-voting and trading volumes of Modaraba sector remains sluggish due to lack of interest from the investors/public and tax exemption available to Modaraba sector is already withdrawn by the Federal government.
3. Shariah Compliance can be made to the companies registered under Companies Act, 2017 i.e. **LSECAP** being Modaraba Company is Shariah Compliant.
4. Operational and administrative synergies will be available if operations of **MODAM**, **LSEPL** and **LSECAP** are combined whereas, **LSEPL** has limited revenue sources mainly derived from short term rental income and facility management fee. Combining the operations of **LSEPL**, **MODAM** with **LSECAP** will diversify the income stream and also provide the operational synergies as a whole.
5. Upon the completion of merger / amalgamation through the intended Scheme, the **MODAM** and **LSEPL** will be dissolved under the Order of the Honorable Lahore High Court, Lahore without winding up, and the issuance of shares of **LSECAP** to the registered members/shareholders /certificate-holders of **MODAM** and **LSEPL** respectively.
6. Registration as a Modaraba Company shall remain with the **LSECAP**. Requisite changes in the Memorandum of Association of **LSECAP** shall be made to accommodate the undertaking and business of **MODAM** and **LSEPL** (as transferors) that will be transferred to **LSECAP** (as transferee).
7. Listing status of **MODAM** shall be transferred to **LSEFSL**.
8. Listing status of **LSEPL** shall be transferred to **LSECAP**.
9. Designated assets (Schedule – 3) shall be transferred to **LSEFSL** (as a transferee) by **LSECAP** (as a transferor) against additional share capital of **LSEFSL**.

## Benefits of the Scheme

- a. **LSECAP** shall be listed on PSX by virtue of merger of **LSEPL** (as a transferor) with and into **LSECAP** (as a transferees).
- b. **LSECAP** will get shares of **LSEFSL**.
- c. Shareholders of **LSECAP** will get shares of **LSEFSL**.
- d. Shares of Digital Custodian Company Limited (owned by **LSECAP**) will be transferred (partially) to **LSEFSL** under the Scheme.
- e. Operational and strategic synergies will be available to **LSECAP** if all operations (of **LSEPL**, **MODAM** and **LSECAP**) are combined in terms of costs, efficiency and fund raising, if required.
- f. The proposed merger will provide a broader shareholders' base which will be conducive in further fund raising, if required, from the capital market.
- g. Certificate-holders of **MODAM** will get shares of **LSECAP** (as per SWAP ratio) which will carry pari-passu rights (including voting rights).
- h. It is expected that trading volumes (at PSX) will be improved after the proposed merger which will provide liquidity and tradability to the shareholders/investors.

- i. Modaraba Certificate-holders of **MODAM** will get shares of **LSEFSL** under the Scheme.
- j. The combined value (based on book value) of **LSECAP** shares that are being given to **MODAM**'s shareholders under the SWAP ratio is in excess of the current market value of **MODAM**'s shares. Thus, the certificate-holders of **MODAM** shall gain from the merger transaction.
- k. **LSEFSL** shall be listed on PSX by virtue of merger of **MODAM**'s listing status (as a transferor) with and into **LSEFSL** (as a transferee).
- l. **LSEFSL** will get Shares of **LSECAP** (as an additional share capital).
- m. The proposed merger and listing status will provide broad shareholders' base (for **LSECAP** and **LSEFSL**) which will be conducive in fund raising, if required, from the capital market.
- n. **LSEFSL** shall continue to operate under the ambit of NBFC Rules and Regulations, and will continue to hold the license of investment finance services (IFS). Moreover, **LSEFSL** is continued to comply within the restrictions and requisite requirements placed by Integration Order 1/2016 by the Commission under Stock Exchange (Corporatization, Demutualization and Integration) Act, 2012.
- o. It is expected that trading volumes (at PSX) will be improved after the proposed merger which will provide liquidity and tradability to the shareholders/investors.

**SPECIAL BUSINESS**

**Proposed Resolutions as an integral part of Scheme of Compromises, Arrangement and Reconstruction for Amalgamation/Merger ('the Scheme') to be adopted by the Shareholders/Certificate-holders:**

Agenda item – 1 : and the specific resolution required to be approved by the Shareholders	Type of resolution to be passed
<p><b>RESOLVED THAT</b> the draft scheme of merger (as Part-1) of <b>LSE PropTech Limited</b> (&amp; its Members) with and into the <b>LSE Capital Limited</b> in terms of the provisions of Sections 279 to 283 and all other enabling provisions of the Companies Act, 2017 be and is hereby approved.</p>	<p>Special Resolution / Under Section 279 and all other enabling provisions of Companies Act, 2017</p>
<p><b>RESOLVED FURTHER THAT</b> the draft scheme of merger (as Part-1) of <b>Modaraba Al-Mali</b> (&amp; its Members) with and into the <b>LSE Capital Limited</b> in terms of the provisions of Sections 279 to 283 and all other enabling provisions of the Companies Act, 2017 be and is hereby approved.</p>	
<p><b>RESOLVED FURTHER THAT</b> the draft scheme of merger (partially as Part-2) of <b>LSE Capital Limited</b> (&amp; its Members) with and into the <b>LSE Financial Services Limited</b> in terms of the provisions of Sections 279 to 283 and all other enabling provisions of the Companies Act, 2017 be and is hereby approved.</p>	
<p><b>RESOLVED FURTHER THAT</b> the approval of draft scheme of merger (Part-1 and Part-2) is subject to the approval of Registrar Modaraba.</p>	
<p>In terms of provisions of Sections 279 to 283 and all other enabling provisions of the Companies Act, 2017, and, for this purpose, pass the resolutions, as</p>	

<p>special resolutions (as attached in the Statement of Information, accompanying Notice to the Members under Section 281(1)(a) / 134(3) of the Companies Act, 2017) , with or without modification(s), addition(s) or deletion(s), and to approve the consequent alterations in the Memorandum and Articles of Association of the Company, subject to requisite approvals, if any;</p>	
<p><b>RESOLVED FURTHER THAT</b> Chief Executive or the Company Secretary of the <b>LSE Capital Limited</b>, be and is hereby singly authorized to sign, submit or present necessary applications, petitions, supplementary applications/petitions, summons, deeds, documents, instruments, rejoinders, replies, and to swear affidavits or execute bonds for the above-mentioned amalgamation/ merger to the competent authorities including but not limited to honorable Lahore High Court, Securities and Exchange Commission of Pakistan, Competition Commission of Pakistan.”</p>	<p>Special Resolution / Under Section 279 and all other enabling provisions of Companies Act, 2017</p>

Notes:

1. The resolutions are meant for enabling actions under Sections 279 to 283 of the Companies Act, 2017 and the Rule Book of Pakistan Stock Exchange Limited.
2. The above resolutions may be passed by the shareholders in their absolute discretion, with or without modification(s), addition(s) or deletion(s), if any.

**AGENDA ITEM NO. 1 – SCHEME OF ARRANGEMENT**

**Proposed Resolutions**

1. **RESOLVED THAT** pursuant to the provisions of Section 279 to 283 of the Companies, Act, 2017 and other applicable provisions, if any, and subject to the approval of Registrar Modaraba and the Honorable Lahore High Court, the proposed merger (Part-1) of **LSE PropTech Limited** (‘Transferor Company’) with and into **LSE Capital Limited** (‘Transferee Company’) along with the draft Scheme of Amalgamation/ Merger/ as placed before the shareholders, be and are hereby approved.
2. **RESOLVED THAT** pursuant to the provisions of Section 279 to 283 of the Companies, Act, 2017 and other applicable provisions, if any, and subject to the approval of Registrar Modaraba and the Honorable Lahore High Court, the proposed merger (Part-1) of **Modaraba Al-Mali** (‘Transferor Company’) with and into **LSE Capital Limited** (‘Transferee Company’) along with the draft Scheme of Amalgamation/ Merger/ as placed before the shareholders/ certificate-holders, be and are hereby approved.
3. **RESOLVED THAT** pursuant to the provisions of Section 279 to 283 of the Companies, Act, 2017 and other applicable provisions, if any, and subject to the approval of Registrar Modaraba and the Honorable Lahore High Court, the proposed partial merger (Part-2) of **LSE Capital Limited** (‘Transferor Company’) with and into **LSE Financial Services Limited** (‘Transferee Company’) along with the draft Scheme of Amalgamation/ Merger/ as placed before the shareholders, be and are hereby approved.
4. **RESOLVED FURTHER THAT** approval be and is hereby accorded to implement the Scheme and accordingly application/petition shall be filed with the Securities and Exchange Commission of Pakistan, honorable Lahore High Court, Pakistan Stock Exchange Limited and any other competent authority(ies).

5. **RESOLVED FURTHER THAT** the approval of the shareholders and Modaraba certificate-holders, be and is hereby granted to the terms and conditions as set out in the draft Scheme of Amalgamation/ Merger, which includes, inter-alia, the following:
- a) That all asset and liabilities including Income Tax and all other statutory liabilities of the Transferor Company (**LSE Proptech Limited**) will be transferred to and vest in the Transferee Company i.e. **LSE Capital Limited** (as described in Schedule – 1 of the Scheme);
  - b) That all asset and liabilities including Income Tax and all other statutory liabilities of the Transferor Company (**Modaraba Al-Mali**) will be transferred to and vest in the Transferee Company i.e. **LSE Capital Limited** (as described in Schedule – 2 of the Scheme);
  - c) That designated asset and liabilities including Income Tax and all other designated statutory liabilities of the Transferor Company (**LSE Capital Limited**) will be transferred to and vest in the Transferee Company i.e. **LSE Financial Services Limited** (as described in Schedule – 3 of the Scheme);
  - d) That all the employees of the Transferor Company (i.e. **LSE Proptech Limited**) , if any, in service on the date immediately preceding the date on which Scheme finally takes effect i.e. the Effective Date, shall become the employees of the Transferee Company i.e. **LSE Capital Limited** (as described in Schedule – 6 of the Scheme) on such date without any break or interruption in service and upon terms and conditions not less favorable than those subsisting in the concerned Transferor Company on the said date;
  - e) That all the employees of the Transferor Company (i.e. **Modaraba Al-Mali**) , if any, in service on the date immediately preceding the date on which Scheme finally takes effect i.e. the Effective Date, shall become the employees of the Transferee Company i.e. **LSE Capital Limited** (as described in Schedule – 6 of the Scheme) on such date without any break or interruption in service and upon terms and conditions not less favorable than those subsisting in the concerned Transferor Company on the said date;
  - f) No transfer of employee shall be made from **LSE Capital Limited** (as Transferor Company) to **LSE Financial Services Limited** (as Transferee Company);
  - g) That the Scheme of Amalgamation / Merger shall be effective from **Effective Date**, the provisions of the Scheme, so far as they relate to transfer and vesting of the business and undertaking(s) of the Transferor Company(ies) (as described in Schedule – 1, Schedule – 2 and Schedule - 3 of the Scheme) into the Transferee Company(ies), shall be applicable and come into operation from the Sanction Date or such other date as the Honorable Lahore High Court may approve;
  - h) That the **LSE Capital Limited** shall allot shares to the shareholders of the **LSE Proptech Limited** in accordance to the **SWAP Ratio** as per the Valuation Report given by the **Kreston Hyderbhimji & Co., Chartered Accountants** (or any other renowned practicing-chartered accounting firm), as tabled before the meeting and taken note of; and
  - i) That the **LSE Capital Limited** shall allot shares to the certificate-holders of the **Modaraba Al-Mali** in accordance to the **SWAP Ratio** as per the Valuation Report given by the **Kreston Hyderbhimji & Co., Chartered Accountants** (or any other renowned practicing-chartered accounting firm), as tabled before the meeting and taken note of; and
  - j) That the **LSE Financial Services Limited** shall allot shares to the shareholders of the **LSE Capital Limited**, to the certificate-holders of **Modaraba Al-Mali** and to the **LSE Capital Limited** in accordance to the **SWAP Ratio** as per the Valuation Report given by the **Kreston Hyderbhimji & Co., Chartered Accountants** (or any other renowned practicing-chartered accounting firm), as tabled before the meeting and taken note of; and
  - k) That **LSE Capital Limited** shall allot shares to **LSE Financial Services Limited** in accordance to the Scheme.



- l) That the distribution of shares of **LSE Proptech Limited** owned by **Modaraba Al-Mali** to be distributed to the certificate-holders of **Modaraba Al-Mali**.
- m) That the distribution of certificates of **Modaraba Al-Mali** owned by **LSE Capital Limited** to be made to the shareholders of **LSE Capital Limited**.
- n) That the listing status of the **LSE Proptech Limited (LSEPL)** with the Pakistan Stock Exchange Limited (PSX) and eligibility status (of **LSEPL**) with Central Depository Company of Pakistan Limited (CDC) along with all privileges, rights and liabilities of the Transferor Company with PSX and CDC shall be transferred in the names of the **LSE Capital Limited** (as described in the Scheme).
- o) That the listing status of the **Modaraba Al-Mali (MODAM)** with the Pakistan Stock Exchange Limited (PSX) and eligibility status (of **MODAM**) with Central Depository Company of Pakistan Limited (CDC) along with all privileges, rights and liabilities of the Transferor Company with PSX and CDC shall be transferred in the names of the **LSE Financial Services Limited** (as described in the Scheme).
- p) Effective date of the Scheme is **June 30, 2023** or any other date which is determined by the honorable Lahore High Court. However, this will not affect the SWAP ratio determined in the Scheme. Any difference, if any, will be adjusted either in goodwill or merger reserves, as the case may be. Moreover, actual transfer will be effectuated on sanctioned date, when the Scheme shall become the operative (as defined in Article – 3 of the Scheme). No further approval shall be required from the shareholders of the Company.
- q) SWAP ratio will not be changed unless directed (and accepted by the Company) by the honorable Lahore High Court or the Securities and Exchange Commission of Pakistan, as the case may be. Any difference, if any, will be adjusted either in goodwill or merger reserves, as the case may be. No further approval shall be required from the shareholders of the Company.
6. **RESOLVED FURTHER THAT** pursuant to the provision of Section 279 to 283 of the Companies, Act, 2017 and other applicable provisions, necessary joint/separate application(s), petition(s) and may be moved by the Chief Executive Officer or the Company Secretary of **LSE Capital Limited** singly before the Honorable Lahore High Court, for seeking its directions as to convening, holding and conducting of any meeting(s) of the shareholders and creditors (if any) or dispensation thereof, as the case may be, including for the appointment of Chairman, issuance and dispatch of notices and placement of advertisements and for seeking any other directions as the Honorable Lahore High Court may deem fit and proper and for seeking the approval of the proposed amalgamation/ merger and the proposed Scheme of Amalgamation / Merger.”
7. **RESOLVED FURTHER THAT** approval be and is hereby given to the Board of Directors of **LSE Proptech Limited** and **LSE Capital Limited** to amend the swap ratio, if advised or directed by the Securities and Exchange Commission of Pakistan or honorable Lahore High Court, as the case may be, for the issuance of shares of **LSE Capital Limited** to the shareholders of the **LSE Proptech Limited**.
8. **RESOLVED FURTHER THAT** approval be and is hereby given to the Board of Directors of **Modaraba Al-Mali** and **LSE Capital Limited** to amend the swap ratio, if advised or directed by the Securities and Exchange Commission of Pakistan or honorable Lahore High Court, as the case may be, for the issuance of shares of **LSE Capital Limited** to the shareholders of the **LSE Proptech Limited**.
9. **RESOLVED FURTHER THAT** approval be and is hereby given to the Board of Directors of **LSE Capital Limited** and LSE Financial Services to amend the swap ratio, if advised or directed by the Securities and Exchange Commission of Pakistan or honorable Lahore High Court, as the case may be, for the

issuance of shares of **LSE Financial Services Limited** to the shareholders of the **LSE Capital Limited** and to the **LSE Capital Limited**.

10. **RESOLVED FURTHER THAT** approval be and is hereby given to the Board of Directors of LSE Financial Services and **LSE Capital Limited** to amend the swap ratio, if advised or directed by the Securities and Exchange Commission of Pakistan or honorable Lahore High Court, as the case may be, for the issuance of shares of **LSE Capital Limited** to the **LSE Financial Services Limited**.
11. **RESOLVED FURTHER THAT** the shareholders, be and hereby authorize singly the Chief Executive or the Company Secretary of the Company (i.e. respective company/ corporate undertaking), to undertake and implement all relevant steps/actions, required to be completed, as a consequence of the approval of the above special resolutions.
12. **RESOLVED FURTHER THAT** the Chief Executive Officer or the Company Secretary of the **LSE Capital Limited**, be and are hereby singly authorized to submit the certified true copies of the resolutions passed by the shareholders of the Company (i.e. respective company/ corporate undertaking) to the Honorable Lahore High Court, the Registrar of Companies, the Securities and Exchange Commission of Pakistan, Pakistan Stock Exchange Limited and such other competent authorities, if necessary.”
13. **RESOLVED FURTHER THAT** the Chief Executive Officer, or the Company Secretary of the **LSE Capital Limited**, be and are hereby singly authorized:
  - a) To sign, submit or present necessary applications, petitions, supplementary applications/petitions, summons, deeds, documents, instruments, rejoinders, replies, and to swear affidavits or execute bonds for the above-mentioned amalgamation/ merger;
  - b) To engage any counsel(s)/advocate(s)/consultant(s) to file the application(s) and petition(s) before the Honorable Lahore High Court, and to do other needful tasks;
  - c) To appear [in person or through representative(s)] before the Honorable Lahore High Court; the Offices of the Registrar of the Companies; the Securities and Exchange Commission of Pakistan; Pakistan Stock Exchange Limited and/or before any other authority or person in connection with the aforesaid amalgamation/merger; and
  - d) To do any other act, deed or thing which may be ancillary or incidental to the above-mentioned matter or which may otherwise be required for the aforesaid purpose.

## Summary of the Scheme

		Before Scheme				After Scheme	
		LSEPL	MODAM	LSECAP	LSEFSL	LSECAP	LSEFSL
Authorized Shares	Nos.	150,000,000	92,000,000	25,000,000	52,000,000	200,000,000	119,000,000
Shares Outstanding	Nos.	90,090,731	90,816,915	21,000,000	10,000,000	181,153,345	35,677,578
Book Value	Rs/Share	19.37	14.04	14.08	10.07	15.14	10.90

### SWAP Ratio

**No. of Shares of LSECAP against 100 shares of LSEPL** **83.00**

**No. of Shares of LSECAP against 100 Modaraba certificates of MODAM** **83.00**

#### Distribution Ratio :

No. of Shares of LSEFSL against 1,000 shares of LSECAP 941.51

No. of Shares of LSEFSL against 1,000 Modaraba certificates of MODAM 65.03

#### Other Distribution :

No of shares of LSEPL against 1,000 Modaraba certificates of MODAM **181.35**

i.e. total 16,469,434 shares of LSEPL shall be distributed to the certificate-holders of MODAM

No of Modaraba certificates of MODAM against 1,000 shares of LSECAP **737.94**

i.e. total 15,496,673 Modaraba certificates of MODAM shall be distributed to the shareholders of LSECAP

#### LSE Financial Services Limited

No. of shares of Digital Custodian Company Limited to be given to LSEFSL by LSECAP 18,817,917

No. of shares of LSECAP to be given to LSEFSL as an additional capital by LSECAP 10,000,000

No. of shares of LSEFSL to be given to the certificate-holders of MODAM by LSEFSL 4,898,091

No. of shares of LSEFSL to be given to the shareholders of LSECAP by LSEFSL 20,779,487

## FINANCIAL STATEMENTS

- |                                   |                             |
|-----------------------------------|-----------------------------|
| 1. LSE Capital Limited            | Audited Financials Attached |
| 2. LSE Proptech Limited           | Audited Financials Attached |
| 3. LSE Financial Services Limited | Audited Financials Attached |
| 4. Modaraba Al-Mali               | Audited Financials Attached |

## SCHEME OF COMPROMISES, ARRANGEMENT AND RECONSTRUCTION

As attached

(Including SWAP ratio certificate from Kreston Hyder Bhimji & Co., Chartered Accountants)

## BALLOT PAPER FOR VOTING THROUGH POST

**at the Extra-Ordinary General Meeting of \_\_\_\_\_ to be held on Tuesday, December 26, 2023, at \_\_\_\_\_, at the Registered Office of the Company, in the Auditorium of LSE Plaza, 19-Khayaban-e-Aiwan-e-Iqbal, Lahore.**

Contact Details of the Co-Chairmen, appointed by the honorable Lahore High Court, Lahore at which the duly filled in ballot paper may be sent:

Business Address: The Co-Chairmen  
C/o Company Secretary, LSE Capital Limited, LSE  
Plaza, 19-Khayaban-e-Aiwan-e-Iqbal, Lahore

Designated email address: info@lse.com.pk

Name of shareholder/joint Shareholders	
Registered Address	
Number of shares held and folio number	
CNIC Number (copy to be attached)	

Additional Information and enclosures (In case of representative of body corporate, corporation and Federal Government.)	
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I/we hereby exercise my/our vote in respect of the following resolutions through postal ballot by conveying my/our assent or dissent to the following resolution by placing tick (v) mark in the appropriate box below (delete as appropriate);

Sr. No.	Nature and Description of resolutions	No. of ordinary shares for which votes cast	I/We assent to the Resolutions (FOR)	I/We dissent to the Resolutions (AGAINST)
1	Circulation/transmission of Annual Audited Financial Statements through QR enabled Code and web-link.			
2	Placement of Quarterly Accounts of the Company at its website, instead of circulating the same by post to the members.			

Signature of shareholder(s)      Place:      Date:

**NOTES:**

1. Dully filled postal ballot should be sent to Chairman at above mentioned postal or email address.
2. Copy of CNIC should be enclosed with the postal ballot form.
3. Postal ballot forms should reach chairman of the meeting on or before December 25, 2023. Any postal ballot received after this date, will not be considered for voting.
4. Signature on postal ballot should match with signature on CNIC.
5. Incomplete, unsigned, incorrect, defaced, torn, mutilated, over written ballot paper will be rejected.
6. Company shall draft ballot paper whereby explicit information, terms and conditions and choice of selection is provided and ensure that no confusion arise for voters that may defeat the objective of voting.



**AUTHORIZATION FOR CORPORATE MEMBER  
(ON THE LETTERHEAD OF THE COMPANY)**

Date: \_\_\_\_\_  
The Secretary  
\_\_\_\_\_ Limited.  
Lahore.

**Sub: Authorization to attend the EOGM of the Company on behalf of Body Corporate (Member) of the Company.**

Dear Sir,

Please be informed that Mr./Mrs./Ms. \_\_\_\_\_, S/o W/o D/o \_\_\_\_\_, holder of CNIC No. \_\_\_\_\_, has been duly authorized by the Board of Directors of our company vide resolution dated \_\_\_\_\_ to participate and vote on resolutions included in the agenda of the notice of EOGM of \_\_\_\_\_ scheduled for **December 26, 2023** or at any date adjourned/rescheduled thereof. Resolution of the Board dated \_\_\_\_\_ in original duly signed and stamped is attached herewith for reference and record.

Yours truly,

\_\_\_\_\_  
Authorized Signatory

\_\_\_\_\_  
Seal of the Company

.....

**SPECIMEN RESOLUTION  
(ON THE LETTERHEAD OF THE COMPANY)**

The following resolution has been passed by the Board of Directors of (Name of the Company) in its meeting held on \_\_\_\_\_, at \_\_\_\_\_.

Resolved that Mr./Mrs./Ms. \_\_\_\_\_, S/o W/o D/o \_\_\_\_\_, be and is hereby authorized on behalf of the Company to participate and vote for resolutions included in the agenda of the notice of EOGM of \_\_\_\_\_ scheduled for **December 26, 2023** or at any date adjourned/rescheduled thereof.

Certified True Copy.

\_\_\_\_\_  
Authorized Signatory

\_\_\_\_\_  
Seal of the Company

## PROXY FORM

I/We, \_\_\_\_\_, the undersigned member, being a member of \_\_\_\_\_, hereby appoint \_\_\_\_\_, the undersigned proxy, as my proxy to vote for me and on my behalf at the EOGM of the Company to be held on - \_\_\_\_\_ and/or at any adjournment thereof.

<p><b><u>The Member:</u></b> Signature: _____</p> <div style="border: 1px solid black; width: 150px; height: 50px; margin: 10px auto; text-align: center; padding: 5px;"> <p><b>Signature over Revenue Stamp of Rs. 50/-</b></p> </div> <p style="text-align: center;">_____ Seal/Stamp of the Company</p> <p>Name and Designation of the Appointer: _____ CNIC No.: _____ Father's name: _____ Address: _____ Date: _____ CDC Participant ID No.: _____ CDC Account/Sub-Account No.: _____ No. of Shares held: _____</p>	<p><b><u>The Proxy:</u></b> 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:**

1. 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.
2. 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.
3. 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.

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**SCHEME OF COMPROMISES, ARRANGEMENT AND RECONSTRUCTION FOR**

**AMALGAMATION/MERGER OF**

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**PART-1 - - Complete Transfer of Assets and Undertakings**

1. MODARABA AL-MALI  
(AND ITS MEMBERS)
2. LSE PROPTECH LIMITED  
(AND ITS MEMBERS)

**WITH AND INTO**

3. LSE CAPITAL LIMITED  
(AND ITS MEMBERS)

**PART-2 - - Partial Transfer of Designated Assets**

1. LSE CAPITAL LIMITED  
(AND ITS MEMBERS)

**WITH AND INTO**

2. LSE FINANCIAL SERVICES LIMITED  
(AND ITS MEMBERS)

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**(IN TERMS OF PROVISIONS OF SECTIONS 279 TO 283 AND ALL OTHER ENABLING PROVISIONS OF THE  
COMPANIES ACT, 2017)**



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- Modaraba Al-Mali  
- LSE Capital Limited  
- LSE Financial Services Limited

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SCHEDULE – 8 Statement of Financial Position of **LSE CAPITAL LIMITED** immediately after Merger Effect

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**Annexure** **Special Resolutions as an integral part of the Scheme**

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## PREAMBLE

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### 1. LSE PROPTECH LIMITED

#### BACKGROUND

**LSE PROPTECH LIMITED (LSEPL)** was incorporated under the Companies Act, 2017 with the principal business to develop, import, market, construct and maintain and offer software services for efficient real estate management and to provide online/e-commerce market places/networked warehouses and smart architectural, maintenance, safety, security and assurance solutions and eco-systems for Internet of Things (IoT) for buildings, shared grids and data centers and insulated construction methodologies, and to provide digital platform for information, analytics, data for real estate management and to buy, sell, export, import of software, hardware and establishment of incidental infrastructural facilities, subject to the permission of the relevant authorities, wherever required.

The Corporate Unique Identification (CUIN) of **LSEPL** is **020194** and the date of incorporation is May 11, 2022. The company's shares were listed on PSX under an earlier scheme having been sanctioned by the honorable Lahore High Court accomplished through Scheme of Compromises, Arrangement and Reconstruction under Section 279 to 283 of the Companies Act, 2017.

Registered office	-	19-LSE Plaza, Khayaban-e-Aiwan-Iqbal, Lahore.
External Auditors	-	Crowe Hussain Chaudhury & Co., Chartered Accountants
Legal Advisors	-	Zafar Pervaiz, Advocate High Court
Share Registrar	-	CDC Share Registrar Services Limited

#### Listing Status

PSX Trading Symbol	:	<b>LSEPL</b>
Market Price	:	Rs. 3.34 per Share (as on November 13, 2023)
Trading Status	:	Active (main board)

Financial position (audited) of **LSEPL** as on June 30, 2023 is as follows:

#### **LSE Propotech Limited**

##### Statement of Financial Position

#### **ASSETS**

##### **Non-Current Assets**

Property and equipment	1,301,829
------------------------	-----------

**June 30, 2023**  
**Rs. in 000**

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Investment property	378,431
Goodwill from demerger	26,533
Net investment in finance lease	4,276
Long term deposits	75
	<hr/>
	<b>1,711,144</b>

**Current Assets**

Inventories	2,923
Trade and other receivables	39,163
Prepayments, deposits and advances	3,462
Advance income tax	2,285
Bank balances	43,517
	<hr/>
	<b>91,350</b>

<b>Total Assets</b>	<b>1,802,494</b>
---------------------	------------------

<b>AUTHORIZED SHARE CAPITAL</b>	<b>1,500,000</b>
---------------------------------	------------------

**SHARE CAPITAL AND RESERVES**

Issued, subscribed and paid-up share capital	900,907
- Unappropriated profit	127,709
Surplus on revaluation of property and equipment	706,004
- Building reserve fund	10,082
	<hr/>
	<b>1,744,702</b>

**Non-Current Liabilities**

Deferred tax liability	1,403
Other liabilities	5,643
	<hr/>
	<b>7,046</b>

**Current Liabilities**

Trade and other payables	50,746
	<hr/>
	<b>50,746</b>

<b>Equity and Total Liabilities</b>	<b>1,802,494</b>
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**Ratio Analysis**

Book Value	Rs./Share	19.37
Current Ratio	times	1.80
Debt-Equity Ratio	times	0.03

## 2. MODARABA AL-MALI

### BACKGROUND

**MODARABA AL-MALI (MODAM)** is a multipurpose and perpetual Modaraba floated in Pakistan on July 8, 1987, under the Modaraba Companies and Modaraba (Floatation and Control) Ordinance, 1980 ("Modaraba Ordinance, 1980"), and Modaraba Companies and Modaraba Rules, 1981 ("Modaraba Rules, 1981"). The Modaraba is being managed by LSE Capital Limited (the "**Modaraba Company**"), a company registered under the repealed Companies Ordinance, 1984 (now Companies Act, 2017).

The Modaraba is listed on the Pakistan Stock Exchange Limited. The registered office of the Modaraba is relocated to 505, 5th Floor, LSE Plaza, Kashmir-Edgerton Road, Lahore, in the province of Punjab

Upon transfer to the new management, Modaraba's focus has been changed from conventional Islamic financing modaraba to undertaking Islamic venture capital, private equity and corporate & financial restructuring /rehabilitation transactions of potentially viable companies through resource mobilization.

Registered office	-	Room No. 508, 19-LSE Plaza, Khayaban-e-Aiwan-Iqbal, Lahore.
External Auditors	-	Kreston Hyderbhimji & Co., Chartered Accountants
Legal Advisors	-	Bawaney & Partners Mohsin Tayebaly & Co.-Advocate & Legal Consultants
Shariah Advisor	-	Mufti Zeeshan Abdul Aziz Al-Hikmah Shariah Advisory Services (Private) Limited
Share Registrar	-	F.D Registrar Services (Pvt.) Limited

### Listing Status

PSX Trading Symbol	:	<b>MODAM</b>
Market Price	:	Rs. 3.65 per Share (as on November 13, 2023)
Trading Status	:	Active (main board)

Financial position (audited) of **MODAM** as on June 30, 2023 is as follows:

### Modaraba Al-Mali

#### Statement of Financial Position

**June 30, 2023**  
**Rs. in 000**

### ASSETS

#### Non-Current Assets

Property and equipment	4,406
Investment in equity shares of Ensmile Limited	297,316
Investment in equity shares of LSE Ventures Limited	639,909

Investment in equity Shares of LSE Proptech Limited	322,500
	<b>1,264,130</b>

**Current Assets**

Current portion of diminishing musharaka	227
Ijarah finance	3,755
Prepayments, deposits and advances	17,658
Short term investment	153,582
Advance income tax	11,033
Bank balances	17,579
	<b>203,833</b>

<b>Total Assets</b>	<b>1,467,963</b>
---------------------	------------------

<b>AUTHORIZED SHARE CAPITAL</b>	<b>920,000</b>
---------------------------------	----------------

**SHARE CAPITAL AND RESERVES**

Issued, subscribed and paid-up share capital	794,239
- Unappropriated profit	226,612
Capital reserves	81,321
Certificate subscription money	13,059
	<b>1,115,232</b>

**Non-Current Liabilities**

Deferred tax liability	48,720
	<b>48,720</b>

**Current Liabilities**

Trade and other payables	236,037
Musharaka finance	50,000
Short term Musharaka finance	3,854
Security deposits	3,762
Unclaimed profit distribution	10,359
	<b>304,012</b>

<b>Equity and Total Liabilities</b>	<b>1,467,963</b>
-------------------------------------	------------------

**Ratio Analysis**

Book Value	Rs./Share	14.04
Current Ratio	times	0.67
Debt-Equity Ratio	times	0.32

### 3. LSE CAPITAL LIMITED

#### BACKGROUND

**LSE CAPITAL LIMITED (LSECAP)**, is the Modaraba Company and its principal object is to initiate, sponsor, promote, float, organize, manage, administer and operate modaraba companies, modaraba funds and modaraba of all type and descriptions, mutual funds, unit trust and other similar concerns either in syndicates or otherwise. Currently **LSECAP** is Modaraba Company of Modaraba Al-Mali. Currently **LSECAP** holds the following licenses/ registrations/approvals:

Sr. no.	Type of Licenses/Approvals	From
1 -	Registration as a modaraba company under the Modaraba Companies and Modaraba (Floatation and Control) Ordinance, 1980	Securities and Exchange Commission of Pakistan
2 -	License as a consultant to the issue under the Public Offering (Regulated Securities Activities Licensing) Regulations, 2017	Securities and Exchange Commission of Pakistan
3 -	Floated and Listed Modaraba Al-Mali	Securities and Exchange Commission of Pakistan
4 -	Permission (with periodical extensions in the time) for the floatation of following Modarabas: 1. Modaraba Al-Istathmar 2. Modaraba Al-Makatib 3. Modaraba Al-Tameer	Securities and Exchange Commission of Pakistan

Registered office	-	Room No. 508, 19-LSE Plaza, Khayaban-e-Aiwan-Iqbal, Lahore.
External Auditors	-	Rafaqat Mansha Mohsin Dossani Masoom & Co., Chartered Accountants
Legal Advisors	-	Bawaney & Partners Mohsin Tayebaly & Co.-Advocate & Legal Consultants
Listing Status	-	Unlisted Public Limited Company

Financial position (audited) of **LSECAP** as on June 30, 2023 is as follows:

#### LSE Capital Limited

##### Statement of Financial Position

#### ASSETS

##### Non-Current Assets

Investment in equity Certificates of Modaraba Al-Mali	62,706
Investment in equity Shares of Digital Custodian Company Limited	135,812
	<b>198,518</b>

##### Current Assets

**June 30, 2023**  
**Rs. in 000**

Prepayments, deposits and advances	54,291
Other receivables	54,735
Management fee receivable	12,082
Accrued mark-up	24
Advance income tax	2,522
Bank balances	89
	<b>123,874</b>

<b>Total Assets</b>	<b>322,392</b>
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<b>AUTHORIZED SHARE CAPITAL</b>	<b>250,000</b>
---------------------------------	----------------

**SHARE CAPITAL AND RESERVES**

Issued, subscribed and paid-up share capital	210,000
- Unappropriated profit	37,482
Fair value reserves	48,118
	<b>295,601</b>

**Non-Current Liabilities**

Deferred tax liability	3,544
	<b>3,544</b>

**Current Liabilities**

Trade and other payables	23,247
	<b>23,247</b>

<b>Equity and Total Liabilities</b>	<b>322,392</b>
-------------------------------------	----------------

**Ratio Analysis**

Book Value	Rs./Share	14.27
Current Ratio	times	5.33
Debt-Equity Ratio	times	0.09

**4. LSE FINANCIAL SERVICES LIMITED**

**BACKGROUND**

**LSE FINANCIAL SERVICES LIMITED (LSEFSL)** 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.

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The Company was re-registered as a public limited company by shares under “Stock Exchange (Corporatization, Demutualization and Integration) Act, 2012 on August 27, 2012. The Securities Exchange and Commission of Pakistan (SECP) vide its notification dated August 25, 2015 directed integration of stock exchanges in the Country.

Consequent to the approved scheme of integration of stock exchanges, the Company ceased its stock exchange operations on January 11, 2016, and was granted a license of “investment finance services” under the Non-Banking Finance Companies (Establishment and Regulation) Rules, 2003 (and related regulations under the Non-Banking Finance Companies and Notified Entities Regulations, 2008) to operate as an investment finance services company under the name of “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, Sukuks, bonds, debentures, commercial papers and other securities.

**LSE Financial Services Limited** was demerged into LSE Ventures Limited and LSE Proptech Limited through Scheme of Compromises, Arrangement and Reconstruction under Section 279 to 283 of the Companies Act, 2017 sanctioned by the honorable Lahore High Court. **LSEFSL** is continued under license of “investment finance services” within NBFC Rules and Regulations.

Under the “investment finance service” license, **LSEFSL** has to operate within the ambit defined by the Non-Banking Finance Companies (Establishment and Regulation) Rules, 2003 (and related regulations under the Non-Banking Finance Companies and Notified Entities Regulations, 2008) that generally includes provision of finance, loans, guarantee, financial accommodation etc. Further, the license is also valid for undertaking leasing, housing finance services and discounting services without the requirement of obtaining separate licenses for each form of business under the NBFC rules and regulations.

**LSEFSL** operates under the ambit of NBFC Rules and Regulations, and holds the license of investment finance services (IFS). Moreover, **LSEFSL** is continued to comply within the restrictions and requisite requirements placed by Integration Order 1/2016 by the Commission under Stock Exchange (Corporatization, Demutualization and Integration) Act, 2012. However, status of NBFC can be changed, if approved by the shareholder/member through special resolution in the general meeting.

The registered office of the Company is located on 19 Khyaban-e-Aiwan-e Iqbal (old Kashmir-Egerton Road), Lahore. The Corporate Unique Identification Number (CUIN) of **LSEFSL** is 03252 and the date of incorporation is October 05, 1970.

Registered office	-	19-LSE Plaza, Khayaban-e-Aiwan-Iqbal, Lahore.
External Auditors	-	Crowe Hussain Chaudhury & Co., Chartered Accountants



Legal Advisors	-	Zafar Pervaiz, Advocate High Court
Listing Status	-	Unlisted Public Limited Company

Financial position (audited) of **LSEFSL** as on June 30, 2023 is as follows:

<b>LSE Financial Services Limited</b>		<b>June 30, 2023</b>
Statement of Financial Position		<b>Rs. in 000</b>
<b>ASSETS</b>		
<b>Non-Current Assets</b>		
Deferred tax		7,284
Long term deposits		25,009
		<b>32,293</b>
<b>Current Assets</b>		
Trade and other receivables		18,045
Prepayments, deposits and advances		1,006
Short term investment		363,648
Advance income tax		44,319
Bank balances		51,844
		<b>478,862</b>
		-
<b>Total Assets</b>		<b>511,155</b>
		-
<b>AUTHORIZED SHARE CAPITAL</b>		<b>520,000</b>
		-
<b>SHARE CAPITAL AND RESERVES</b>		
Issued, subscribed and paid-up share capital		100,000
- Unappropriated profit		718
		<b>100,718</b>
<b>Non-Current Liabilities</b>		
Other liabilities		3,848
		<b>3,848</b>
<b>Current Liabilities</b>		
Trade and other payables		390,591
Lease liabilities-Current Portion		1,924
Deposit payable related to discontinued operations		14,073
		<b>406,589</b>
		-
<b>Equity and Total Liabilities</b>		<b>511,155</b>
		-

## Ratio Analysis

Book Value	Rs./Share	10.07
Current Ratio	times	1.18
Debt-Equity Ratio	times	4.08

## 5. OBJECTIVES AND BENEFITS

### 1) Objective of the Scheme

#### a. Reorganization/Restructuring of MODAM

- i. Book value of **MODAM** per certificate is **Rs. 14.04** whereas its market value is **Rs. 3.65** per certificate (as on November 13, 2023).

	Rs. in 000
Certificate-Holders Equity	1,115,232
No. of Modaraba Certificates Outstanding	79,423,945
Book Value - Rs. / Certificate	14.04

- ii. Modaraba certificates are non-voting and trading volumes of Modaraba sector remains sluggish due to lack of interest from the investors/public.
- iii. **MODAM** is controlled and managed by **LSECAP**. Board of Directors of the Modaraba Company has already decided to change the focus of **MODAM** from lending to investments as reflected in the balance sheet of **MODAM**.
- iv. Tax exemption available to Modaraba sector is already withdrawn by the Federal government.
- v. Shariah Compliance can be made to the companies registered under Companies Act, 2017.
- vi. Operational and administrative synergies will be available if operations of **MODAM**, **LSEPL** and **LSECAP** are combined.
- vii. Thus, it is proposed in the Scheme that assets and liabilities (of **MODAM** as a transferor) to be transferred to **LSECAP** (as a transferee). In addition to the already licensed business activities, the requisite changes in the Memorandum of Association of **LSECAP** shall be made, if required, to accommodate the intended investments and activities of **MODAM** (as a transferor) in **LSECAP** (as a transferee).
- viii. Upon the completion of merger / amalgamation through the intended Scheme, the **MODAM** will be dissolved under the Order of the Honorable Lahore High Court, Lahore without winding up, and the issuance of shares of **LSECAP** to the registered members/certificate-holders of **MODAM**.
- ix. Listing status of **MODAM** shall be transferred to **LSEFSL**.

**b. Reorganization/Restructuring of LSEPL**

- i. Book value of **LSEPL** per share is **Rs. 19.37** whereas its market value is **Rs. 3.34** per share (as on November 13, 2023).

	Rs. in 000
Shareholders' Equity	1,744,702
No. of Shares Outstanding	90,090,731
Book Value - Rs. / Certificate	19.37

- ii. **LSEPL** has limited revenue sources mainly derived from short term rental income and facility management fee. Combining the operations of **LSEPL**, **MODAM** with **LSECAP** will diversify the income stream and also provide the operational synergies as a whole.
- iii. Operational and administrative synergies will be available if operations of **MODAM**, **LSEPL** and **LSECAP** are combined.
- iv. Thus, it is proposed in the Scheme that assets and liabilities (of **LSEPL** as a transferor) to be transferred to **LSECAP** (as a transferee). In addition to the already licensed business activities, the requisite changes in the Memorandum of Association of **LSECAP** shall be made, if required, to accommodate the intended investments and activities of **LSEPL** (as a transferor) in **LSECAP** (as a transferee).
- v. Upon the completion of merger / amalgamation through the intended Scheme, the **LSEPL** will be dissolved under the Order of the Honorable Lahore High Court, Lahore without winding up, and the issuance of shares of **LSECAP** to the registered members/shareholders of **LSEPL**.
- vi. Listing status of **LSEPL** shall be transferred to **LSECAP**.

**c. Reorganization/Restructuring of LSECAP**

- i. **LSECAP** is unlisted public company engaged in limited activities. Operational and strategic synergies will be available if **MODAM** and **LSEPL** assets and undertaking are transferred to/ amalgamate with **LSECAP**.
- ii. Shariah Compliance can be made to the companies registered under Companies Act, 2017.
- iii. Registration as a Modaraba Company shall remain with the **LSECAP**.
- iv. Requisite changes in the Memorandum of Association of **LSECAP** shall be made to accommodate the undertaking and business of **MODAM** and **LSEPL** (as transferors) that will be transferred to **LSECAP** (as transferee).
- v. Upon the completion of merger / amalgamation through the intended Scheme, the **LSECAP** shall be listed on Pakistan Stock Exchange. Listing status of **LSEPL** shall be transferred to **LSECAP**.

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**d. Reorganization/Restructuring of LSEFSL**

- i. Designated assets (Schedule – 3) shall be transferred to **LSEFSL** (as a transferee) by **LSECAP** (as a transferor) against additional share capital of **LSEFSL**.
- ii. **LSEFSL** shall issue share capital to the shareholders of **LSECAP** and to the certificate-holders of **MODAM** as described in the Scheme.
- iii. **LSEFSL** shall issue additional capital to **LSECAP** and **LSECAP** shall issue additional capital to **LSEFSL** as described in the Scheme.
- iv. Upon the completion of merger / amalgamation through the intended Scheme, the **LSEFSL** shall be listed on Pakistan Stock Exchange.
- v. Listing status of **MODAM** shall be transferred to **LSEFSL**.

**2) Benefits of the Scheme**

**To LSECAP and its Shareholders:**

- a. **LSECAP** shall be listed on PSX by virtue of merger of **LSEPL** (as a transferor) with and into **LSECAP** (as a transferees).
- b. **LSECAP** will get shares of **LSEFSL**.
- c. Shareholders of **LSECAP** will get shares of **LSEFSL**.
- d. Shares of Digital Custodian Company Limited (owned by **LSECAP**) will be transferred (partially) to **LSEFSL** under the Scheme.
- e. Operational and strategic synergies will be available to **LSECAP** if all operations (of **LSEPL**, **MODAM** and **LSECAP**) are combined in terms of costs, efficiency and fund raising, if required.
- f. Shariah compliance of **MODAM** shall be made under Shariah Governance Regulations, 2018.
- g. The proposed merger will provide a broader shareholders' base which will be conducive in further fund raising, if required, from the capital market.

**To MODAM and its Certificate-holders:**

- a. Certificate-holders of **MODAM** will get shares of **LSECAP** (as per SWAP ratio) which will carry pari-passu rights (including voting rights).
- b. It is expected that trading volumes (at PSX) will be improved after the proposed merger which will provide liquidity and tradability to the shareholders/investors.
- c. Modaraba Certificate-holders of **MODAM** will get shares of **LSEFSL** under the Scheme.
- d. The combined value (based on book value) of **LSECAP** shares that are being given to **MODAM**'s shareholders under the SWAP ratio is in excess of the current market value of **MODAM**'s shares. Thus, the certificate-holders of **MODAM** shall gain from the merger transaction.
- h. Shariah compliance of **LSECAP** shall be made under Shariah Governance Regulations, 2018.

- i. Upon the completion of merger / amalgamation through the intended Scheme, the **MODAM** will be dissolved under the Order of the Honorable Lahore High Court, Lahore without winding up, and the issuance of shares of **LSECAP** to the registered members of **MODAM**.

**To LSEFSL and its Shareholders:**

- a. **LSEFSL** shall be listed on PSX by virtue of merger of **MODAM**'s listing status (as a transferor) with and into **LSEFSL** (as a transferee).
- b. Shares of Digital Custodian Company Limited shall be transferred (partially) to **LSEFSL** by **LSECAP**.
- c. **LSEFSL** will get Shares of **LSECAP** (as an additional share capital).
- d. The proposed merger and listing status will provide broad shareholders' base which will be conducive in fund raising, if required, from the capital market.
- e. **LSEFSL** shall continue to operate under the ambit of NBFC Rules and Regulations, and will continue to hold the license of investment finance services (IFS). Moreover, **LSEFSL** is continued to comply within the restrictions and requisite requirements placed by Integration Order 1/2016 by the Commission under Stock Exchange (Corporatization, Demutualization and Integration) Act, 2012.

**To LSEPL and its Shareholders:**

- a. It is expected that trading volumes (at PSX) will be improved after the proposed merger which will provide liquidity and tradability to the shareholders/investors.
- b. Operational and strategic synergies will be available to **LSECAP** if all operations (of **LSEPL**, **MODAM** and **LSECAP**) are combined in terms of costs, efficiency and fund raising, if required.
- c. Shariah compliance of **LSECAP** shall be made under Shariah Governance Regulations, 2018.
- d. The proposed merger will provide broad shareholders' base which will be conducive in fund raising, if required, from the capital market.
- e. Upon the completion of merger / amalgamation through the intended Scheme, the **LSEPL** will be dissolved under the Order of the Honorable Lahore High Court, Lahore without winding up, and the issuance of shares of **LSECAP** to the registered members of **LSEPL**.

**3) Book Value of the Companies/ Entities before and after the Scheme**

		Before Scheme / Merger			After Scheme		
		LSEPL	MODAM	LSECAP	LSEFSL	LSECAP	LSEFSL
Book Value	Rs./Share	19.37	14.04	14.08	10.07	15.14	10.90

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## ARTICLE – 1 - DEFINITIONS

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- I. In this Scheme of Arrangement (including the preamble hereto), unless the subject or context otherwise requires, the following expressions shall bear the meanings specified against them below:
- (a) **“Act”** means the Companies Act, 2017;
  - (b) **“CDC”** means Central Depository Company of Pakistan limited
  - (c) **“Commission”** means the Securities and Exchange Commission of Pakistan including its regional offices;
  - (d) **“Completion”** or **“Completion Date”** means date when undertaking and business are transferred (as per Article – 3) from transferor to the Transferee within 120days of Sanction Date and shares are issued/ swapped / cancelled as per SWAP ratio determined in this Scheme (as per Article-4);
  - (e) **“Court”** means the Lahore High Court, Lahore or any other court of competent jurisdiction for the time being having jurisdiction under Sections 279 to 283 of the Companies Act, 2017 in connection with this Scheme;
  - (f) **“Distribution Ratio”** means ratio of shares of **LSE Financial Services Limited** to be distributed amongst shareholders of **LSE Capital Limited** and certificate-holders of **Modaraba AL-Mali** as described in Article-3;
  - (g) **“Effective Date”** means 00:00 hours as on **June 30, 2023** or such other date as may be approved by the Court on the request of the parties to this Scheme;
  - (h) **“LSECAP”** means the **LSE CAPITAL LIMITED**, a public limited company formed under the Companies Ordinance, 1984;
  - (i) **“LSEFSL”** means the **LSE FINANCIAL SERVICES LIMITED**, a public limited company formed under the Companies Ordinance, 1984;
  - (j) **“LSEPL”** means the **LSE PROPTECH LIMITED**, a public limited company formed under the Companies Act, 2017;
  - (k) **“MODAM”** means **Modaraba Al-Mali**, a multipurpose and perpetual Modaraba floated in Pakistan on July 8, 1987 under the Modaraba Companies and Modaraba (Floatation and Control) Ordinance, 1980;
  - (l) **“PSX”** means Pakistan Stock Exchange Limited;

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- (m) **“Rs.”** or **“PKR”** shall mean **“Rupees”**, being the legal tender money of the Islamic Republic of Pakistan;
- (n) **“Sanction Date”** shall have the same meaning ascribed thereto in **Article 6**, being the day on which the honorable Lahore High Court approves the Scheme and on which day the Scheme becomes operative;
- (o) **“Scheme”** means this Scheme of Arrangement in its present form, with any modification thereof or addition hereto, as approved by the Court and/or the Securities and Exchange Commission of Pakistan and/or the general meeting of members of the respective companies;
- (p) **“SECP”** means the Securities and Exchange Commission of Pakistan;
- (q) **“Undertaking and Business - LSEPL”** means the assets, undertaking, business, liabilities of the **LSE PROPTECH LIMITED** (including shares allocated under the Scheme) as more particularly described in Schedule - 1 hereto;
- (r) **“Undertaking and Business - MODAM”** means the assets, undertaking, business, liabilities of the **MODARABA AL-MALI** (including shares allocated under the Scheme) as more particularly described in Schedule - 2 hereto;
- (s) **“Undertaking and Business - LSECAP”** means the assets, undertaking, business, liabilities of the **LSE CAPITAL LIMITED** (including shares allocated under the Scheme) as more particularly described in Schedule - 3 hereto;
- II. The headings and marginal notes are inserted for convenience and shall not affect the construction of this Scheme.

## ARTICLE – 2 – EQUITY CAPITAL AND MANAGEMENT

### I. LSE PROPTECH LIMITED

The authorized share capital of the Company is Rs. 1,500,000,000 divided into 150,000,000 of ordinary shares of Rs. 10/- each, out of which **90,090,731** ordinary shares are fully paid and issued as follows:

No. of Shares Issued	Issued for/Against	Rs.
-	Cash	-
<b>90,090,731</b>	Consideration other than Cash – under Compromises, Arrangement and Reconstruction under Section 279 to 283 of the Companies Act, 2017	<b>900,907,310</b>
-	Bonus Shares	-
<b>90,090,731</b>		<b>900,907,310</b>

(a) Pattern of Shareholding of the Shares held by the Shareholders as of Effective Date is as follows:

	Category	No. of Shares	% holding
Modaraba Al-Mali	Sponsors	16,469,434	18.28%
LSE Ventures Limited	Sponsors	26,952,897	29.92%
Muhammad Iqbal	Sponsors	894,923	0.99%
Humera Muhammad Iqbal	Sponsors	7,066,036	7.84%
Acme Mills (Private) Limited	Sponsors	1,050,515	1.17%
Public and Investors	Others/ Investors	37,656,926	41.80%
		<b>90,090,731</b>	

(b) Total number of shareholders of **LSEPL** as of the Effective Date is **1,516**.

(c) The Share Capital of the **LSEPL** will not be changed for Ordinary Shares under the Scheme as described in Article-3. However, the pattern of shareholding can be changed till the Sanction Date.

(d) Complete list of the shareholders is attached as **Schedule – 4** (List of Shareholders);

(e) The Board of Directors of the Company (**LSEPL**) before the Scheme is as follows:

Sr. No.	Name of Director	Category
1.	Mr. Habib Ur Rehman Gilani	Chairman/ Independent Director
2.	Mr. Aftab Ahmad Chaudhry	Chief Executive Officer /Director



3.	Mr. Kashif Shabbir	Independent Director
4.	Ms. Maleeha Mimi Bangash	Independent Director
5.	Mr. Ghulam Mustafa	Non-Executive Director
6.	Mr. Khalid Waheed	Non-Executive Director
7.	Mr. Rizwan Ejaz	Non-Executive Director

**Impact of the Scheme: -**

- (f) The Share Capital of **LSECAP** shall be given to the shareholders of **LSEPL** under the SWAP ratio.
- (g) On the completion of the merger / amalgamation and after the issuance of shares of **LSECAP** to the registered members of **LSEPL**, **LSEPL** will be dissolved by the order of the Honorable Lahore High Court, without winding up.
- (h) The Shares of **LSECAP** to be issued to the registered member of **LSEPL** shall be as following;

<b>No. of Shares Outstanding</b>	<b>90,090,731</b>
No. of Shares of <b>LSECAP</b> to be issued to the shareholders of <b>LSEPL</b>	74,775,306
SWAP Ratio (No. of Shares of <b>LSECAP</b> against every One share of <b>LSEPL</b> )	0.83

- (i) The Undertaking and Business - **LSEPL** shall be transferred to **LSECAP** (as described in Schedule - 1).
- (j) Listing status of **LSEPL** shall be transferred to **LSECAP**.
- (k) Board of Directors of **LSECAP** shall be given power to execute, on behalf of **LSEPL**, the deeds/ documents for the transfer of assets, liabilities and reserves of **LSEPL**.
- (l) Authorized capital of **LSEPL** shall be merged with **LSECAP** and **LSEFSL**.

**II. MODARABA AL-MALI**

The authorized Modaraba certificate capital of the Modaraba is Rs. 920,000,000 divided into 92,000,000 of Modaraba certificates of Rs. 10/- each, out of which **79,423,945** certificates are fully paid and issued, (however, upon the right issuance after effective date, the certificate capital of the **MODAM** is Rs. **908,169,150**, divided into **90,816,915** Modaraba certificates) as follows:

No. of Shares Issued	Issued for/Against	Rs.
<b>74,569,000</b>	Cash	<b>745,690,000</b>
<b>166,545</b>	Consideration other than Cash	<b>1,665,450</b>

<b>4,688,400</b>	Bonus Modaraba Certificates	<b>46,884,000</b>
<b>79,423,945</b>		<b>794,239,450</b>

- (a) The total number of certificate-holders of **MODAM**, as of the Effective Date is **3,890**.
- (b) The Board of Directors of the **MODAM** as appointed by the **LSECAP** before the Scheme is as follows:

Sr. No.	Name of Director	Category
1.	Mr. Usman Hassan	Chairman/ Independent
2.	Mr. Siddique-ur Rehman Khurram	Chief Executive Officer
3.	Ms. Aasiya Riaz	Independent Director
4.	Mr. Hussain Ozgen	Independent Director
5.	Mr. Hafiz Mudassir Alam	Non-Executive Director
6.	Mr. Muhammad Usman	Non-Executive Director
7.	Mr. Aoun Muhammad	Non-Executive Director

- (c) Pattern of certificate-holding of the Modaraba Certificate held by the Certificate-holders as of Effective Date is as follows:

	No. of Certificates	% holding	After Right Issue	
			No. of Certificates	% holding
LSE Capital Limited	9,103,703	11.46%	15,496,673	17.06%
Digital Custodian Company Limited	7,943,905	10.00%	12,943,905	14.25%
Others	62,376,337	78.54%	62,376,337	68.68%
	<b>79,423,945</b>		<b>90,816,915</b>	

- (d) Complete list of the certificate-holders is attached as **Schedule – 4** (List of Certificate-holders);
- (e) The certificate Capital of the Modaraba (**MODAM**) can be changed for Modaraba Certificates under the Scheme as described in Article-3 and the post right certificate capital of the **MODAM** is Rs. **908,169,150** (divided into **90,816,915** Modaraba certificates). Moreover, the pattern of shareholding can be changed till the Sanction Date.
- (f) Investment by **LSECAP** in the Modaraba Certificates of **MODAM** shall be given to the shareholders of **LSECAP**.
- (g) Investment by **MODAM** in the equity shares of **LSEPL** shall be given to the certificate-holders of **MODAM**.

- (h) Shares of **LSEFSL** shall be given to the certificate-holders of **MODAM** as per the distribution ratio described in the Scheme.
- (i) On the completion of merger / amalgamation and after the issuance of shares of **LSECAP** to the registered members of **MODAM**, **MODAM** will be dissolved by the order of the Honorable Lahore High Court, without winding up.
- (j) The Shares of **LSECAP** to be issued to the registered member of **MODAM** is as follows;

<b>No. of Modaraba Certificates Outstanding</b>	<b>90,816,915</b>
No. of Shares of <b>LSECAP</b> to be issued to the shareholders of <b>MODAM</b>	75,378,039
SWAP Ratio (No. of Shares of <b>LSECAP</b> against every One certificate of <b>MODAM</b> )	0.83

- (k) The Undertaking and Business - **MODAM** shall be transferred to **LSECAP** (as described in Schedule - 2).
- (l) Listing status of **MODAM** shall be transferred to **LSEFSL**.
- (m) Authorized capital of **MODAM** shall be merged with **LSECAP** and **LSEFSL**.
- (n) Share of **LSEFSL** to be issued under SWAP ratio to the certificate-holders of **MODAM** as follows:

No. of Shares of **LSEFSL** to the Certificate-holders of Modaraba Al-Mali Nos. **5,905,842**  
**Distribution Ratio** - **65.03** shares of **LSEFSL** against 1,000 certificate of **MODAM**

### III. LSE CAPITAL LIMITED

The authorized share capital of the Company is Rs. 250,000,000 divided into 25,000,000 of ordinary shares of Rs. 10/- each, out of which **21,000,000** shares are fully paid and issued as follows:

No. of Shares Issued	Issued for/Against	Rs.
<b>21,000,000</b>	Cash	<b>210,000,000</b>
-	Consideration other than Cash	-
-	Bonus Shares	-
<b>21,000,000</b>		<b>210,000,000</b>

- (a) Pattern of Shareholding of the Shares held by the Shareholders as of Effective Date is as follows:

	<b>No. of Shares</b>	<b>% holding</b>
Zahid Latif Khan	7,350,000	35.00%
Aftab Ahmad Chaudhry	7,349,994	35.00%
Aslam Khaliq	4,200,000	20.00%
Amir Zia	2,100,000	10.00%
Others	6	0.00%
	<b>21,000,000</b>	

(b) Complete list of the shareholders is attached as **Schedule – 4** (List of Shareholders);

(c) Total number of shareholders of **LSECAP**, as of the Effective Date is **11**.

(d) The Share Capital of the **LSECAP** can be changed for Ordinary Shares under the Scheme as described in Article-3 and the post right certificate capital of the **LSECAP** is Rs. **210,000,000** (divided into **21,000,000** Ordinary Shares). However, the pattern of shareholding can be changed till the Sanction Date.

(e) The Board of Directors of the Company (**LSECAP**) before the Scheme is as follows:

<b>Sr. No.</b>	<b>Name of Director</b>	<b>Category</b>
1.	Mr. Usman Hassan	Chairman/ Independent
2.	Mr. Siddique-ur Rehman Khurram	Chief Executive Officer
3.	Ms. Aasiya Riaz	Independent Director
4.	Mr. Hussain Ozgen	Independent Director
5.	Mr. Hafiz Mudassir Alam	Non-Executive Director
6.	Mr. Muhammad Usman	Non-Executive Director
7.	Mr. Aoun Muhammad	Non-Executive Director

(f) Compliance to the Listed Companies (Code of Corporate Governance) Regulations, 2019 regarding composition of Board of Directors, committees and other matters shall be made before listing of **LSECAP** at PSX.

**Impact of the Scheme: -**

(g) The Share Capital of **LSECAP** shall be given to **LSEPL** and **MODAM** as per the SWAP ratio.

(h) Share Capital of **LSECAP** (**10,000,000** ordinary shares) shall be given to **LSEFSL**.

## Reconciliation - No. of Shares

	<b>LSECAP</b>
Ordinary Shares before Scheme Implementation	21,000,000
Shares to be Issued to the Shareholders of <b>LSEPL</b>	74,775,306
Shares to be Issued to the Certificate-holders of <b>MODAM</b>	75,378,039
Shares to be issued to <b>LSEFSL</b>	10,000,000
<b>Ordinary Shares after Implementation of the Scheme</b>	<b>181,153,345</b>

- (m) **LSECAP** shall continue to operate its existing operations. Requisite changes in the Memorandum of Association of **LSECAP** shall be allowed and be made to accommodate additional/ extended operations of **LSEFSL** and **MODAM**.
- (n) After the Scheme, **LSECAP** shall operate as a public listed entity.
- (o) Goodwill and any capital reserve (merger reserves), if any, may arise on amalgamation in the books of **LSECAP** under the Scheme as mentioned in Article – 4.
- (p) The existing Board of Directors shall continue after the sanction of the Scheme. The next election for the directors of **LSECAP** shall take place under Section 159 and 166 of the Companies Act, 2017, on or before May 10, 2026.
- (q) Moreover, no cross holding shall exist between **LSECAP** and **MODAM** as described in Article – 3.
- (r) Moreover, no cross holding shall exist between **LSECAP** and **LSEPL** as described in Article – 3.
- (s) Additional number of shares (10,000,000) of **LSECAP** shall be issued to the **LSEFSL**.
- (t) The authorized capital after the Sanction Date shall be as follows:

	Par Value / Nominal Per Share/Certificate	No. of Shares / Certificate		in PKRs. 000	
		Before Scheme	After Scheme	Before Scheme	After Scheme
LSE Proptech Limited	10.00	150,000,000		1,500,000	
Modaraba Al-Mali	10.00	92,000,000		920,000	
LSE Capital Limited	10.00	25,000,000	200,000,000	250,000	2,000,000
LSE Financial Services Limited	10.00	52,000,000	119,000,000	520,000	1,190,000

- (u) **LSE Proptech Limited** and **Modaraba Al-Mali** will be dissolved under the Order of the Honorable Lahore High Court, Lahore without winding up.

(v) Share of **LSEFSL** to be issued under SWAP ratio to the shareholders of **LSECAP** as follows:

No. of Shares of **LSEFSL** to the Shareholders of **LSECAP** Nos. **9,771,736**

**Distribution Ratio** - **465.32** shares of **LSEFSL** against 1,000 share of **LSECAP**

(w) Additional number of shares (10,000,000) of **LSEFSL** shall be issued to the **LSECAP**. These additional shares shall be distributed to the shareholders of **LSECAP** as follows:

No. of Shares of **LSEFSL** to the Shareholders of **LSECAP** Nos. **10,000,000**

**Distribution Ratio** - **476.19** shares of **LSEFSL** against 1,000 share of **LSECAP**

#### IV. **LSE FINANCIAL SERVICES LIMITED**

The authorized share capital of the Company is Rs. 520,000,000 divided into 52,000,000 of ordinary shares of Rs. 10/- each, out of which **10,000,000** shares are fully paid and issued as follows:

No. of Shares Issued	Issued for/Against	Rs.
-	Cash	-
10,000,000	Consideration other than Cash - under Compromises, Arrangement and Reconstruction under Section 279 to 283 of the Companies Act, 2017	100,000,000
-	Bonus Shares	-
10,000,000		100,000,000

(i) Pattern of Shareholding of the Shares held by the Shareholders as of Effective Date is as follows:

	No. of Shares	% holding
LSE Ventures Limited	10,000,000	100.00%
	<b>10,000,000</b>	

(j) Complete list of the shareholders is attached as **Schedule – 4** (List of Shareholders);

(k) Total number of shareholders of LSEFSEL, as of the Effective Date is **1**.

(l) The Share Capital of the **LSECFSL** will not be changed for Ordinary Shares under the Scheme as described in Article-3. However, the pattern of shareholding can be changed till the Sanction Date.

(m) The Board of Directors of the Company (**LSEFSL**) before the Scheme is as follows:

Sr. No.	Name of Director	Category
1.	Mr. Zahid Latif Khan	Chairman/Independent Director
2.	Mr. Ghulam Mustafa	Chief Executive Officer
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

(n) Compliance to the Listed Companies (Code of Corporate Governance) Regulations, 2019 regarding composition of Board of Directors, committees and other matters shall be made before listing of **LSEFSL** at PSX.

(o) Fresh election under Section 162 of the Companies Act, 2017 was held on November 21, 2023 and following Board of Directors are elected (subject to the approval of SECP):

Sr. No.	Name	Category
1	Mr. Aftab Ahmad	Non-Executive Director
2	Mr. Amir Zia	Non-Executive Director
3	Rana Naveed Ahmad	Non-Executive Director
4	Ms. Aasiya Riaz	Non-Executive Director
5	Mr. Muhammad Sajjad Hyder	Non-Executive Director
6	Mr. Muhammad Usman	Non-Executive Director
7	Mr. Adil Jahangir Syed	Non-Executive Director
8	Syed Jawwad Ahmad	Non-Executive Director
9	Mr. Gohar Rehman Mirza	Independent Director
10	Mr. Muhammad Iqbal	Independent Director / Chairman
11	Ms. Huma Ejaz	Independent Director
12	Mr. Ghulam Mustafa	Chief Executive Officer

The names of the above directors have already been sent to SECP for approval under the Fit and Proper Criteria of the NBFC Regulations, which shall become effective from the date of the instant EOGM.

(p) Moreover, the shareholders in their meeting held on November 21, 2023 have also unanimously decided to change the name of the company to **LSE Finance Limited**. Besides, the shareholders have also resolved to adopt the change in the Memorandum and Articles of Association of the Company, for enabling the start of business as a "Professional Clearing Member or PCM" upon registration from the Commission under the relevant regulations which allow an IFS holding NBFC to register itself as a PCM.

**Impact of the Scheme: -**

(q) Shares of Digital Custodian Company Limited shall be transferred to **LSEFSL** by **LSECAP** as follows:

No. of Shares	Carrying Value (Rs. in 000)	Rate
18,817,917	188,131	10.00

**LSECAP** has made payment of Rs. 41.00 million to InfoTech (Private) Limited to purchase **19,288,362** shares of Digital Custodian Company Limited. Transfer of shares of Digital Custodian Company Limited from InfoTech (Private) Limited to LSE Capital Limited shall be allowed and out of which **18,817,917** shares (of Digital custodian company Limited) shall be transferred to **LSEFSL** under the Scheme.

(r) In exchange of this asset (equity shares **of Digital Custodian Company Limited** as described in Schedule – 3), **LSEFSL** shall issue additional shares as follows:

No. of Shares	Issue Price (Rs. / Share)	Share Premium	Total Value (Rs. in 000)
15,677,578	Rs. 12/-	Rs. 2/-	188,131

(s) **Distribution Ratio** : Shares will be issued/ distributed as follows:

To the Shareholders/ Certificate-holders of	No. of Shares / Certificates	<b>Distribution Ratio</b>
LSE Capital Limited	9,771,736	<b>465.32</b> shares of <b>LSEFSL</b> against 1,000 shares of <b>LSECAP</b>
Modaraba Al-Mali	5,905,842	<b>65.03</b> shares of <b>LSEFSL</b> against 1,000 certificates of <b>MODAM</b>

(t) Additional number of shares (10,000,000) of **LSEFSL** shall be issued to the **LSECAP**.

**LSECAP shall distribute (Distribution Ratio) these shares to the shareholders of LSECAP as follows:**



To the Shareholders of	No. of Shares	Distribution Ratio
LSE Capital Limited	10,000,000	<b>476.19</b> shares of <b>LSEFSL</b> against 1,000 shares of <b>LSECAP</b>

(u) Summary of the Issue of Shares will be as follows;

<b>Share of LSEFSL to be issued as an additional capital</b>	Nos.	25,677,578
To the Shareholders of LSE Capital Limited	Nos.	9,771,736
To the Certificate-holders of Modaraba Al-Mali	Nos.	5,905,842
To the LSE Capital Limited	Nos.	10,000,000
Distribution to the Shareholders of LSE Capital Limited	Nos.	(10,000,000)
To the Shareholders of LSE Capital Limited	Nos.	10,000,000
Share Capital of <b>LSEFSL</b> before the Scheme	Nos.	10,000,000
<hr/>		
Share Capital of <b>LSEFSL</b> after the Scheme	Nos.	35,677,578
The Undertaking and Net Assets of <b>LSECAP</b> to <b>LSEFSL</b> (Schedule – 3)	Rs. 000	288,131

(v) Authorized share capital of **LSEFSL** after sanction date of the Scheme shall be Rs. **1,190,000,000** divided into **119,000,000** ordinary shares of Rs. 10/- each.

(w) Listing status of **MODAM** shall be transferred to **LSEFSL**. **LSEFSL** shall be listed at PSX.

(x) Issuance of shares against designated assets (as described in Schedule – 3 The Undertaking and Net Assets of LSE Capital Limited to LSE Financial Services Limited) is not offer of shares for any consideration other than cash in terms of Rule 7(2)(i) of the Non-Banking Finance Companies (Establishment and Regulation) Rules, 2003. Moreover, shares of **LSECAP** will be listed shares (i.e. liquid assets) and shares of Digital Custodian Company Limited can be listed (by **LSECAP** and **LSEFSL** being majority shareholders under the Scheme), if required to create the liquid asset.

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## ARTICLE – 3 – THE SCHEME OF ARRANGEMENT

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### GENERAL

- I. This Scheme of Arrangement has been formulated pursuant to the provisions of Sections 279 to 283 of the Act for the transfer and vesting of :
  - a. The Undertaking and Business - **LSEPL** (as a transferor) into **LSECAP** (as transferee) as given in Schedule – 1. Upon the completion of merger / amalgamation through the intended Scheme, **LSEPL** will be dissolved under the Order of the Honorable Lahore High Court, Lahore without winding up, and the shares of **LSECAP** shall be issued to the registered members/shareholders of **LSEPL**.
  - b. The Undertaking and Business - **MODAM** (as a transferor) into **LSECAP** (as transferee) as given in Schedule – 2. Upon the completion of merger / amalgamation through the intended Scheme, **MODAM** will be dissolved under the Order of the Honorable Lahore High Court, Lahore without winding up, and the shares of **LSECAP** shall be issued to the registered members/certificate-holders of **MODAM**.
  - c. The listing status of **MODAM** shall be transferred to **LSEFSL** and listing status of **LSEPL** shall be transferred to **LSECAP** under the Scheme.
  - d. The Undertaking and Business of **LSECAP** (as a transferor) into **LSEFSL** (as transferees) as given in Schedule – 3.
  - e. Cross holding of equity shares between **LSECAP** and **LSEFSL** shall be created as described under the Scheme.
- II. Requisite changes in the Memorandum of Association of **LSECAP** shall be allowed and be made to accommodate additional/ extended operations of **LSEPL** and **MODAM**. The Board of Directors of **LSECAP** is empowered to make requisite changes in the Memorandum and Articles of Association of the **LSECAP**.
- III. The transferee (**LSECAP**) shall be bound to discharge any liability in respect of the assets acquired and any liability in respect of the assets shall not exceed the transferors' (**LSEPL** and **MODAM**) cost of the assets at the time of the disposal and the transferee must not be exempt from tax for the tax year in which the disposal takes place.
- IV. The transferee (**LSEFSL**) shall be bound to discharge any liability in respect of the assets acquired and any liability in respect of the assets shall not exceed the transferor's (**LSECAP**) cost of the assets at the time of the disposal and the transferee must not be exempt from tax for the tax year in which the disposal takes place.

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- V. Retained earnings, revenue reserves, capital reserves of **MODAM**, **LSECAP** and **LSEPL** shall be re-characterized/ reconstructed under the Scheme as described in Schedule-5 - Statement of Financial Position showing Merger Effect.
- VI. Assets, liabilities and undertaking (as per Schedule 1) of **LSEPL** will be transferred to **LSECAP** with same rights, obligations, privileges and covenants. Moreover, Shares of **LSECAP** shall be issued to the shareholders of **LSEPL** through merger functionality of CDC. Thus same status and encumbrance attached to the **LSEPL** shares shall be attached/transferred to the shares of **LSECAP** for those shareholders.
- VII. Assets, liabilities and undertaking (as per Schedule 2) of **MODAM** will be transferred to **LSECAP** with same rights, obligations, privileges and covenants. Moreover, Shares of **LSECAP** shall be issued to the certificate-holders of **MODAM** through merger functionality of CDC. Thus same status and encumbrance attached to the **MODAM** shares shall be attached/transferred to the shares of **LSECAP** for those certificate-holders.
- VIII. Assets, liabilities and undertaking (as per Schedule 3) of **LSECAP** will be transferred to **LSEFSL** with same rights, obligations, privileges and covenants. Moreover, Shares of **LSEFSL** shall be issued to the certificate-holders of **MODAM** and to the shareholders of **LSECAP**.
- IX. Shares of **LSEFSL** shall be issued to **LSECAP** (for further distribution to the shareholders of **LSECAP**) and shares of **LSECAP** shall be issued to **LSEFSL** as described in the Scheme.
- X. After merger (and after issuance of shares of **LSECAP** to the shareholders of **LSEPL** and to the certificate-holder of **MODAM**), the shareholders of **LSECAP** can change/ amend the business/principal line of business of merged entity (**LSECAP**) by following the relevant laws and regulations.
- XI. Upon the completion of merger / amalgamation through the intended Scheme, **LSEPL** will be dissolved under the Order of the Honorable Lahore High Court, Lahore without winding up, and the shares of **LSECAP** shall be issued to the registered members/shareholders of **LSEPL**.
- XII. Upon the completion of merger / amalgamation through the intended Scheme, **MODAM** will be dissolved under the Order of the Honorable Lahore High Court, Lahore without winding up, and the shares of **LSECAP** shall be issued to the registered members/certificate-holders of **MODAM**.

#### **TRANSFER OF THE UNDERTAKING AND BUSINESS FROM LSEPL TO LSECAP**

- XIII. The Undertaking and Business of **LSEPL** shall be transferred and vested in **LSECAP** in the following manner:

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- a. The designated immovable (including land, building, usufruct with all equitable and legal rights) and movable assets, liabilities, revaluations reserves, capital and revenue reserves described in Schedule – 1 (The Undertaking and Net Assets of **LSEPL** to **LSECAP**) shall stand transferred/vested to **LSECAP** from **LSEPL**. Generally, these net assets include land, building, equipment, investment property, cash and bank balances, revaluation reserves and related liabilities.
  - b. The Undertaking of **LSEPL**, including land, building, usufruct with all equitable and legal rights, as at the effective date shall, without any further act, Instrument or deed, be and the same shall stand transferred/vested to and be vested or deemed to have been transferred to or vested in **LSECAP** on the Effective Date.
  - c. Notwithstanding anything contained in the Stamp Act, 1899 (II of 1899) or any other law for the time being in force, no stamp duty shall be payable on transfer to the transferee company (i.e. **LSECAP**) of the whole or any part of the undertaking and of the property of any transferor company (i.e. **LSEPL**) as a result of sanctioning of the Scheme by the honorable Court.
  - d. The transfer / vesting shall be subject to the existing rights (equitable and legal rights), charges mortgages and hypothecation, if any. There are, however no charges/mortgages/hypothecation registered on the assets of **LSEPL**. The land shall stand transferred/vested in the name of **LSECAP** upon completion of all legal and regulatory procedures/Clearance from the Lahore Development Authority.
  - e. Existing land of **LSEPL** situated at 19-Khayaban-Aiwan-e-Iqbal, Lahore is under transfer process with Lahore Development Authority from **LSEFSL** to **LSEPL**. If said transfer is not effectuated till Sanction date of the Scheme, then said land with all usufruct and building shall directly be transferred (after Sanction Date) from **LSEFSL** (with all equitable and legal rights) to **LSECAP** without any additional charge or taxes.
  - f. Such assets of **LSEPL**, which are moveable in nature or are capable of transfer by manual / physical delivery or by endorsement and delivery, shall be so transferred and shall become the property of **LSECAP** as its integral part. All the bodies, departments and concerned institutions/companies, wherever required, shall transfer the assets without any cost, taxes, any further act or deed by the **LSECAP**.
  - g. All the utility licenses, connections, meters, and other facilities for electricity, gas, water, telecommunications and others allowed, licensed or provided by any Government agency (including Water and Power Development Authority, Water and Sanitation Agency, Sui Northern Gas Pipelines Limited, Sui Southern Gas Limited) or other agency to the **LSEPL** with the respective benefits including the deposits and prepayments, Government approvals, (if

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- any) will stand transferred without any additional charges/costs to the **LSECAP**. The security deposits and any other cost paid by **LSECAP** against any of these and other existing facilities shall remain unchanged and the change of name shall take place without any additional fee, charges or costs whatsoever and without any delay.
- h. All the registrations, rights, powers, licenses, permits, sanctions, permissions, privileges of the **LSEPL** shall stand transferred to **LSECAP**.
  - i. All the titles of land and other immovable property registered in the name of the **LSEPL** will stand transferred in the name of **LSECAP**. However, the existing land and building of **LSEPL**, after transfer to **LSECAP**, shall not be disposed of without the prior written approval of the Commission.
  - j. The lease rights (short term and long term), equitable rights, legal rights given by **LSEPL** to the third parties shall be transferred (with all rights and obligations) from **LSEPL** to **LSECAP**.
  - k. The existing land and building of **LSEPL**, transferred to **LSECAP** under this Scheme, shall be retained by **LSECAP** and the disposal thereof shall not be allowed without the prior written approval of the SECP. This restriction shall be included in the Memorandum of Association of **LSECAP**.
  - l. Undertaking and Business – **LSEPL** (Schedule-1) is transferred/vested to **LSECAP**. If required, requisite changes in the Memorandum of Association of **LSECAP** shall be allowed and be made to accommodate additional/ extended operations of **LSEPL**.
  - m. Listing status of **LSEPL** at PSX shall be transferred to **LSECAP**. The shares of **LSE CAPITAL LIMITED** shall stand listed on PSX. As the shares of **LSEPL** are eligible for Central Depository System (the "CDS") of Central Depository Company of Pakistan Limited (the "CDC"), the scrip-less shares of **LSECAP** shall be also be the eligible for Central Depository System (the "CDS") of Central Depository Company of Pakistan Limited (the "CDC").

#### **TRANSFER OF THE UNDERTAKING AND BUSINESS FROM MODAM TO LSECAP**

- XIV. The Undertaking and Business of **MODAM** shall be transferred and vested in **LSECAP** in the following manner:
  - a. The designated immovable (including land, building, usufruct with all equitable and legal rights) and movable assets, liabilities, revaluations reserves, capital and revenue reserves described in Schedule – 2 (The Undertaking and Net Assets of **MODAM** to **LSECAP**) shall stand transferred/vested to **LSECAP** from **MODAM**. Generally, these net assets include land,

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- building, equipment, investment property, investment in shares, cash and bank balances, revaluation reserves and related liabilities.
- b. The Undertaking of **MODAM**, including land, building, usufruct with all equitable and legal rights, as at the effective date shall, without any further act, Instrument or deed, be and the same shall stand transferred/vested to and be vested or deemed to have been transferred to or vested in **LSECAP** on the Effective Date.
  - c. Notwithstanding anything contained in the Stamp Act, 1899 (II of 1899) or any other law for the time being in force, no stamp duty shall be payable on transfer to the transferee company (i.e. **LSECAP**) of the whole or any part of the undertaking and of the property of any transferor company (i.e. **MODAM**) as a result of sanctioning of the Scheme by the honorable Court.
  - d. The transfer / vesting shall be subject to the existing rights (equitable and legal rights), charges mortgages and hypothecation, if any. There are, however no charges/mortgages/hypothecation registered on the assets of **MODAM**. The land shall stand transferred/vested in the name of **LSECAP** upon completion of all legal and regulatory procedures/Clearance from the Lahore Development Authority.
  - e. Such assets of **MODAM**, which are moveable in nature or are capable of transfer by manual / physical delivery or by endorsement and delivery, shall be so transferred and shall become the property of **LSECAP** as its integral part. All the bodies, departments and concerned institutions/companies, wherever required, shall transfer the assets without any cost, taxes, any further act or deed by the **LSECAP**.
  - f. All the utility licenses, connections, meters, and other facilities for electricity, gas, water, telecommunications and others allowed, licensed or provided by any Government agency (including Water and Power Development Authority, Water and Sanitation Agency, Sui Northern Gas Pipelines Limited, Sui Southern Gas Limited) or other agency to the **MODAM** with the respective benefits including the deposits and prepayments, Government approvals, (if any) will stand transferred without any additional charges/costs to the **LSECAP**. The security deposits and any other cost paid by **LSECAP** against any of these and other existing facilities shall remain unchanged and the change of name shall take place without any additional fee, charges or costs whatsoever and without any delay.
  - g. All the registrations, rights, powers, licenses, permits, sanctions, permissions, privileges of the **MODAM** shall stand transferred to **LSECAP**.
  - h. All the titles of land and other immovable property registered in the name of the **MODAM** will stand transferred in the name of **LSECAP**.

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- i. The lease rights (short term and long term), equitable rights, legal rights given by **MODAM** to the third parties shall be transferred (with all rights and obligations) from **MODAM** to **LSECAP**.
  - j. Undertaking and Business – **MODAM** (Schedule-2) is transferred/vested to **LSECAP**. If required, requisite changes in the Memorandum of Association of **LSECAP** shall be allowed and be made to accommodate additional/ extended operations of **MODAM**.

#### **TRANSFER OF THE UNDERTAKING AND BUSINESS FROM LSECAP AND MODAM TO LSEFSL**

- XV. The Undertaking and Business of **LSECAP** shall be transferred and vested in **LSEFSL** in the following manner:
  - a. The designated movable (including equity shares of Digital Custodian Company Limited with all equitable and legal rights) and other movable assets, liabilities, revaluations reserves, capital and revenue reserves described in Schedule – 3 (The Undertaking and Net Assets of **LSECAP** to **LSEFSL**) shall stand transferred/vested to **LSEFSL** from **LSECAP**. Generally, these net assets include investment in shares, cross holding of shares, revaluation reserves and related liabilities.
  - b. Listing status of **MODAM** at PSX shall be transferred to **LSEFSL**. The shares of **LSE FINANCIAL SERVICES LIMITED** shall stand listed on PSX. As the Modaraba Certificates of **MODAM** are eligible for Central Depository System (the "CDS") of Central Depository Company of Pakistan Limited (the "CDC"), the scrip-less shares of **LSEFSL** shall be also be the eligible for Central Depository System (the "CDS") of Central Depository Company of Pakistan Limited (the "CDC").
  - c. All the registrations, rights, powers, licenses, permits, sanctions, permissions, privileges of the **MODAM** shall stand transferred to **LSECAP**.

#### **CONDUCT OF BUSINESS BY LSEPL TILL THE COMPLETION DATE**

- XVI. Till the Sanction Date, **LSEPL** shall not sell, transfer or dispose of any of its Undertaking and Business.
  - (i) The amalgamation / merger in accordance with this Scheme shall be treated as having taken effect from the Sanction Date and as from that time and until the Effective Date when **LSEPL**'s Undertaking and Business is transferred to and vested in **LSECAP**.
  - (ii) **LSEPL** shall carry on and be deemed to carry on all its business and activities, if any, and shall stand possessed of its properties and assets, if any, for and on account of and in trust for **LSECAP**

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and all the profits accruing to **LSEPL** or losses arising or incurred by them, if any, shall for all purposes be treated as the profits or losses, if any, of **LSECAP**.

- (iii) It is hereby undertaken by **LSEPL** that it will carry on its business with reasonable diligence and business prudence, until the Sanction Date and it shall not alienate, charge, mortgage, hypothecate, encumber or otherwise deal with or dispose of the respective Undertakings and Business or any part thereof except, in the ordinary course of business, or without the prior written consent of the Board of Directors of **LSECAP**.

#### **CONDUCT OF BUSINESS BY MODAM TILL THE COMPLETION DATE**

XVII. Till the Sanction Date, **MODAM** shall not sell, transfer or dispose of any of its Undertaking and Business.

- (iv) The amalgamation / merger in accordance with this Scheme shall be treated as having taken effect from the Sanction Date and as from that time and until the Effective Date when **MODAM**'s Undertaking and Business is transferred to and vested in **LSECAP**.

- (v) **MODAM** shall carry on and be deemed to carry on all its business and activities, if any, and shall stand possessed of its properties and assets, if any, for and on account of and in trust for **LSECAP** and all the profits accruing to **MODAM** or losses arising or incurred by them, if any, shall for all purposes be treated as the profits or losses, if any, of **LSECAP**.

- (vi) It is hereby undertaken by **MODAM** that it will carry on its business with reasonable diligence and business prudence, until the Sanction Date and it shall not alienate, charge, mortgage, hypothecate, encumber or otherwise deal with or dispose of the respective Undertakings and Business or any part thereof except, in the ordinary course of business, or without the prior written consent of the Board of Directors of **LSECAP**.

#### **CONDUCT OF BUSINESS BY LSECAP (FOR TRANSFER OF SHARES TO LSEFSL) TILL THE COMPLETION DATE**

XVIII. Till the Sanction Date, **LSECAP** shall not sell, transfer or dispose of designated assets (Schedule-3). Moreover, transfer process of transferring shares of Digital Custodian Company Limited from InfoTech (Private) Limited (against the consideration already paid by **LSECAP**) to **LSECAP** can be initiated.

#### **DETERMINATION OF THE UNDERTAKING AND BUSINESS**

XIX. A balance sheet:

- (i) has been prepared by **LSEPL** (appended herewith as Schedule 7) of the Undertaking and Business, including without limitation, the capital reserves, revenue reserves, revaluation surplus and accumulated profits and losses of **LSEPL**, as reflected in the books of account of **LSEPL**



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immediately preceding the Effective Date and report of agreed upon procedures from the Auditors has been taken on the books of accounts. Since **LSEPL** is listed Company, its accounts are publicly available and have already been disseminated to the shareholders through Pakistan Stock Exchange Limited;

- (ii) shall be prepared by **LSEPL** of the Undertaking and Business, including, without limitation, the share capital, capital and general reserves, revenue reserves, revaluation surplus and accumulated profits and losses of **LSEPL**, as reflected in the books of account of **LSEPL** as of the Sanction Date and which shall be audited by the Auditors of **LSEPL**, within sixty (60) days of the Sanction Date;
- (iii) has been/shall be prepared in accordance with the accounting principles generally accepted in Pakistan and shall include the notes setting out the methodology and assumptions used in identifying the Undertaking and Business of **LSEPL**.

XX. A balance sheet:

- (i) has been prepared by **MODAM** (appended herewith as Schedule 7) of the Undertaking and Business, including without limitation, the capital reserves, revenue reserves, revaluation surplus and accumulated profits and losses of **MODAM**, as reflected in the books of account of **MODAM** immediately preceding the Effective Date and report of agreed upon procedures from the Auditors has been taken on the books of accounts. Since **MODAM** is listed Company, its accounts are publicly available and have already been disseminated to the shareholders through Pakistan Stock Exchange Limited;
- (ii) shall be prepared by **MODAM** of the Undertaking and Business, including, without limitation, the share capital, capital and general reserves, revenue reserves, revaluation surplus and accumulated profits and losses of **MODAM**, as reflected in the books of account of **MODAM** as of the Sanction Date and which shall be audited by the Auditors of **MODAM**, within sixty (60) days of the Sanction Date;
- (iii) has been/shall be prepared in accordance with the accounting principles generally accepted in Pakistan and shall include the notes setting out the methodology and assumptions used in identifying the Undertaking and Business of **MODAM**.

XXI. A balance sheet:

- (i) has been prepared by **LSECAP** (appended herewith as Schedule 7) of the Undertaking and Business, including without limitation, the capital reserves, revenue reserves, revaluation surplus and accumulated profits and losses of **LSECAP**, as reflected in the books of account of **LSECAP** immediately preceding the Effective Date and which has been audited by the Auditors of **LSECAP**;

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- (ii) shall be prepared by **LSECAP** of the Undertaking and Business, including, without limitation, the share capital, capital and general reserves, revenue reserves, revaluation surplus and accumulated profits and losses of **LSECAP**, as reflected in the books of account of **LSECAP** as of the Sanction Date and which shall be audited by the Auditors of **LSECAP**, within sixty (60) days of the Sanction Date;
  - (iii) has been/shall be prepared in accordance with the accounting principles generally accepted in Pakistan and shall include notes setting out the methodology and assumptions used in identifying the Undertaking and Business of **LSECAP**.
  - (iv) The Statement of Financial Position showing the Merger Effect shall be prepared by the Board of Directors based on the audited financial statement as on Sanction Date that will show the assets, liabilities, reserves (the Undertaking and Net Assets of **LSEPL** and **MODAM**) shall be transferred on the Sanction Date and this Statement will be certified by the practicing Chartered Accountant.

XXII. A balance sheet:

- (iv) has been prepared by **LSEFSL** (appended herewith as Schedule 7) of the Undertaking and Business, including without limitation, the capital reserves, revenue reserves, revaluation surplus and accumulated profits and losses of **LSEFSL**, as reflected in the books of account of **LSEPL** immediately preceding the Effective Date and report of agreed upon procedures from the Auditors has been taken on the books of accounts.
- (v) shall be prepared by **LSEFSL** of the Undertaking and Business, including, without limitation, the share capital, capital and general reserves, revenue reserves, revaluation surplus and accumulated profits and losses of **LSEPL**, as reflected in the books of account of **LSEFSL** as of the Sanction Date and which shall be audited by the Auditors of **LSEFSL**, within sixty (60) days of the Sanction Date;
- (vi) has been/shall be prepared in accordance with the accounting principles generally accepted in Pakistan and shall include the notes setting out the methodology and assumptions used in identifying the Undertaking and Business of **LSEFSL**.
- (vii) The Statement of Financial Position showing the Merger Effect shall be prepared by the Board of Directors of **LSECAP** based on the audited financial statement as on Sanction Date that will show the assets, liabilities, reserves (the Undertaking and Net Assets of **LSECAP** that is to be transferred to **LSEFSL** and requisite cross holding) shall be transferred on the Sanction Date and this Statement will be certified by the practicing Chartered Accountant.

## ARTICLE – 4 – SHARES

### CONSIDERATION

- I. Upon the Scheme being effective in terms of the order of the Court, shares shall be issued at par value subject to the terms of this Scheme and without any further application, deed or instrument as a consideration for the transfer to and vesting of the Undertaking and Business of **LSE PROPTech LIMITED** in the **LSE CAPITAL LIMITED** as defined in the Scheme.
- II. The Shares issuance shall be as under:
- a. **SHARES ISSUANCE BY LSE CAPITAL LIMITED (LSECAP) TO THE SHAREHOLDERS OF LSE PROPTech LIMITED (LSEPL)**

<b>LSE PROPTech LIMITED</b>	
<b>No. of Shares Outstanding</b>	<b>90,090,731</b>
No. of Shares of <b>LSECAP</b> to be issued to the shareholders of <b>LSEPL</b>	74,775,306
SWAP Ratio: No. of Shares of <b>LSEPL</b> against One Share of <b>LSECAP</b>	0.83

### LSE PropTech Limited

	<b>Rs. in 000</b>
Non-Current Assets	1,684,611
Current Assets	91,350
Less:	
Liabilities	(57,792)
<b>Net Assets to be transferred</b>	<b>1,718,169</b>
Shares of <b>LSECAP</b> to be Issued to the shareholders of <b>LSEPL</b>	747,753
Transfer of Reserves	817,262
Merger Reserves	153,154
	<b>1,718,169</b>

- III. Upon the Scheme being effective in terms of the order of the Court, shares shall be issued at par value subject to the terms of this Scheme and without any further application, deed or instrument as a consideration for the transfer to and vesting of the Undertaking and Business of **MODARABA AL-MALI** in the **LSE CAPITAL LIMITED** as defined in the Scheme.
- IV. The Shares issuance shall be as under:

a. **SHARES ISSUANCE BY LSE CAPITAL LIMITED (LSECAP) TO THE CERTIFICATE-HOLDERS OF LSE MODARABA AL-MALI**

<b>MODARABA AL-MALI</b>	
<b>No. of Modaraba Certificates Outstanding</b>	<b>90,816,915</b>
No. of Shares of <b>LSECAP</b> to be issued to the certificate-holders of <b>LSEPL</b>	75,378,039
SWAP Ratio: No. of Certificates of <b>MODAM</b> against One Share of <b>LSECAP</b>	0.83

**Modaraba Al-Mali**

	<b>Rs. in 000</b>
Non-Current Assets	941,630
Current Assets	203,833
Less:	
Liabilities	(299,854)
Net Assets to be transferred	<b>845,609</b>
Shares of <b>LSECAP</b> to be Issued to the Certificate-holders of <b>MODAM</b>	753,780
Transfer of Reserves	(62,560)
Merger Reserves	154,389
	<b>845,609</b>

V. **LSECAP** shall issue additional capital to **LSEFSL** and total position of share capital will be as following:

		<b>Before Scheme</b>	<b>Shares of LSECAP</b>
		<b>Shares / Certificates</b>	<b>under the Scheme</b>
To the Shareholders LSE PropTech Limited	Nos.	90,090,731	74,775,306
To the Certificate-holders Modaraba Al-Mali	Nos.	90,816,915	75,378,039
LSE Financial Services Limited			10,000,000
			<b>160,153,345</b>
Share Capital of LSE Capital Limited	Nos.	Before Scheme	21,000,000
Share Capital of LSE Capital Limited	Nos.	After Scheme	<b>181,153,345</b>

VI. Any cross holding, if any, existing at the Sanction Date will be eliminated and shall be given to the shareholders of **LSECAP** and **MODAM**, as the case may be on the Sanction date.

- a. **MODAM's** shareholding in **LSEPL** shall be given to the certificate-holders of **MODAM** before issuing shares of **LSECAP** to the certificate-holders of **MODAM**;
- b. Entitlement of **LSECAP** (as a certificate-holder of **MODAM**) for the share of **LSEPL** shall be given to the shareholders of **LSECAP** before issuing shares of **LSECAP** to the certificate-holders of **MODAM** and to the shareholders of **LSEPL**;

- c. **LSECAP's** certificate-holding in **MODAM** shall be given to the shareholders of **LSECAP** before issuing shares of **LSECAP** to the certificate-holders of **MODAM** and to the shareholders of **LSEPL**;
- d. This mechanism is illustrated as under:

	Before Scheme				Distribution		
	LSEPL	MODAM	LSECAP	LSEFSL	LSEPL	LSEPL	MODAM
LSE Capital Limited	-	15,496,673			1,887,753	(1,887,753)	(15,496,673)
Modaraba Al-Mali	16,469,434				(16,469,434)		
LSE Ventures Limited	26,952,897			10,000,000			
LSE Financial Services Limited	-						
Shareholders of - LSEPL	46,668,400						
Certificate-holders of - MODAM		75,320,242			14,581,681		
Shareholders of - LSECAP			21,000,000			1,887,753	15,496,673
Shareholders of - LSEFSL							
	-	-	-	-	-	-	-

- e. After this distribution, shares of **LSEFSL** will be distributed to the certificate-holders of **MODAM** and to the shareholders of **LSECAP** as per **distribution ratio** as follows:

	LSECAP	MODAM	Distribution	
			LSECAP Shareholders	MODAM Certificate-holders
Certificate-holders - <b>MODAM</b>	-	75,320,242		4,898,091
Shareholders - <b>LSECAP</b>	21,000,000	15,496,673	9,771,736	1,007,751
	21,000,000	90,816,915	9,771,736	5,905,842

- f. Entitlement of **LSECAP** (for **LSEFSL** shares) as certificate-holder of **MODAM** shall be made to the shareholders of **LSECAP** as shown in the above table.
- g. Once this distribution is made, shares will be swapped as per SWAP ratio as follows:

	Position after Distribution and before Merger				After Merger	
	LSEPL	MODAM	LSECAP	LSEFSL	LSECAP	LSEFSL
LSE Capital Limited	-	-	-	-	-	-
Modaraba Al-Mali	-	-	-	-	-	-
LSE Ventures Limited	26,952,897	-	-	10,000,000	22,370,904	10,000,000
LSE Financial Services Limited	-	-	-	-	10,000,000	-
Shareholders of - LSEPL	46,668,400	-	-	-	38,734,772	-
Certificate-holders of - MODAM	14,581,681	75,320,242	-	4,898,091	74,618,595	4,898,091
Shareholders of - LSECAP	1,887,753	15,496,673	21,000,000	10,779,487	35,429,072	20,779,487
Others					2	-
	90,090,731	90,816,915	21,000,000	25,677,578	181,153,345	35,677,578

VII. Additional shares will be issued by **LSEFSL** as follows;

**The Undertaking and Net Assets of LSECAP to LSEFSL**

	<b>LSEFSL</b>	
	Rs. in 000	
Investment in equity Shares of Digital Custodian Company Limited	188,131	
Investment in equity Shares of LSE Capital Limited	100,000	
	<b>288,131</b>	
<b>Represented by</b>		
Issuance of additional shares	256,776	
Share Premium	31,355	
	<b>288,131</b>	

<b>Share of LSEFSL to be issued as an additional capital</b>	Nos.	25,677,578
To the Shareholders of LSE Capital Limited	Nos.	9,771,736
To the Certificate-holders of Modaraba Al-Mali	Nos.	5,905,842
To the LSE Capital Limited for further distribution to the Shareholders of LSE Capital Limited	Nos.	10,000,000
Share Capital of <b>LSEFSL</b> before the Scheme	Nos.	10,000,000
Share Capital of <b>LSEFSL</b> after the Scheme	Nos.	35,677,578
The Undertaking and Net Assets of <b>LSECAP</b> to <b>LSEFSL</b>	Rs. in 000	<b>288,131</b>

**Distribution Ratio**

No. of Shares of <b>LSEFSL</b> against 1,000 shares of <b>LSECAP</b>	<b>465.32</b>
No. of Shares of <b>LSEFSL</b> against 1,000 certificates of <b>MODAM</b>	<b>65.03</b>
No. of Shares of <b>LSEFSL</b> against 1,000 shares of <b>LSECAP</b> – further distribution	<b>476.19</b>

VIII. The SWAP ratio has been calculated on the basis of valuation of shares of all companies (**LSECAP**, **LSEPL**, **MODAM** and **LSEFSL**) by **Kreston Hyderbhimji & Co., Chartered Accountants**. The resulting SWAP ratio, so worked out, will benefit the members of all the companies/ entities.

IX. Normally, the following three factors are given considerations while working out the SWAP ratio:

- a. book value/net asset value/break-up value;
- b. market value of shares; and
- c. dividend earning capacity of the merging companies;

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d. the comparable transaction method;

- X. As **LSECAP**, is unlisted companies; therefore, the market value of shares has not been considered as one of the factors in calculating the SWAP ratio. Similarly, the dividend earning capacities of **LSEPL** and **LSECAP** have not been considered as the other factor as these companies have not declared any dividend as yet. Accordingly, only the last applicable market value of **LSEPL** and **MODAM** has been considered as one of the factors in the valuation. Other factors that have been taken into account are quality of investments/ assets of the transferor and respective future earning potentials of the transferors.
- XI. As **LSECAP** and **LSEFSL** both are unlisted companies, book value of the companies are considered as one factor and future earning potential of the transferee (**LSEFSL**) as another factor while determining the share price of **LSEFSL**.

#### **TRANSFER/CANCELLATION OF SHARES / MODARABA CERTIFICATES**

- XII. Shares of Digital Custodian Company Limited shall be transferred by **LSECAP** to **LSEFSL** against share issuance of **LSEFSL**. This transfer of share shall be issued to the Trustee (CDC or any other Trustee may be appointed for the purpose) who shall distribute the shares of **LSEFSL** as per **Distribution Ratio** described in the Scheme to the beneficiaries (i.e. certificate-holders of **MODAM** and shareholders of **LSECAP**).
- XIII. Board of Directors of **MODAM** (on advice of Board of Directors of **LSECAP**) shall determine the entitlement date and book closure to determine the entitlement of distribution of shares of **LSEPL** held by **MODAM** to the certificate-holders of Modaraba and to determine the entitlement of distribution of shares of **LSEFSL** to the certificate-holders of **MODAM** as per **Distribution Ratio**.
- XIV. Board of Directors of **LSECAP** shall determine the entitlement date and book closure to determine the entitlement of distribution of Modaraba Certificates of **MODAM** held by **LSECAP** to the shareholders of **LSECAP** and to determine the entitlement of distribution of shares of **LSEPL** received from **MODAM** to the shareholders of **LSECAP** and to determine the entitlement of distribution of shares of **LSEFSL** to the shareholders of **LSECAP** as per the distribution ratio.
- XV. Additional share shall be issued by **LSEFSL** to **LSECAP** and **LSECAP** to **LSEFSL** as described in the Scheme.
- XVI. Board of Directors of **LSECAP** shall determine the entitlement date and book closure to determine the entitlement of distribution of shares of **LSFSL** (**10,000,000** additional shares of **LSEFSL**) to the shareholders of **LSECAP** and to determine the entitlement of distribution of shares of **LSEFSL** to the shareholders of **LSECAP** as per the distribution ratio (i.e. further distribution).

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- XVII. Once this distribution (as described above) is made, all members whose names shall appear in the register of member of **LSEPL**, on such date after the Sanction Date as the Board of Directors of **LSECAP** may determine, and shall surrender their share certificates for cancellation thereof to **LSECAP**. In default, upon the new shares being allotted and issued by **LSECAP** to the members of **LSEPL**, to those whose names shall appear on the respective register of members on such date, as aforesaid, the share certificate in relation to the shares held by them in **LSEPL** shall be deemed to have been duly cancelled. A notice of up to fourteen (14) days' shall be given to the members of **LSEPL** of the date fixed by the directors of **LSECAP**, for determining the entitlements to ordinary shares of **LSECAP** to be issued to the members of **LSEPL**. The members holding physical shares, if any, will deliver their share certificates to the company for cancellation and shall be issues the shares of **LSECAP** in physical form within thirty (30) days from the reopening of the Book Closure. As the shares of **LSEPL** are eligible for Central Depository System (the "CDS") of Central Depository Company of Pakistan Limited (the "CDC"), the scrip-less shares of **LSECAP** shall be directly credited by book entries in the CDS in lieu of the scrip-less shares of **LSEPL** to their respective Investors' accounts or sub-accounts with CDC participants within thirty (30) days from the reopening of Book Closure as announced for the determination of the merger entitlements.
- XVIII. All members whose names shall appear in the register of member of **MODAM**, on such date after the Sanction Date as the Board of Directors of **LSECAP** may determine, shall surrender their Modaraba certificates for cancellation thereof to **LSECAP**. In default, upon the new shares being allotted and issued by **LSECAP** to the members of **MODAM**, to those whose names shall appear on the respective register of members on such date, as aforesaid, the share certificate in relation to the certificates held by them in **MODAM** shall be deemed to have been duly cancelled. A notice of up to fourteen (14) days' shall be given to the members of **MODAM** of the date fixed by the directors of **LSECAP**, for determining the entitlements to ordinary shares of **LSECAP** to be issued to the members of **LSEPL**. The members holding physical certificates, if any, will deliver their Modaraba certificates to the company for cancellation and shall be issues the shares of **LSECAP** in physical form within thirty (30) days from the reopening of the Book Closure. As the Modaraba certificates of **MODAM** are eligible for Central Depository System (the "CDS") of Central Depository Company of Pakistan Limited (the "CDC"), the scrip-less shares of **LSECAP** shall be directly credited by book entries in the CDS in lieu of the scrip-less Modaraba certificates of **MODAM** to their respective Investors' accounts or sub-accounts with CDC participants within thirty (30) days from the reopening of Book Closure as announced for the determination of the merger entitlements.
- XIX. Upon the allotment of the Ordinary shares of **LSECAP** to the members of **LSEPL** in the manner aforesaid, all share certificates representing the ordinary shares of **LSEPL** shall stand cancelled.



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- XX. Upon the allotment of the Ordinary shares of **LSECAP** to the members of **MODAM** in the manner aforesaid, all Modaraba certificates representing the Modaraba Certificated of **MODAM** shall stand cancelled.
- XXI. While making physical allotment of the new shares, the fractional allotments above 0.5 shares shall be rounded up to one share and any fraction below 0.5 shall be ignored. However, for shares in CDS fractional shares shall be ignored.
- XXII. Shares will be issued by **LSECAP** to the members of **LSEPL** and to the members of **MODAM** under the SWAP ratio. The working of the merger adjustment and the Balance Sheet of **LSECAP**, to emerge immediately after the merger is attached herewith in Schedule-5 and Schedule-8. The merger reserves or goodwill arising of merger, as the case may be, shall be recognized in the books of **LSECAP**.
- XXIII. Shares shall be issued by **LSECAP** to **LSEPL**'s shareholders under SWAP ratio.
- XXIV. Shares shall be issued by **LSECAP** to **MODAM**'s certificate-holders under SWAP ratio.
- XXV. Additional shares shall be issued by **LSECAP** to **LSEFSL**.
- XXVI. Additional shares shall be issued by **LSEFSL** to **LSECAP**.
- XXVII. Additional shares of **LSEFSL** shall be distributed by **LSECAP** (further distribution) to the shareholders of **LSECAP** before shares of **LSECAP** is issued to the shareholders of **LSEPL** and to the certificate-holders of **MODAM**.
- XXVIII. Additional shares shall be issued to the certificate-holders of **MODAM** and to the shareholders of **LSECAP** as per **Distribution Ratio**.
- XXIX. There shall be no cross-holdings between **LSECAP** and **MODAM**. Any cross-holding shall be distributed amongst the respective shareholders as described in the Scheme.
- XXX. There shall be no cross-holdings between **LSECAP** and **LSEPL**. Any cross-holding shall be distributed amongst the respective shareholders as described in the Scheme.
- XXXI. The distribution of shares and the merger effect are shown in Schedule – 5. The same methodology shall be followed after the Sanction Date.

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## ARTICLE – 5 – RIGHTS AND OBLIGATIONS

### RIGHTS AND OBLIGATIONS OF LSECAP AND LSEPL IN RESPECT OF THE UNDERTAKING AND BUSINESS

- I. All suits, appeals, arbitrations, governmental investigations and other legal proceedings instituted by or against **LSEPL** in respect of the Undertaking and Business (as defined in Schedule 1) and pending before any court, tribunal, regulatory body or any other authority shall be treated as suits, appeals and legal proceedings by or against **LSEPL**, and may be continued, prosecuted and enforced by or against **LSECAP** 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 the Undertaking and Business shall, shall be deemed to, be to the benefit and credit of **LSEPL** and shall be transferred to **LSECAP**.
- III. The capital reserves, revenue reserves, revaluation surpluses and accumulated profits and losses of **LSEPL**, as at the day preceding the Effective Date and immediately preceding the Sanction Date respectively, as audited by the Auditors relating to the Undertaking and Business, shall constitute and be treated as reserves and revaluation surpluses of a corresponding nature in **LSECAP** (as defined and mentioned in Schedule 5), and shall be accounted on that basis in the books of accounts of **LSECAP**.

### RIGHTS AND OBLIGATIONS OF LSECAP AND MODAM IN RESPECT OF THE UNDERTAKING AND BUSINESS

- IV. All suits, appeals, arbitrations, governmental investigations and other legal proceedings instituted by or against **MODAM** in respect of the Undertaking and Business (as defined in Schedule 2) and pending before any court, tribunal, regulatory body or any other authority shall be treated as suits, appeals and legal proceedings by or against **MODAM**, and may be continued, prosecuted and enforced by or against **LSECAP** accordingly.
- V. 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 the Undertaking and Business shall, shall be deemed to, be to the benefit and credit of **MODAM** and shall be transferred to **LSECAP**.
- VI. The capital reserves, revenue reserves, revaluation surpluses and accumulated profits and losses of **MODAM**, as at the day preceding the Effective Date and immediately preceding the Sanction Date respectively, as audited by the Auditors relating to the Undertaking and Business, shall constitute and be treated as reserves and revaluation surpluses of a corresponding nature in

**LSECAP** (as defined and mentioned in Schedule 5), and shall be accounted on that basis in the books of accounts of **LSECAP**.

#### **RIGHTS AND OBLIGATIONS OF LSEFSL AND LSECAP IN RESPECT OF THE UNDERTAKING AND BUSINESS**

- VII. All suits, appeals, arbitrations, governmental investigations and other legal proceedings instituted by or against **LSECAP** in respect of the designated Undertaking and Business only (as defined in Schedule 3) and pending before any court, tribunal, regulatory body or any other authority shall be treated as suits, appeals and legal proceedings by or against **LSECAP**, and may be continued, prosecuted and enforced by or against **LSEFSL** accordingly.
- VIII. 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 the designated Undertaking and Business shall, shall be deemed to, be to the benefit and credit of **LSECAP** and shall be transferred to **LSEFSL**.

#### **GENERAL**

- IX. The authorized share capital of **LSEPL** and **MODAM** shall be merged with the authorized share capital of **LSECAP** and **LSEFSL**.
- X. The authorized capital after the Sanction Date shall be as follows:

	Par Value / Nominal Per Share/Certificate	No. of Shares / Certificate		in PKRs. 000	
		Before Scheme	After Scheme	Before Scheme	After Scheme
LSE Proptech Limited	10.00	150,000,000		1,500,000	
Modaraba Al-Mali	10.00	92,000,000		920,000	
LSE Capital Limited	10.00	25,000,000	200,000,000	250,000	2,000,000
LSE Financial Services Limited	10.00	52,000,000	119,000,000	520,000	1,190,000

- XI. **LSE Proptech Limited** will be dissolved under the Order of the Honorable Lahore High Court, Lahore without winding up.
- XII. **Modaraba Al-Mali** will be dissolved under the Order of the Honorable Lahore High Court, Lahore without winding up.

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- XIII. The merged authorized capital may also be increased further, if so required, with the approval of the shareholders by passing a special resolution in the general meeting, in accordance with the requirements of the Companies Act, 2017.
- XIV. The transferee (**LSECAP** and **LSEFSL** for designated assets only) must undertake to discharge any liability in respect of the assets acquired, if any, and any liability in respect of the assets must not exceed the transferor's cost of the assets at the time of the disposal and the transferee must not be exempt from tax for the tax year in which the disposal of such assets takes place.
- XV. The assets acquired by the transferee (**LSECAP**) shall be treated as having the same character as the same had in the hands of the transferors (**LSEPL** and **MODAM**).
- XVI. The assets acquired by the transferee (**LSEFSL**) shall be treated as having the same character as the same had in the hands of the transferor (**LSECAP**).

#### **TRANSFER OF STAFF AND EMPLOYEES**

- XVII. Every officer, staff or other employees of **LSEPL** and **MODAM**, as existing on the **Effective Date**, shall become the officers, staff or employees, as the case may be, of **LSECAP** (as mentioned in Schedule 6) on the basis that their services have not been interrupted by the transfer and vesting of the Undertaking and Business of **LSPL** and **MODAM** into **LSECAP**, under this Scheme and on the same remuneration and other conditions of service, rights, privileges as to the provident fund, gratuity, any other retirement funds, if any, and other matters as had been applicable to them, before the effective date.
- XVIII. No staff or workforce is being transferred to **LSEFSL** from **LSECAP** under the Scheme

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## ARTICLE – 6 – GENERAL PROVISIONS

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### SANCTION AND EFFECTIVENESS OF SCHEME

- I. Sanctions and Provisions of the Scheme:
- (i) This Scheme has been formulated in terms of the provisions of Section 279 and all other enabling provisions of the Act and for an order under Section 282 (along with Section 283) of the Act for bringing the Scheme into effect.
  - (ii) This Scheme is subject to the sanction of the Court and may be sanctioned in its present form or with or without any modification thereof or addition thereto as the Court may approve and this Scheme shall become effective, with such modification or addition, if any, also subject to any conditions, which the Court may impose.
  - (iii) The respective Boards of Directors of **LSEPL**, **LSEFSL**, **MODAM** and **LSECAP** have approved the foregoing Scheme for the submission of the same to the Court. The respective Board of Directors of **LSECAP**, **MODAM**, **LSEFSL** and **LSEPL**, have also authorized, consented to, either singly or jointly on behalf of all concerned, to any modifications or additions or alterations to this Scheme or to any conditions, which the Court may think fit to impose and may give any directions, as the honorable Court may consider necessary to settle any question(s) or difficulty arising under this Scheme or in regard to its implementation or in any matter connected therewith.
  - (iv) The provisions of this Scheme shall become binding and operative on the date (the "**Sanction Date**") that a certified copy of the order of the Court, sanctioning this Scheme under Section 279 of the Act, and by making any necessary provisions under Section 282 of the Act, and upon such Scheme having been filed with the office of the Registrar Modaraba and Registrar of Companies, SECP, Lahore.
  - (v) Notwithstanding that the Scheme becomes binding and operative on the Sanction Date, the merger of **MODAM**, and transfer to and vesting in **LSECAP**, of the Undertaking and Business shall be deemed to have taken place on the "**Effective Date**" and shall be treated accordingly, as per the provisions of this Scheme.
  - (vi) Notwithstanding that the Scheme becomes binding and operative on the Sanction Date, the merger of **LSEPL**, and transfer to and vesting in **LSECAP**, of the Undertaking and Business shall be deemed to have taken place on the "**Effective Date**" and shall be treated accordingly, as per the provisions of this Scheme.
  - (vii) Notwithstanding that the Scheme becomes binding and operative on the Sanction Date, the transfer of designated assets from **LSECAP** and transfer to and vesting in **LSEFSL**, of the

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Undertaking and Business shall be deemed to have taken place on the “**Effective Date**” and shall be treated accordingly, as per the provisions of this Scheme.

- (viii) Except as expressly otherwise stated herein, the Undertakings and the Business, following the Sanction Date, shall be recorded in the books of account of **LSEPL** (as per Schedule 1) at the respective values appearing in the books of account of **LSECAP** on the date preceding the **Effective Date**. For the Accounting purpose, transfer of balance from the books of transferor to the books of transferee shall serve the purpose. Moreover, for profit and loss items in the books of accounts, only effect has to be shown in the Statement of Changes in Equity and no corresponding changes need to be made in the Statement of Profit and Loss for the interim period between effective date and sanction dates.
- (ix) Except as expressly otherwise stated herein, the Undertakings and the Business, following the Sanction Date, shall be recorded in the books of account of **MODAM** (as per Schedule 2) at the respective values appearing in the books of account of **LSECAP** on the date preceding the **Effective Date**. For the Accounting purpose, transfer of balance from the books of transferor to the books of transferee shall serve the purpose. Moreover, for profit and loss items in the books of accounts, only effect has to be shown in the Statement of Changes in Equity and no corresponding changes need to be made in the Statement of Profit and Loss for the interim period between effective date and sanction dates.
- (x) Each of **LSEPL**, **MODAM**, **LSEFSL** and **LSECAP** shall take all actions and execute all formalities considered and deemed necessary and expedient by their respective Boards of Directors to properly and smoothly cause the transfer and vesting of the respective Undertakings and Businesses in the manner stated herein, and shall carry out and execute this Scheme pursuant to and in accordance with the order of the Court.
- (xi) Without prejudice to the generality of the foregoing, the respective Boards of Directors of **LSEPL**, **LSEFSL**, **MODAM** and **LSECAP**, may, generally or with regard to any specific issue or matter related to the execution and implementation of the Scheme, upon its due approval by the Court, authorize any person(s) or officials to carry out such acts, deeds and things as may be deemed expedient and necessary, for a proper and smooth implementation of the Scheme from time to time.
- (xii) The Board of Directors of **LSECAP**, **MODAM**, **LSEFSL** and **LSEPL** have given their assent to any modification or amendment to the Scheme or to agree to any terms and/or conditions, which the Court and / or any other Authority, Body or Commission under the law, may deem fit to direct or impose or which may otherwise be considered necessary or desirable for settling any question or doubt or difficulty that may arise for implementing and / or carrying out the Scheme and to

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do all acts, deed and things as may be necessary or desirable or expedient for putting the Scheme into effect.

(xiii) For the purposes of giving effect to the Scheme or any modification or amendment thereof, the directors of **LSECAP** are hereby authorized by **MODAM** and **LSEPL** to give such directions and / or to take all such steps and actions as may be necessary or desirable including any direction for settling any question or doubt or difficulty, whatsoever that may arise from time to time.

- II. As of the **Sanction Date**, the terms of this Scheme shall be binding on each of **LSEPL, MODAM, LSEFSL** and **LSECAP** and all their respective shareholders, members, employees, debtors and creditors and any person having any right or liability in relation to them.
- III. All the costs, charges and expenses, incurred / to be incurred in relation to or in connection with the Scheme of Arrangement and of carrying out the implementation of the Scheme or incidental to the completion of the amalgamation/merger in pursuance of the Scheme, shall be borne and paid by **LSECAP**.
- IV. There can be difference in tax year(s) between effective date and sanction date. Tax returns shall not be changed/revised for the effective dates for the entities involved (i.e. **LSEFSL, MODAM, LSEFSL** and **LSEPL**). Moreover, tax position as on Sanction date shall be carried forward to the transferee i.e. from **LSEPL** (and **MODAM**) to **LSECAP**.
- V. No gain or loss shall be taken to arise on disposal of asset from transferor to transferee by virtue of the Scheme under Section 97A of the Income Tax Ordinance, 2001. No double taxation impact (in the form of withholding taxes or/and collecting taxes or/and assessment basis) shall be made/ levied on income, profits and revenues of the companies/ entities involved by virtue of this Scheme. Net of tax balances shall be transferred.
- VI. This Scheme shall become null and void, subject to the following and in that event, no rights and liabilities shall accrue to or be incurred in terms of this Scheme:
  - (i) if the Scheme is not approved by the requisite majority of the shareholders and members of any of **LSEPL, MODAM, LSEFSL** and **LSECAP**;
  - (ii) if the sanction of the Court in respect of this Scheme is not obtained by such date (if any) as may be mutually agreed by the respective Board of Directors of **LSEPL, MODAM, LSEFSL** and **LSECAP**.
- VII. After the **Sanction Date**, the shares of **LSECAP** and **LSEFSL** shall be technically listed on the Pakistan Stock Exchange under the order of the Court without any further, act, deed, formality or fee, subject to the filing of such documentation as may be required by it, in accordance with applicable rules and regulations.

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- VIII. After the **Sanction Date**, **LSEPL** and **MODAM** will be dissolved by the Order of the Honorable Lahore High Court, Lahore without winding up.

#### **DELISTING / LISTING**

- IX. Subsequent to the Sanction Date, **LSE PROPTech LIMITED** shall stand de-listed from Pakistan Stock Exchange Limited within such timeframe during which the shares reconstruction arrangement is completed, and the members of **LSEPL** shall be allotted the shares by **LSECAP**.
- X. Subsequent to the Sanction Date, **MODARABA AL-MALI** shall stand de-listed from Pakistan Stock Exchange Limited within such timeframe during which the shares reconstruction arrangement is completed, and the members of **MODAM** shall be allotted the shares by **LSECAP**.
- XI. Subsequent to the Sanction Date, the shares of **LSE CAPITAL LIMITED** shall stand listed on PSX within such timeframe during which the shares reconstruction arrangement under this Scheme is completed, without any further, act, deed, formality or fee except that **LSECAP** shall be required to file all required documentation to PSX for the purposes of listing.
- XII. Subsequent to the Sanction Date, the shares of **LSE FINANCIAL SERVICES LIMITED** shall stand listed on PSX within such timeframe during which the shares reconstruction arrangement under this Scheme is completed, without any further, act, deed, formality or fee except that **LSEFSL** shall be required to file all required documentation to PSX for the purposes of listing.
- XIII. The opening price shall be based on the P/E ratio, which is determined on the basis of the market equivalent share and the earning potential of the merged balance sheet of both of these companies as determined under the Auditors' Certificate after taking into the impact of the SWAP ratio, but it shall not be less than the par value of the shares of **LSECAP** (i.e. PKR 10/- per share). Based on the Auditors' Certificate, the Board of Directors of **LSECAP** shall communicate the opening price of the **LSECAP** to PSX accordingly.
- XIV. The opening price shall be based on the P/E ratio, which is determined on the basis of the market equivalent share and the earning potential of the merged balance sheet of both of these companies as determined under the Auditors' Certificate after taking into the impact of the SWAP ratio, but it shall not be less than the par value of the shares of **LSEFSL** (i.e PKR 10/- per share). Based on the Auditors' Certificate, the Board of Directors of **LSEFSL** shall communicate the opening price of the **LSEFSL** to PSX accordingly.



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## MISCELLANEOUS

- XV. This Scheme shall be governed by and be construed in accordance with the substantive and procedural laws of Pakistan.
- XVI. The section or headings used in this Scheme, are solely for the convenience of reference, and shall not affect the meaning or interpretation of this Scheme or any of its provisions.
- XVII. The transfer, vesting and amalgamation of the Undertaking and Businesses in terms of this Scheme shall not: (i) constitute any assignment, devolution, conveyance, alienation, parting with possession, or other disposition under any law for the time being in force; (ii) give rise to any forfeiture; (iii) invalidate or discharge any contract; and (iv) give rise to any right of first refusal or pre-emptive right.
- XVIII. This Scheme is subject to the sanction of the Court and may be sanctioned in its present form or with any modification thereof or addition thereto as the Court may approve; and this Scheme is also subject to any such modification or addition or conditions, if any, which the Court may impose.
- XIX. The SWAP ratio (as mentioned in this Scheme and having been duly approved by way of the special resolution) will not be changed unless directed (and accepted by the Company) by the honorable Lahore High Court or the Securities and Exchange Commission of Pakistan. Any difference, if any, will be adjusted either in the goodwill or merger reserves, as the case may be. No further approval for any change having been ordered by the honorable Court or the SECP, shall be required from the shareholders of the Company.
- XX. The Board of Directors of **LSECAP** shall have the power to rectify any rounding errors or typographical errors, calculation errors and other errors, if any in the Scheme and it will not affect the spirit and efficacy of the Scheme.
- XXI. In case of any ambiguity or conflict ad actual transfer of assets, liabilities and reserves, Board of Directors of **LSECAP** shall be the authority to decide and resolve the issue before and after the **Sanction Date**.

**SCHEDULE – 1 - The Undertaking and Net Assets of LSE Proptech Limited to LSE Capital Limited**

	Rs. in 000
Property and equipment	1,301,829
Investment property	378,431
Net investment in finance lease	4,276
Long term deposits	75
Inventories	2,923
Trade and other receivables	39,163
Prepayments, deposits and advances	3,462
Advance income tax	2,285
Bank balances	43,517
<b>Less :</b>	
Deferred tax liability	(1,403)
Other liabilities	(5,643)
Trade and other payables	(50,746)
	<hr/>
	<b>1,718,169</b>
<b>Represented by</b>	
Issued, subscribed and paid-up share capital	900,907
- Unappropriated profit	817,262
	<hr/>
	<b>1,718,169</b>
	-

- **Listing status of LSEPL shall be transferred to LSECAP.**

**LSECAP** shall be listed on PSX by virtue of merger of **LSEPL** with and into **LSEPL** and listing status of **LSEPL** (as a transferor) shall be transferred to **LSECAP** (as a transferee).

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**SCHEDULE – 2 - The Undertaking and Net Assets of Modaraba Al-Mali to LSE Capital Limited**

	Rs. in 000
Property and equipment	4,406
Investment in equity shares of Ensmile Limited	297,316
Investment in equity shares of LSE Ventures Limited	639,909
Current portion of diminishing musharaka	227
Ijarah finance	3,755
Prepayments, deposits and advances	17,658
Short term investment	153,582
Advance income tax	11,033
Bank balances	17,579
<b>Less:</b>	
Deferred tax liability	(48,720)
Trade and other payables	(237,014)
Security deposits	(3,762)
Unclaimed profit distribution	(10,359)
	<hr/>
	<b>845,609</b>
<b>Represented by</b>	
Issued, subscribed and paid-up share capital	908,169
- Unappropriated profit	(62,560)
	<hr/>
	<b>845,609</b>

**The Undertaking and Net Assets of Modaraba Al-Mali to LSE Financial Services Limited**

- **Listing status of MODAM shall be transferred to LSEFSL.**

**LSEFSL** shall be listed on PSX by virtue of transferring of listing status of **MODAM** (as a transferor) to **LSEFSL** (as a transferee).

**- SCHEDULE – 3 - The Undertaking and Net Assets of LSE Capital Limited to LSE Financial Services Limited**

	Rs. in 000
Investment in equity Shares of Digital Custodian Company Limited	188,131
Investment in equity Shares of LSE Capital Limited	100,000
	<b>288,131</b>

**Represented by**

Issuance of additional shares	256,776
Share Premium	31,355
	<b>288,131</b>

**LSE Financial Services Limited**

	No. of Shares	Rs. in 000
Issuance of shares to the certificate-holders of Modaraba Al-Mali*	4,898,091	48,981
Issuance of shares to the shareholders of LSE Capital Limited*	20,779,487	207,795
	<b>25,677,578</b>	<b>256,776</b>

**\*including the impact of distribution of LSEFSL shares distributed to the certificate-holders of MODAM and received by LSECAP as certificate-holder of MODA and subsequently distributed to the shareholders of LSECAP and including further distribution (as per the Scheme)**

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**SCHEDULE – 4 - List of the shareholders/ Certificate-holders of :**

- **LSE Proptech Limited**
- **Modaraba Al-Mali**
- **LSE Capital Limited**
- **LSE Financial Services Limited**

List of shareholders will be added on the effective date

**SCHEDULE – 5 - The Statement of Financial Position showing Merger Effect**

	LSEPL	MODAM	LSECAP	LSEFSL	Merger Adjustment LSEPL	Merger Adjustment MODAM	Merger Adjustment LSECAP	Merger Adjustment LSEFSL	After Merger LSECAP	After Merger LSEFSL
	Rs. in 000 June 30, 2023	Rs. in 000 June 30, 2023	Rs. in 000 June 30, 2023	Rs. in 000 June 30, 2023	Rs. in 000 June 30, 2023	Rs. in 000 June 30, 2023	Rs. in 000 June 30, 2023	Rs. in 000 June 30, 2023	Rs. in 000 June 30, 2023	Rs. in 000 June 30, 2023
<b>ASSETS</b>										
<b>Non Current Assets</b>										
Property and equipment	1,301,829	4,406			-	-	-	-	1,306,234	-
Investment property	378,431				-	-	-	-	378,431	-
Goodwill from demerger	26,533				(26,533)	-	-	-	-	-
Investment in equity shares of Ensmile Limited		297,316			-	-	-	-	297,316	-
Investment in equity shares of LSE Ventures Limited		639,909			-	-	-	-	639,909	-
Investment in equity Shares of LSE Proptech Limited		322,500			-	(322,500)	-	-	-	-
Investment in equity Certificates of Modaraba Al-Mali			62,706		-	-	(62,706)	-	-	-
Investment in equity Shares of Digital Custodian Company Limited			135,812		-	-	52,319	188,131	188,131	188,131
Investment in equity Shares of LSE Capital Limited					-	-	-	100,000	-	100,000
Investment in equity Shares of LSE Financial Services Limited					-	-	-	-	-	-
Net investment in finance lease	4,276				-	-	-	-	4,276	-
Deferred tax	75			7,284	-	-	-	-	-	7,284
Long term deposits					-	-	-	-	75	25,009
	<b>1,711,144</b>	<b>1,264,130</b>	<b>198,518</b>	<b>32,293</b>					<b>2,814,372</b>	<b>320,424</b>
<b>Current Assets</b>										
Inventories	2,923				-	-	-	-	2,923	-
Trade and other receivables	39,163			18,045	-	-	-	-	39,163	18,045
Current portion of diminishing musharaka		227			-	-	-	-	227	-
Ijarah finance		3,755			-	-	-	-	3,755	-
Prepayments, deposits and advances	3,462	17,658	54,291	1,006	-	-	(54,059)	-	21,352	1,006
Other receivables			54,735		-	-	(53,854)	-	881	-
Short term investment		153,582	130	363,648	-	-	-	-	153,711	363,648
Management fee receivable			12,082		-	-	(12,082)	-	-	-
Accrued mark-up			24		-	-	-	-	24	-
Advance income tax	2,285	11,033	2,522	44,319	-	-	-	-	15,840	44,319
Bank balances	43,517	17,579	89	51,844	-	-	-	-	61,185	51,844
	<b>91,350</b>	<b>203,833</b>	<b>123,874</b>	<b>478,862</b>					<b>299,062</b>	<b>478,862</b>
<b>Total Assets</b>	<b>1,802,494</b>	<b>1,467,963</b>	<b>322,392</b>	<b>511,155</b>	<b>(26,533)</b>	<b>(322,500)</b>	<b>(130,382)</b>	<b>288,131</b>	<b>3,113,433</b>	<b>799,286</b>
<b>AUTHORIZED SHARE CAPITAL</b>	<b>1,500,000</b>	<b>920,000</b>	<b>250,000</b>	<b>520,000</b>					<b>2,000,000</b>	<b>1,190,000</b>
<b>SHARE CAPITAL AND RESERVES</b>										
Issued, subscribed and paid-up share capital	900,907	794,239	210,000	100,000	-	113,930	100,000	256,776	1,811,533	356,776
- Unappropriated profit	127,709	226,612	37,482	718	689,553	(289,172)	(169,205)	-	622,979	718
Capital reserves		81,321				(81,321)	-	31,355	-	31,355
Surplus on revaluation of property and equipment	706,004				(706,004)	-	-	-	-	-
- Building reserve fund	10,082				(10,082)	-	-	-	-	-
Certificate subscription money		13,059			-	(13,059)	-	-	-	-
Merger Reserves			48,118		-	-	-	-	307,543	-
<b>Fair value reserves</b>	<b>1,744,702</b>	<b>1,115,232</b>	<b>295,601</b>	<b>100,718</b>			<b>(48,118)</b>		<b>2,742,055</b>	<b>388,849</b>
<b>Non Current Liabilities</b>										
Deferred tax liability	1,403	48,720	3,544		-	-	-	-	53,666	-
Lease liabilities					-	-	-	-	-	-
Other liabilities	5,643			3,848	-	-	-	-	5,643	3,848
	<b>7,046</b>	<b>48,720</b>	<b>3,544</b>	<b>3,848</b>					<b>59,309</b>	<b>3,848</b>
<b>Current Liabilities</b>										
Trade and other payables	50,746	236,037	23,247	390,591	-	977	(13,059)	-	297,948	390,591
Lease liabilities-Current Portion				1,924	-	-	-	-	-	1,924
Musharaka finance		50,000			-	(50,000)	-	-	-	-
Short term Musharaka finance		3,854			-	(3,854)	-	-	-	-
Security deposits		3,762			-	-	-	-	3,762	-
Unclaimed profit distribution		10,359			-	-	-	-	10,359	-
Deposit payable related to discontinued operations				14,073	-	-	-	-	-	14,073
Loan from /Sponsor Director					-	-	-	-	-	-
	<b>50,746</b>	<b>304,012</b>	<b>23,247</b>	<b>406,589</b>					<b>312,069</b>	<b>406,589</b>
<b>Equity and Total Liabilities</b>	<b>1,802,494</b>	<b>1,467,963</b>	<b>322,392</b>	<b>511,155</b>	<b>(26,533)</b>	<b>(322,500)</b>	<b>(130,382)</b>	<b>288,131</b>	<b>3,113,433</b>	<b>799,286</b>

## SCHEDULE – 6 - Transfer of Staff and Employees

### Transfer of Employees from MODAM to LSECAP

1. Rashid Mateen Khan - Chief Financial Officer
2. Inamullah - Company Secretary
3. Mansoor Ahmad Soomro - Finance Officer
4. Azhar Ahmad - Dispatcher
5. Moomin Khan - Driver

### Transfer of Employees from LSEPL to LSECAP

Name of Employees	Department	Existing designation
Ch. Muhammad Ali Hussain	Digital Operations and Development	Senior Officer
Hafiz Muddassir Alam	Digital Operations and Development	Manager
M. Aitzaz Ur Rehman	Digital Operations and Development	Manager
Saira Maqsood	Digital Operations and Development	Senior Officer
Iqrar Shabbir	Civil Facilities Management	Deputy Manager
Muhammad Waqas	Civil Facilities Management	General Staff
Muhammad Qadeer	Digital Operations and Development	General Staff
Azhar Ali	Electical Facilities Management	General Staff
Gull Muhammad Khan	Procurement and Administration	Assistant Manager
Nadeem	Procurement and Administration	General Staff
Kamran Aslam	Electical Facilities Management	Senior Officer
Maqbool Ahmad	Electical Facilities Management	General Staff
Muhammad Shahzad	Electical Facilities Management	General Staff
Syed Zafar Iqbal	Electical Facilities Management	General Staff
Muhammad Mustafa	Electical Facilities Management	General Staff
Muhammad Fiaz	Civil Facilities Management	General Staff
Amir Sajjad	Electical Facilities Management	General Staff
Yasir Ali	Procurement and Administration	General Staff
Muhammad Azhar Ashraf	Procurement and Administration	General Staff
Zulfiqar Ali	Civil Facilities Management	Assistant Officer
Ejaz Hussain	Procurement and Administration	Assistant Officer
Muhammad Nasir	Procurement and Administration	General Staff
Aaliya Naeem	Procurement and Administration	Assistant Officer
Muhammad Ashfaq	Procurement and Administration	General Staff
Ansar Abbas	Procurement and Administration	General Staff
Muhammad Shahid	Civil Facilities Management	General Staff
Abid Hussain	Procurement and Administration	Chief Security Officer

Syed Ghulam Shabbir Shah	Procurement and Administration	General Staff
Allah Ditta	Procurement and Administration	General Staff
Riaz Ahmed	Procurement and Administration	General Staff
Muhammad Taha Khan	Electrical Facilities Management	General Staff
Bashir Ahmed	Electrical Facilities Management	Manager
Sufyan Masih	Civil Facilities Management	General Staff
Adnan	Civil Facilities Management	General Staff
Zeeshan Gull	Civil Facilities Management	General Staff
Danish Masih	Civil Facilities Management	General Staff
Zarak Nadeem	Civil Facilities Management	General Staff
Atif	Civil Facilities Management	General Staff
Francis	Civil Facilities Management	General Staff
Haris Nadeem	Civil Facilities Management	General Staff
Irfan Masih	Civil Facilities Management	General Staff
Javeed Rehmat	Civil Facilities Management	General Staff
Mickel	Civil Facilities Management	General Staff
Khurram Pervaiz	Civil Facilities Management	General Staff
Nauman Babar	Civil Facilities Management	General Staff
Noman	Civil Facilities Management	General Staff
Waqas Masih	Civil Facilities Management	General Staff
Shah Nawaz	Digital Operations and Development	Assistant Manager
Raza Masih	Procurement and Administration	General Staff



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**SCHEDULE – 7 - The Statement of Financial Position –**

- **LSE Proptech Limited**
- **Modaraba Al-Mali**
- **LSE Capital Limited**
- **LSE Financial Services Limited**

As attached

**SCHEDULE – 8 - Statement of Financial Position of LSE CAPITAL LIMITED immediately after Merger Effect**

<b>The Undertaking and Net Assets of LSEPL and MODAM and to LSECAP</b>						
<b>The Undertaking and Net Assets of LSECAP to LSEFSL</b>						
	<b>Before Scheme LSECAP Rs. in 000</b>	<b>From LSEPL Rs. in 000</b>	<b>From MODAM Rs. in 000</b>	<b>Merger Adjustments Rs. in 000</b>	<b>To LSEFSL Rs. in 000</b>	<b>After Scheme LSECAP Rs. in 000</b>
Property and equipment	-	1,301,829	4,406			1,306,234
Investment property	-	378,431	-			378,431
Investment in equity shares of Ensmile Limited	-	-	297,316			297,316
Investment in equity shares of LSE Ventures Limited	-	-	639,909			639,909
Investment in equity Certificates of Modaraba Al-Mali	62,706	-	-	(62,706)		-
Investment in equity Shares of Digital Custodian Company Limited	135,812	-	-	240,450	(188,131)	188,131
Investment in equity Shares of LSE Financial Services Limited	-	-	-	-		-
Net investment in finance lease	-	4,276	-			4,276
Long term deposits	-	75	-			75
Inventories	-	2,923	-			2,923
Trade and other receivables	-	39,163	-			39,163
Current portion of diminishing musharaka	-	-	227			227
Ijarah finance	-	-	3,755			3,755
Prepayments, deposits and advances	232	3,462	17,658			21,352
Other receivables	881	-	-			881
Short term investment	130	-	153,582			153,711
Accrued mark-up	24	-	-			24
Advance income tax	2,522	2,285	11,033			15,840
Bank balances	89	43,517	17,579			61,185
<b>Less:</b>						
Deferred tax liability	(3,544)	(1,403)	(48,720)			(53,666)
Lease liabilities	-	-	-			-
Other liabilities	-	(5,643)	-			(5,643)
Trade and other payables	(10,188)	(50,746)	(237,014)			(297,948)
Security deposits	-	-	(3,762)			(3,762)
Unclaimed profit distribution	-	-	(10,359)			(10,359)
	<b>188,665</b>	<b>1,718,169</b>	<b>845,609</b>	<b>177,744</b>	<b>(188,131)</b>	<b>2,742,055</b>
<b>Represented by</b>						
Issued, subscribed and paid-up share capital	210,000	900,907	908,169	100,000	(307,543)	1,811,533
- Unappropriated profit	(21,335)	817,262	(62,560)	77,744	(188,131)	622,979
Merger Reserves					307,543	307,543
	<b>188,665</b>	<b>1,718,169</b>	<b>845,609</b>	<b>177,744</b>	<b>(188,131)</b>	<b>2,742,055</b>

**SCHEME OF COMPROMISES, ARRANGEMENT AND RECONSTRUCTION FOR AMALGAMATION/MERGER**

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<b>BOARD OF DIRECTORS</b>		<b>BOARD OF DIRECTOR MEETING HELD ON</b>
<b>LSE CAPITAL LIMITED</b>	<b>LSECAP</b>	November 24, 2023
<b>MODARABA AL-MALI</b>	<b>MODAM</b>	November 15, 2023
<b>LSE PROPTECH LIMITED</b>	<b>LSEPL</b>	November 15, 2023
<b>LSE FINANCIAL SERVICES LIMITED</b>	<b>LSEFSL</b>	November 23, 2023

The Board of Directors of the above named companies/entities in their respective meetings have approved the Scheme of Compromises, Arrangement and Reconstruction for amalgamation / merger / partial merger of

**PART-1 - Complete Transfer of Assets and Undertakings**

- 1. MODARABA AL-MALI**  
(AND ITS MEMBERS)
- 2. LSE PROPTECH LIMITED**  
(AND ITS MEMBERS)

**WITH AND INTO**

- 3. LSE CAPITAL LIMITED**  
(AND ITS MEMBERS)

**PART-2 - Partial Transfer of Designated Assets**

- 1. LSE CAPITAL LIMITED**  
(AND ITS MEMBERS)
- WITH AND INTO**
- 2. LSE FINANCIAL SERVICES LIMITED**  
(AND ITS MEMBERS)

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**(IN TERMS OF PROVISIONS OF SECTIONS 279 TO 283 AND ALL OTHER ENABLING PROVISIONS OF THE  
COMPANIES ACT, 2017)**

**Annexure to Scheme of Merger  
Special Resolutions**

The Board of Directors of the respective companies/ corporate entities have also passed the following resolutions (**as an integral part of the Scheme**) for the subsequent approval (with and without amendments/ alterations) from their respective shareholders/ certificate-holders (as the case may be) in their forthcoming meeting as and when meeting is convened by the honorable Lahore High Court.

1. **RESOLVED THAT** pursuant to the provisions of Section 279 to 283 of the Companies, Act, 2017 and other applicable provisions, if any, and subject to the approval of Registrar Modaraba and the Honorable Lahore High Court, the proposed merger (Part-1) of **LSE Proptech Limited** ('Transferor Company') with and into **LSE Capital Limited** ('Transferee Company') along with the draft Scheme of Amalgamation/ Merger/ as placed before the shareholders, be and are hereby approved.
2. **RESOLVED THAT** pursuant to the provisions of Section 279 to 283 of the Companies, Act, 2017 and other applicable provisions, if any, and subject to the approval of Registrar Modaraba and the Honorable Lahore High Court, the proposed merger (Part-1) of **Modaraba Al-Mali** ('Transferor Company') with and into **LSE Capital Limited** ('Transferee Company') along with the draft Scheme of Amalgamation/ Merger/ as placed before the shareholders/ certificate-holders, be and are hereby approved.
3. **RESOLVED THAT** pursuant to the provisions of Section 279 to 283 of the Companies, Act, 2017 and other applicable provisions, if any, and subject to the approval of Registrar Modaraba and the Honorable Lahore High Court, the proposed partial merger (Part-2) of **LSE Capital Limited** ('Transferor Company') with and into **LSE Financial Services Limited** ('Transferee Company') along with the draft Scheme of Amalgamation/ Merger/ as placed before the shareholders, be and are hereby approved.
4. **RESOLVED FURTHER THAT** approval be and is hereby accorded to implement the Scheme and accordingly application/petition shall be filed with the Securities and Exchange Commission of Pakistan, honorable Lahore High Court, Pakistan Stock Exchange Limited and any other competent authority(ies).
5. **RESOLVED FURTHER THAT** the approval of the shareholders and Modaraba certificate-holders, be and is hereby granted to the terms and conditions as set out in the draft Scheme of Amalgamation/ Merger, which includes, inter-alia, the following:
  - a) That all asset and liabilities including Income Tax and all other statutory liabilities of the Transferor Company (**LSE Proptech Limited**) will be transferred to and vest in the Transferee Company i.e. **LSE Capital Limited** (as described in Schedule – 1 of the Scheme);
  - b) That all asset and liabilities including Income Tax and all other statutory liabilities of the Transferor Company (**Modaraba Al-Mali**) will be transferred to and vest in the Transferee Company i.e. **LSE Capital Limited** (as described in Schedule – 2 of the Scheme);
  - c) That designated asset and liabilities including Income Tax and all other designated statutory liabilities of the Transferor Company (**LSE Capital Limited**) will be transferred to and vest in the Transferee Company i.e. **LSE Financial Services Limited** (as described in Schedule – 3 of the Scheme);
  - d) That all the employees of the Transferor Company (i.e. **LSE Proptech Limited**) , if any, in service on the date immediately preceding the date on which Scheme finally takes effect i.e. the Effective Date, shall become the employees of the Transferee Company i.e. **LSE Capital Limited** (as described in Schedule – 6 of the Scheme) on such date without any break or interruption in service

**Annexure to Scheme of Merger  
Special Resolutions**

and upon terms and conditions not less favorable than those subsisting in the concerned Transferor Company on the said date;

- e) That all the employees of the Transferor Company (i.e. **Modaraba Al-Mali**), if any, in service on the date immediately preceding the date on which Scheme finally takes effect i.e. the Effective Date, shall become the employees of the Transferee Company i.e. **LSE Capital Limited** (as described in Schedule – 6 of the Scheme) on such date without any break or interruption in service and upon terms and conditions not less favorable than those subsisting in the concerned Transferor Company on the said date;
- f) No transfer of employee shall be made from **LSE Capital Limited** (as Transferor Company) to **LSE Financial Services Limited** (as Transferee Company);
- g) That the Scheme of Amalgamation / Merger shall be effective from **Effective Date**, the provisions of the Scheme, so far as they relate to transfer and vesting of the business and undertaking(s) of the Transferor Company(ies) (as described in Schedule – 1, Schedule – 2 and Schedule - 3 of the Scheme) into the Transferee Company(ies), shall be applicable and come into operation from the Sanction Date or such other date as the Honorable Lahore High Court may approve;
- h) That the **LSE Capital Limited** shall allot shares to the shareholders of the **LSE Proptech Limited** in accordance to the **SWAP Ratio** as per the Valuation Report given by the **Kreston Hyderbhimji & Co., Chartered Accountants** (or any other renowned practicing-chartered accounting firm), as tabled before the meeting and taken note of; and
- i) That the **LSE Capital Limited** shall allot shares to the certificate-holders of the **Modaraba Al-Mali** in accordance to the **SWAP Ratio** as per the Valuation Report given by the **Kreston Hyderbhimji & Co., Chartered Accountants** (or any other renowned practicing-chartered accounting firm), as tabled before the meeting and taken note of; and
- j) That the **LSE Financial Services Limited** shall allot shares to the shareholders of the **LSE Capital Limited**, to the certificate-holders of **Modaraba Al-Mali** and to the **LSE Capital Limited** in accordance to the **SWAP Ratio** as per the Valuation Report given by the **Kreston Hyderbhimji & Co., Chartered Accountants** (or any other renowned practicing-chartered accounting firm), as tabled before the meeting and taken note of; and
- k) That **LSE Capital Limited** shall allot shares to **LSE Financial Services Limited** in accordance to the Scheme.
- l) That the distribution of shares of **LSE Proptech Limited** owned by **Modaraba Al-Mali** to be distributed to the certificate-holders of **Modaraba Al-Mali**.
- m) That the distribution of certificates of **Modaraba Al-Mali** owned by **LSE Capital Limited** to be made to the shareholders of **LSE Capital Limited**.
- n) That the listing status of the **LSE Proptech Limited (LSEPL)** with the Pakistan Stock Exchange Limited (PSX) and eligibility status (of **LSEPL**) with Central Depository Company of Pakistan Limited (CDC) along with all privileges, rights and liabilities of the Transferor Company with PSX and CDC shall be transferred in the names of the **LSE Capital Limited** (as described in the Scheme).
- o) That the listing status of the **Modaraba Al-Mali (MODAM)** with the Pakistan Stock Exchange Limited (PSX) and eligibility status (of **MODAM**) with Central Depository Company of Pakistan Limited (CDC) along with all privileges, rights and liabilities of the Transferor Company with PSX and CDC shall be transferred in the names of the **LSE Financial Services Limited** (as described in the Scheme).
- p) Effective date of the Scheme is **June 30, 2023** or any other date which is determined by the honorable Lahore High Court. However, this will not affect the SWAP ratio determined in the Scheme. Any difference, if any, will be adjusted either in goodwill or merger reserves, as the case may be. Moreover, actual transfer will be effectuated on sanctioned date, when the Scheme shall

**Annexure to Scheme of Merger  
Special Resolutions**

become the operative (as defined in Article – 3 of the Scheme). No further approval shall be required from the shareholders of the Company.

- q) SWAP ratio will not be changed unless directed (and accepted by the Company) by the honorable Lahore High Court or the Securities and Exchange Commission of Pakistan, as the case may be. Any difference, if any, will be adjusted either in goodwill or merger reserves, as the case may be. No further approval shall be required from the shareholders of the Company.
6. **RESOLVED FURTHER THAT** pursuant to the provision of Section 279 to 283 of the Companies, Act, 2017 and other applicable provisions, necessary joint/separate application(s), petition(s) and may be moved by the Chief Executive Officer or the Company Secretary of **LSE Capital Limited** singly before the Honorable Lahore High Court, for seeking its directions as to convening, holding and conducting of any meeting(s) of the shareholders and creditors (if any) or dispensation thereof, as the case may be, including for the appointment of Chairman, issuance and dispatch of notices and placement of advertisements and for seeking any other directions as the Honorable Lahore High Court may deem fit and proper and for seeking the approval of the proposed amalgamation/ merger and the proposed Scheme of Amalgamation / Merger.”
7. **RESOLVED FURTHER THAT** approval be and is hereby given to the Board of Directors of **LSE Proptech Limited** and **LSE Capital Limited** to amend the swap ratio, if advised or directed by the Securities and Exchange Commission of Pakistan or honorable Lahore High Court, as the case may be, for the issuance of shares of **LSE Capital Limited** to the shareholders of the **LSE Proptech Limited**.
8. **RESOLVED FURTHER THAT** approval be and is hereby given to the Board of Directors of **Modaraba Al-Mali** and **LSE Capital Limited** to amend the swap ratio, if advised or directed by the Securities and Exchange Commission of Pakistan or honorable Lahore High Court, as the case may be, for the issuance of shares of **LSE Capital Limited** to the shareholders of the **LSE Proptech Limited**.
9. **RESOLVED FURTHER THAT** approval be and is hereby given to the Board of Directors of **LSE Capital Limited** and LSE Financial Services to amend the swap ratio, if advised or directed by the Securities and Exchange Commission of Pakistan or honorable Lahore High Court, as the case may be, for the issuance of shares of **LSE Financial Services Limited** to the shareholders of the **LSE Capital Limited** and to the **LSE Capital Limited**.
10. **RESOLVED FURTHER THAT** approval be and is hereby given to the Board of Directors of LSE Financial Services and **LSE Capital Limited** to amend the swap ratio, if advised or directed by the Securities and Exchange Commission of Pakistan or honorable Lahore High Court, as the case may be, for the issuance of shares of **LSE Capital Limited** to the **LSE Financial Services Limited**.
11. **RESOLVED FURTHER THAT** the shareholders, be and hereby authorize singly the Chief Executive or the Company Secretary of the Company (i.e. respective company/ corporate undertaking), to undertake and implement all relevant steps/actions, required to be completed, as a consequence of the approval of the above special resolutions.
12. **RESOLVED FURTHER THAT** the Chief Executive Officer or the Company Secretary of the **LSE Capital Limited**, be and are hereby singly authorized to submit the certified true copies of the resolutions passed by the shareholders of the Company (i.e. respective company/ corporate undertaking) to the

**Annexure to Scheme of Merger  
Special Resolutions**

Honorable Lahore High Court, the Registrar of Companies, the Securities and Exchange Commission of Pakistan, Pakistan Stock Exchange Limited and such other competent authorities, if necessary.”

13. **RESOLVED FURTHER THAT** the Chief Executive Officer, or the Company Secretary of the **LSE Capital Limited**, be and are hereby singly authorized:
- a) To sign, submit or present necessary applications, petitions, supplementary applications/petitions, summons, deeds, documents, instruments, rejoinders, replies, and to swear affidavits or execute bonds for the above-mentioned amalgamation/ merger;
  - b) To engage any counsel(s)/advocate(s)/consultant(s) to file the application(s) and petition(s) before the Honorable Lahore High Court, and to do other needful tasks;
  - c) To appear [in person or through representative(s)] before the Honorable Lahore High Court; the Offices of the Registrar of the Companies; the Securities and Exchange Commission of Pakistan; Pakistan Stock Exchange Limited and/or before any other authority or person in connection with the aforesaid amalgamation/merger; and
  - d) To do any other act, deed or thing which may be ancillary or incidental to the above-mentioned matter or which may otherwise be required for the aforesaid purpose.

HB/23-675

The Board of Directors,  
LSE Financial Services Limited  
LSE Building, Aiwan-e-Iqbal, Lahore;

The Board of Directors  
LSE Capital Limited  
LSE Building, Aiwan-e-Iqbal, Lahore

The Board of Directors,  
LSE Proptech Limited  
LSE Building, Aiwan-e-Iqbal, Lahore;

The Board of Directors  
Modaraba Al-Mali  
*LSE Capital Limited (Modaraba Management Company)*  
LSE Building, Aiwan-e-Iqbal, Lahore

Dear Sirs,

#### **AUDITOR'S CERTIFICATE ON SHARE SWAP RATIO**

We have been requested to certify the basis of the determination of the share swap ratio as of June 30, 2023 upon the proposed merger of Modaraba Al-Mali and LSE Proptech Limited (LSEPL) with and into LSE Capital Limited (LSECAP) and ultimately merger of LSE Capital Limited (LSECAP) with and into LSE Financial Services Limited (LSEFSL) under the scheme of Compromises, Arrangement and Reconstruction.

#### **Part - 1 Complete Transfer of Assets and Undertakings**

Modaraba Al-Mali (and its Members); and

LSE Proptech Limited (and its Members)

WITH AND INTO

LSE Capital Limited (and its Members)

#### **Part - 2 Partial Transfer Designated Assets**

LSE Capital Limited (and its Members)

WITH AND INTO

LSE Financial Services Limited (and its Members)

#### **SCOPE OF THE CERTIFICATE**

Upon the completion of merger / amalgamation through the intended Scheme, the Modaraba Al-Mali will be dissolved under the Order of the Honorable Lahore High Court, Lahore without winding up, and shares of LSE Capital Limited will be issued to the registered members / certificate-holders of Modaraba Al-Mali.



Upon the completion of merger / amalgamation through the intended Scheme, LSE Proptech Limited will be dissolved under the Order of the Honorable Lahore High Court, Lahore without winding up, and shares of LSE Capital Limited will be issued to the registered members / shareholders of LSE Proptech Limited subject to the approval of the Honourable Lahore High Court, Lahore, on the Scheme of Compromises, Arrangement and Reconstruction in terms of provisions of sections 279 to 282 and all other enabling provisions of the Companies Act, 2017.

### **MANAGEMENT'S RESPONSIBILITY**

It is the management's responsibility to prepare the share swap ratio in accordance with the Scheme of Arrangement under sections 279 to 282 and all other enabling provisions of the Companies Act, 2017. This certificate does not relieve the management from its responsibility.

### **AUDITOR'S RESPONSIBILITY**

Our responsibility is to certify that the share swap ratio has been properly computed and determined on the basis of net book values of the companies based on the audited financial statements as of June 30, 2023/market value as November 13, 2023 for the purpose of issuance of new shares of LSE Capital Limited (Transferor) to the existing shareholders of LSE Proptech Limited and Modaraba Al-Mali (Transferees) and ultimately issuance new of shares of LSE Financial Services Limited (Transferor) to the members / shareholders of LSE Capital Limited (Transferees) against the net assets transferred to the transferor in the ratio as decided by the management.

Accordingly, our verification was limited to the following procedures:

1. We have obtained information about the net assets of Modaraba Al-Mali and LSE Proptech Limited to be transferred to its existing members / shareholders from the respective audited financial statements as of June 30, 2023.
2. We have also obtained information regarding the net assets of LSE Capital Limited to be amalgamated into LSE Financial Services Limited from its audited financial statements as of June 30, 2023.
3. We have obtained the pattern of shareholding of all the companies as of June 30, 2023, for the purpose of determining the member-wise shares to be issued to each respective shareholder by the transferor in proportion to the shares previously held by each of them in the respective companies of the same class, kind and face value.
4. We have verified the computation of the swap ratio as prepared by the management of Modaraba Al-Mali, LSE Proptech Limited, LSE Capital Limited and LSE Financial Services Limited to effectuate the scheme of merger (attached as **Annexure - A**).
5. We have checked that all the financial information used in the swap ratio regarding the assets and liabilities is based on the respective audited financial statements of all the entities and according to the provisions of the proposed scheme of merger and amalgamation as approved by the BOD of all companies and all the allocations and transfers of the net assets have been made in the ratio as decided by the management of respective entities.
6. We have checked the financial information of the entities as regards all the assets, liabilities, share capital and reserves after the proposed scheme of merger and amalgamation takes effect and confirmed that net assets are transferred to the transferee companies in the allocation criteria as decided by the management that also serves the basis for the determination of swap ratio regarding the net assets transferred and issuance of shares by the transferees there-against.

**CERTIFICATE**

Based on the procedures mentioned above, we certify that:

- The shares to be issued by LSE Capital Limited to the existing shareholders of LSE PropTech Limited under the scheme of amalgamation / merger in a swap ratio of 0.83:1 i.e. 83 ordinary shares of LSE Capital Limited against 100 shares of LSE PropTech Limited; and
- The shares to be issued by LSE Capital Limited to the existing certificate holders of Modaraba Al-Mali under the scheme of amalgamation / merger comes to a swap ratio of 0.46:1 i.e. 46 ordinary shares of LSE Capital Limited against 100 certificates of Modaraba Al-Mali.

However, the management of LSE Capital Limited has decided to determine/ adjust the swap Ratio as [0.83] i.e. 83 ordinary shares of LSE Capital Limited against 100 of Modaraba Al-Mali based on the quality of investments it owns. (Referred to Annexure – A).

The swap ratio of both companies has been computed by taking an average of book values as of June 30, 2023 and market value as of November 13, 2023.

Our certificate is in accordance with the "Guidelines for Issue of Certificates for Special Purposes by Practicing Chartered Accountant Firms" issued by the Institute of Chartered Accountants of Pakistan (ICAP). Our verification was limited to the information mentioned above.

**Restriction on use and distribution**

This certificate is being issued on the specific request of the management of LSE Financial Services Limited for the purpose of submission to the Honorable Lahore High Court, Lahore in connection with the Scheme of Compromises, Arrangement and Reconstruction of Modaraba Al-Mali and LSE PropTech Limited into LSE Capital Limited and LSE Capital Limited (partially) into LSE Financial Services Limited whereby the Modaraba Al-Mali and LSE PropTech Limited will be dissolved by the order of Honorable Lahore High Court, Lahore, without winding up and the issuance of shares to the existing shareholders of Modaraba Al-Mali and LSE PropTech Limited by transferor companies in terms of the provisions of sections 279 to 282 and all other enabling provisions of the Companies Act, 2017 and shall not be used for any other purpose specified therein.

Lahore: November 27, 2023

*Kreston Hyder Bhimji & Co.*  
KRESTON HYDER BHIMJI & CO.  
CHARTERED ACCOUNTANTS

Other Offices at: Karachi - Faisalabad - Islamabad  
Web site: [www.krestonhb.com](http://www.krestonhb.com)

LSE Financial Services Limited	LSE Capital Limited
Rs. in 000	
32,293	
478,862	
511,155	
(3,848)	
(406,589)	
(410,437)	
100,718	
100,000	
718	
100,718	
21,000,000	
21,000,000	
285,214	
13.58	
Not Applicable	
Not Applicable	
13.58	

Impact of the Scheme

Condensed Statement of Financial Position

Annexure - A

	LSE Proptech Limited		Modaraba AI-Mali		LSE Capital Limited		LSE Financial Services Limited		LSE Capital Limited		LSE Financial Services Limited	
	LSEPL Rs. in 000	Non-NBFC	MODAM Rs. in 000	LSECL Rs. in 000	Financial Position before the Scheme as on June 30, 2023		LSEFSL Rs. in 000	LSEFSL Rs. in 000	Financial Position after the Scheme		LSEFSL Rs. in 000	
					Modaraba	Modaraba Company			Modaraba Company	NBFC-IFS License		
Non Current Assets (excluding the following Investments)	1,684,611		941,630	-	-	32,293	-	-	2,626,241	-	32,293	
Goodwill from demerger	26,533		-	-	-	-	-	-	-	-	-	
Investment in equity Shares of LSE Proptech Limited	-		322,500	-	-	-	-	-	-	-	-	
Investment in equity Certificates of Modaraba AI-Mali	-		-	62,706	-	-	-	-	-	-	-	
Investment in equity Shares of Digital Custodian Company Limited	-		-	135,812	-	-	-	-	188,131	-	188,131	
Investment in equity Shares of LSE Capital Limited	-		-	-	-	-	-	-	-	-	100,000	
Investment in equity Shares of LSE Financial Services Limited	-		-	-	-	-	-	-	-	-	-	
Current Assets	91,350		203,833	123,874	478,862				299,062		478,862	
<b>Total Assets</b>	<b>1,802,494</b>		<b>1,467,963</b>	<b>322,392</b>	<b>511,155</b>				<b>3,113,433</b>		<b>799,286</b>	
Less:												
Non Current Liabilities	(7,046)		(48,720)	(3,544)	(3,848)				(59,309)		(3,848)	
Current Liabilities	(50,746)		(304,012)	(23,247)	(406,589)				(312,069)		(406,589)	
<b>Total Liabilities</b>	<b>(57,792)</b>		<b>(352,731)</b>	<b>(26,791)</b>	<b>(410,437)</b>				<b>(371,378)</b>		<b>(410,437)</b>	
<b>Net Assets</b>	<b>1,744,702</b>		<b>1,115,232</b>	<b>295,601</b>	<b>100,718</b>				<b>2,742,055</b>		<b>388,849</b>	
<b>Represented by</b>												
Issued, subscribed and paid-up share capital	900,907		794,239	210,000	100,000				1,811,533		356,776	
- Unappropriated profit	127,709		226,612	37,482	718				622,979		718	
Capital reserves	-		81,321	-	-				-		31,355	
Surplus on revaluation of property and equipment	706,004		-	-	-				-		-	
- Building reserve fund	10,082		-	-	-				-		-	
Certificate subscription money	-		13,059	-	-				-		-	
Merger Reserves	-		-	-	-				-		-	
Fair value reserves	-		-	48,118	-				307,543		-	
<b>Shareholders' / Certificate-holders' Equity</b>	<b>1,744,702</b>		<b>1,115,232</b>	<b>295,601</b>	<b>100,718</b>				<b>2,742,055</b>		<b>388,849</b>	
<b>SWAP Ratio is determined as follows:</b>												
<b>PART-I Complete Transfer of Assets and Undertakings</b>												
Shares / Certificates Outstanding												
Add: Right shares												
Book value after merger adjustment (Rs. 000)												
Book Value*												
Share / Modaraba Certificate Price - market value as of November 13, 2023												
Market Capitalization (Rs. 000)												
<b>Average of Book Value and Share Price ((Book value + Market value)/2)</b>												
*after taking impact of distribution of investment in shares to respective shareholders/ certificate-holders												

Nos.

Rs./Share (Certificate)

Rs./Share (Certificate)

Rs./Share (Certificate)

Not Applicable

Not Applicable



15

SWAP Ratio - on the basis of ratio of average book value and share price

Shares of LSE Capital Limited against One share of LSE Proptech Limited

Shares of LSE Capital Limited against One Modaraba certificate of Modaraba Al-Mali

\* however, management of LSE Capital Limited has decided to determine/ adjust the SWAP Ratio as [0.83] based on the quality of investments it owns in the equity investment of LSE Ventures Limited.

0.83

0.46 \*

Thus, premium is added in the SWAP ratio due to quality of investments/ assets of the transferor and respective future earning potentials.

13-12-2021



1 - LSE Financial Services Limited  
Chief Financial Officer

*[Signature]*  
Director



2 - LSE Capital Limited  
Chief Financial Officer

*[Signature]*  
Director



3 - LSE Proptech Limited  
Chief Financial Officer

*[Signature]*  
Director



4 - Modaraba Al-Mali  
LSE Capital Limited (Modaraba Management Company)  
Chief Financial Officer

*[Signature]*  
Director



*[Signature]*  
Chief Executive Officer

*[Signature]*  
Chief Executive Officer

*[Signature]*  
Chief Executive Officer

*[Signature]*  
Chief Executive Officer

.....



## INDEPENDENT AUDITOR'S REPORT

To the members of LSE Capital Limited (*Formerly Assetplex Limited*)

### Report on the Audit of the Financial Statements

#### Opinion

We have audited the annexed financial statements of LSE Capital Limited (*Formerly Assetplex Limited*) (the **Company**), which comprise the statement of financial position as at June 30, 2023, and the statement of profit or loss, and 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, statement of profit or loss and 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 and other comprehensive profit, 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 Annual 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 opinion 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.

*Mudal*



### **Responsibilities of Management and Board of Directors for the Financial Statements**

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

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

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

### **Auditor's Responsibilities for the Audit of the Financial Statements**

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

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

- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Company's internal control.
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by management.
- Conclude on the appropriateness of management's use of the going concern basis of accounting and, based on 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 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 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:

- Proper books of account have been kept by the Company as required by the Companies Act, 2017 (XIX of 2017);
- the statement of financial position, the statement of profit or loss and 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;
- Investments made, expenditure incurred and guarantees extended during the year were for the purpose of the Company's business; and
- 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.

### Other matter

The annual financial statements of the Company for the year ended June 30, 2022 were audited by another firm of Chartered Accountants who vide their report dated December 07, 2022 expressed an unmodified opinion thereon.

The engagement partner on the audit resulting in this independent auditor's report is Mohsin Nadeem (FCA).

*Mohsin Nadeem*

Place: Lahore  
Date: November 24, 2023  
UDIN: AR202310048VBIQjnWFY

**RAFAQAT MANSHA MOHSIN DOSSANI MASOOM & CO.**  
**CHARTERED ACCOUNTANTS**  
Engagement Partner: Mohsin Nadeem



LSE CAPITAL LIMITED (Formerly Assetplex Limited)  
STATEMENT OF FINANCIAL POSITION  
AS AT JUNE 30, 2023

	June 30, 2023	June 30, 2022
-----Rupees-----		
<b>ASSETS</b>		
<b>Non-current assets</b>		
Long term investments	4 198,518,310	149,836,585
	<b>198,518,310</b>	<b>149,836,585</b>
<b>Current assets</b>		
Management fee receivable	5 12,081,867	9,529,655
Advances, deposits and prepayments	6 54,291,300	41,231,418
Accrued mark-up	7 24,137	27,871
Other receivables	8 54,735,340	1,245,076
Short-term investments	9 129,898	4,191,955
Taxation - net	2,522,434	2,476,026
Cash and bank balances	10 88,715	1,293,330
	<b>123,873,691</b>	<b>59,995,331</b>
<b>TOTAL ASSETS</b>	<b>322,392,001</b>	<b>209,831,916</b>
<b>EQUITY</b>		
<b>Share capital</b>		
Authorised capital		
25,000,000 (2022: 20,000,000) ordinary shares of Rs. 10 each	11 250,000,000	200,000,000
Issued, subscribed and paid-up capital	210,000,000	160,000,000
Unappropriated profit	37,482,379	26,458,624
Fair value reserve	48,118,447	(40,007,771)
	<b>295,600,827</b>	<b>146,450,853</b>
<b>LIABILITIES</b>		
<b>Non - current liabilities</b>		
Deferred taxation	3,543,930	3,543,932
<b>Current liabilities</b>		
Payable to related party	12 14,420,000	
Accrued and other liabilities	13 8,827,244	3,408,252
Loan from /Sponsor Director	14 -	56,428,879
	<b>23,247,244</b>	<b>59,837,131</b>
<b>Total shareholders' equity and liabilities</b>	<b>322,392,001</b>	<b>209,831,916</b>
<b>CONTINGENCIES AND COMMITMENTS</b>		
	15	

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

  
Chief Executive

  
Director



**LSE CAPITAL LIMITED (Formerly Assetplex Limited)**  
**STATEMENT OF PROFIT OR LOSS**  
**FOR THE YEAR ENDED JUNE 30, 2023**

	June 30 2023	June 30 2022
	----- Rupees -----	
Management fee from associated undertaking	2,552,212	9,529,655
Other income	16 2,177,489	5,096,184
Realized gain on revaluation of investments 'at fair value through profit or loss'- net	18,619,432	7,496,594
Unrealised (loss) / gain on revaluation of investments 'at fair value through profit or loss'- net	-	(586,880)
Fair value gain on investment property	-	-
	<u>23,349,133</u>	<u>21,535,553</u>
Share of profit of associates	17 (1,840,481)	10,476,759
Advance written off during the year	-	-
Financial Charges	(1,000,000)	
Administrative expenses	18 (6,059,587)	(15,313,106)
<b>Profit before taxation for the year</b>	<u>14,449,065</u>	<u>16,699,206</u>
Taxation	20 (3,425,310)	(5,926,174)
<b>Profit after taxation for the year</b>	<u><u>11,023,755</u></u>	<u><u>10,773,032</u></u>
<b>Earnings per share - basic &amp; diluted</b>	21 <u>0.92</u>	<u>0.90</u>

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

  
 \_\_\_\_\_  
 Chief Executive

  
 \_\_\_\_\_  
 Director

LSE CAPITAL LIMITED (Formerly Assetplex Limited)  
 STATEMENT OF COMPREHENSIVE INCOME  
 FOR THE YEAR ENDED JUNE 30, 2023

	Note	June 30 2023	June 30 2022
----- Rupees -----			
Profit after taxation for the year		11,023,755	10,773,032
<b>Other comprehensive income / (loss):</b>			
- Unrealized gain / (loss) on revaluation of investments classified as 'Fair value through OCI'		1,709,438	(45,736,671)
Deferred tax asset on un-realised loss		-	
Impact of additional Shares of DCCL		85,579,554	
- Share of profit from associate undertaking - under equity	4.2	1,110,909	1,555,569
Deferred tax liability on share of profit associate undertaking		(322,164)	(451,115)
- Remeasurement loss of defined benefit plans	19.1.3	68,282	419,385
Deferred tax on remeasurement of defined benefit plans		(19,802)	(121,622)
		<b>88,126,218</b>	<b>(44,334,454)</b>
<b>Total comprehensive income for the year</b>		<b>99,149,973</b>	<b>(33,561,422)</b>

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

*RMDM*

  
 \_\_\_\_\_  
 Chief Executive

  
 \_\_\_\_\_  
 Director

LSE CAPITAL LIMITED (Formerly Assetplex Limited)  
 STATEMENT OF CHANGES IN EQUITY  
 FOR THE YEAR ENDED JUNE 30, 2023

	Issued, subscribed and paid up capital	Unappropriated profit	Fair value reserve	Total
----- Rupees -----				
Balance as at July 01, 2021	80,000,000	15,685,592	4,326,683	100,012,275
Shares issued during the year	80,000,000	-	-	80,000,000
Total comprehensive income for the year ended June 30, 2022	-	10,773,032	(44,334,454)	(33,561,422)
Balance at June 30, 2022	160,000,000	26,458,624	(40,007,771)	146,450,853
Shares issued during the year	50,000,000	-	-	50,000,000
Total comprehensive income for the year ended June 30, 2023	-	11,023,755	88,126,218	97,742,887.4
Balance as at June 30, 2023	<u>210,000,000</u>	<u>37,482,379</u>	<u>48,118,447</u>	<u>294,193,742</u>

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

  
 \_\_\_\_\_  
 Chief Executive

  
 \_\_\_\_\_  
 Director

LSE CAPITAL LIMITED (Formerly Assetplex Limited)  
STATEMENT OF CASHFLOWS  
FOR THE YEAR ENDED JUNE 30, 2023

Note June 30 June 30  
2023 2022  
----- Rupees -----

**CASH FLOWS FROM OPERATING ACTIVITIES**

Profit before taxation for the year 14,449,065 16,699,206

**Adjustments for non-cash charges and other items:**

Depreciation	-	16,586
Share of profit of associate	(1,840,481)	(10,476,759)
Advance written off during the year	-	-
Gratuity cost / (income) for the year	68,282	382,932
Other income	-	(3,529,426)
Realized gain on revaluation of investments 'at fair value through profit or loss'	(18,619,432)	(7,496,594)
Gain on Short Term Investment	30,825	-
Unrealized loss / (gain) on revaluation of investments classified as FVTPNL	-	586,880
	(20,360,806)	(20,516,381)

**Changes in working capital**

**(Increase) / decrease in current assets**

Management fee receivable	(2,552,212)	(9,529,655)
Advances, deposits and prepayments	(13,059,882)	(19,206,399)
Other receivables		86,620
	(15,612,094)	(28,649,434)

**Increase in current liabilities**

Accrued and other liabilities 20,058,865 64,985

Taxes paid (46,408) (2,451,999)

Contribution in gratuity fund - -

**Net cash used in operating activities** (1,511,379) (34,853,624)

**CASH FLOWS FROM INVESTING ACTIVITIES**

Receipt from disposal of investment property - 32,500,000

Investment in associates - (163,044,140)

Loan from Director - 56,428,879

Loan to Modaraba Al-Mali (53,854,366) -

Receipts from / (investments made) in equity securities - net 4,161,130 22,110,242

Interest income received - 657,317

Proceeds from disposal of fixed assets - 1,238

**Net cash used in investing activities** (49,693,236) (51,346,464)

**CASH FLOWS FROM FINANCING ACTIVITIES**

Proceeds from issuance of shares 50,000,000 80,000,000

**Net cash generated from financing activities** 50,000,000 80,000,000

**Net decrease in cash and cash equivalents** (1,204,615) (6,200,088)

Cash and cash equivalents as at the beginning of the period 1,293,330 7,493,418

**Cash and cash equivalents as at the end of the period** 88,715 1,293,330

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

  
Chief Executive

  
Director

**1. STATUS AND NATURE OF BUSINESS**

LSE Capital Limited (formerly Bank Islami Modaraba Investments Limited) ("the Company") was incorporated in Pakistan on January 22, 1986, as a public unquoted company under the Companies Ordinance, 1984 (now Companies Act, 2017). Subsequently, it was registered as a Modaraba Company with the Registrar of Modaraba Companies and Modarabas, under the Modaraba Companies and Modaraba (Floatation and Control) Ordinance, 1980. The registered office of the Company is situated at LSE Plaza, Khayaban-e-Aiwan-Iqbal Road Lahore.

**2. BASIS OF PREPARATION**

**2.1 Statement of compliance**

These financial statements have been prepared in accordance with the accounting and reporting standards as applicable in Pakistan. The accounting and reporting standards applicable in Pakistan are comprised of International Financial Reporting Standards (IFRS Standards) issued by the International Accounting Standards Board (IASB) as notified under the Companies Act, 2017; and provisions of and directives issued under the Companies Act, 2017. Where provisions of and directives issued under the Companies Act, 2017 differ from the IFRS standards, the provisions of and directives issued under the Companies Act, 2017 have been followed.

**2.2 New and amended standards and interpretations**

**a) Change in accounting standards, interpretations and amendments to published accounting standards that are effective in the current year but not relevant:**

- Interest Rate Benchmark Reform - Phase 2 which amended IFRS 9, IAS 39, IFRS 7, IFRS 4 and IFRS 16 is applicable for annual financial periods beginning on or after 1 January 2021, with earlier application permitted. The amendments introduce a practical expedient to account for modifications of financial assets or financial liabilities if a change results directly from IBOR reform and occurs on an 'economically equivalent' basis. In these cases, changes will be accounted for by updating the effective interest rate. A similar practical expedient will apply under IFRS 16 for lessees when accounting for lease modifications required by IBOR reform. The amendments also allow a series of exemptions from the regular, strict rules around hedge accounting for hedging relationships directly affected by the interest rate benchmark reforms. The amendments apply retrospectively with earlier application permitted. Hedging relationships previously discontinued solely because of changes resulting from the reform will be reinstated if certain conditions are met.

**b) The following International Financial Reporting Standards (IFRS Standards) as notified under the Companies Act, 2017 and the amendments and interpretations thereto will be effective for accounting periods beginning on or after 1 July 2022:**

- Onerous Contracts - Cost of Fulfilling a Contract (Amendments to IAS 37) effective for the annual periods beginning on or after 1 January 2022 clarifies that the 'cost of fulfilling a contract' for the purposes of the onerous contract assessment comprises the costs that relate directly to the contract, including both the incremental costs and an allocation of other direct costs to fulfil the contract. An entity is required to apply the amendments to contracts for which it has not yet fulfilled all its obligations at the beginning of the annual reporting period in which it first applies the amendments (the date of initial application). Restatement of comparative information is not required, instead the amendments require an entity to recognize the cumulative effect of initially applying the amendments as an adjustment to the opening balance of retained earnings or other component of equity, as appropriate, at the date of initial application.

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The following annual improvements to IFRS Standards 2018-2020 are effective for annual reporting periods beginning on or after June 30, 2022.

- IFRS 9 - The amendment clarifies that an entity includes only fees paid or received between the entity (the borrower) and the lender, including fees paid or received by either the entity or the lender on the other's behalf, when it applies the '10 per cent' test in paragraph B3.3.6 of IFRS 9 in assessing whether to derecognize a financial liability.
- IFRS 16 - The amendment partially amends Illustrative Example 13 accompanying IFRS 16 by excluding the illustration of reimbursement of leasehold improvements by the lessor. The objective of the amendment is to resolve any potential confusion that might arise in lease incentives.
- Classification of liabilities as current or non-current (Amendments to IAS 1) amendments apply retrospectively for the annual periods beginning on or after 1 January 2023. These amendments in the standards have been added to further clarify when a liability is classified as current. The standard also amends the aspect of classification of liability as non-current by requiring the assessment of the entity's right at the end of the reporting period to defer the settlement of liability for at least twelve months after the reporting period. An entity shall apply those amendments retrospectively in accordance with IAS 8.
- Disclosure of Accounting Policies (Amendments to IAS 1 and IFRS Practice Statement 2) - the IASB has issued amendments on the application of materiality to disclosure of accounting policies and to help companies provide useful accounting policy disclosures. The key amendments to IAS 1 include:
  - requiring companies to disclose their material accounting policies rather than their significant accounting policies;
  - clarifying that accounting policies related to immaterial transactions, other events or conditions are themselves immaterial and as such need not be disclosed; and
  - clarifying that not all accounting policies that relate to material transactions, other events or conditions are themselves material to a company's financial statements.
- The Board also amended IFRS Practice Statement 2 to include guidance and two additional examples on the application of materiality to accounting policy disclosures. The amendments are effective for annual reporting periods beginning on or after 1 January 2023 with earlier application permitted.
- Definition of Accounting Estimates (Amendments to IAS 8) introduce a new definition for accounting estimates clarifying that they are monetary amounts in the financial statements that are subject to measurement uncertainty. The amendments also clarify the relationship between accounting policies and accounting estimates by specifying that an entity develops an accounting estimate to achieve the objective set out by an accounting policy. The amendments are effective for periods beginning on or after 1 January 2023, with earlier application permitted, and will apply prospectively to changes in accounting estimates and changes in accounting policies occurring on or after the beginning of the first annual reporting period in which the company applies the amendments.

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- Deferred Tax related to Assets and Liabilities arising from a Single Transaction (Amendments to IAS 12) narrow the scope of the initial recognition exemption (IRE) so that it does not apply to transactions that give rise to equal and offsetting temporary differences. As a result, companies will need to recognize a deferred tax asset and a deferred tax liability for temporary differences arising on initial recognition of a lease and a decommissioning provision. For leases and decommissioning liabilities, the associated deferred tax asset and liabilities will need to be recognized from the beginning of the earliest comparative period presented, with any cumulative effect recognized as an adjustment to retained earnings or other components of equity at that date. The amendments are effective for annual reporting periods beginning on or after 1 January 2023 with earlier application permitted.
- Sale or Contribution of Assets between an Investor and its Associate or Joint Venture (Amendments to IFRS 10 and IAS 28) - The amendment amends accounting treatment on loss of control of business or assets. The amendments also introduce new accounting for less frequent transaction that involves neither cost nor full step-up of certain retained interests in assets that are not businesses. The effective date for these changes has been deferred indefinitely until the completion of a broader review.

### 2.3 Critical accounting estimates and judgments

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

- i) Estimate of useful lives and depreciation rates of operating fixed assets
- ii) Fair value of investment property
- iii) Impairment of non-financial assets
- iv) Classification, valuation and impairment of investments
- v) Taxation
- vi) Staff retirement benefits

### 2.4 Accounting convention

These financial statements have been prepared under the historical cost convention except for certain financial assets which have been carried at fair values.

### 2.5 Functional and presentation Currency

These financial statements are presented in Pakistani Rupees which is the Company's functional and presentation currency.

## 3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The significant accounting policies applied in the preparation of these financial statements are set out below. These policies have been consistently applied to all the years presented, unless stated otherwise.

### 3.1 Operating fixed assets and depreciation

These are stated at cost less accumulated depreciation and accumulated impairment losses (if any), except for capital work-in-progress which is stated at cost less accumulated impairment losses (if any).

Subsequent costs are included in the asset's carrying amounts or recognised as a separate asset, as appropriate, only when it is probable that future benefits associated with the item will flow to the Company and the cost of the item can be measured reliably. Normal repairs and maintenance are charged to the profit or loss in the year in which these are incurred.

Depreciation is charged to the profit or loss using the straight-line method whereby the depreciable amount of an asset is written off over its estimated useful life in accordance with the rates specified in notes of these financial statements and after taking into account residual values, if significant. The residual values of operating fixed assets, useful life and depreciation methods are reviewed and adjusted, if appropriate, at each reporting date.

Depreciation on additions is charged from the month in which an asset becomes available for use while no depreciation is charged for the month in which an asset is disposed off. Gain and loss arising on disposal or retirement of property, plant and equipment are included in the profit or loss in the year in which the asset is disposed off or retired.

### 3.2 Investment property

Investment property comprises of offices that are held to for capital appreciation . Investment property is measured initially at cost including transaction costs. Transaction costs include transfer taxes, professional fees for legal services and initial leasing commissions to bring the property to the condition necessary for it to be capable of operating. The carrying amount also includes the cost of replacing part of an existing investment property at the time that cost is incurred, if the recognition criteria is met. Subsequent to initial recognition, investment property is stated at fair value which reflects market condition at reporting date. Gains or losses arising from changes in the fair values are included in the statement of profit or loss in the year in which they arise, including the corresponding tax effect, if any. Fair values are determined based on an annual valuation performed by an accredited independent valuer.

Investment property is derecognised when it has been disposed of or permanently withdrawn from use and no future economic benefit is expected from its disposal. Any gain or loss on the derecognition of investment property are recognised in the statement of profit or loss in the year of retirement or disposal. Gain or loss on the disposal of investment property are determined as the difference between net disposal proceeds and the carrying value of the asset.

Transfers are made to or from the investment property only when there is a change in use. For a transfer from investment property to owner-occupied, the deemed cost for subsequent accounting is the fair value at the date of change in use. If owner occupied property becomes an investment property, the Company accounts for such property in accordance with the policy stated under property, plant and equipment upto the date of change in use.

Maintenance and normal repairs are charged to statement of profit or loss as and when incurred. Major renewals and improvements, if any, are capitalized, if recognition criteria is met.

### 3.3 Impairment of non financial assets

The carrying amount of the Company's assets are reviewed at each reporting date to determine whether there is any indication of impairment loss. If such indication exists, the assets' recoverable amounts are estimated in order to determine the extent of impairment loss. The resulting impairment loss is recognised in the profit or loss.

### 3.4 Financial instruments

The Management determines the appropriate classification of the financial assets of the Company in accordance with the requirements of International Financial Reporting Standard 9 (IFRS-9) "Financial Instruments: Recognition and Measurement" at the time of purchase of financial assets and re-evaluates this classification on a regular basis. The classification depends upon the purpose for which the financial assets are acquired.

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#### 3.4.1 Initial recognition and measurement

Financial assets and liabilities, with the exception of bank balances, loans and advances to employees / counter parties and due to counterparties, are initially recognised on the trade date, i.e., the date that the Company becomes a party to the contractual provisions of the instrument. This includes regular way trades: purchases or sales of financial assets that require delivery of assets within the time frame generally established by regulation or convention in the market place.

Financial assets and liabilities, with the exception of bank balances, loans and advances to employees / counterparties are recognised when funds are transferred to the banks / employees / counterparties. The Company recognises due to / due from counterparties at the time when the Company becomes a party to the contractual provisions of the instrument.

All financial instruments are measured initially at their fair value plus transaction costs, except in the case of financial assets and financial liabilities recorded at fair value through profit or loss.

#### 3.4.2 Classification

In accordance with IFRS 9, the Company classifies its financial assets and financial liabilities at initial recognition into the categories of financial assets and financial liabilities discussed below.

In applying that classification, a financial asset or financial liability is considered to be held for trading if:

(i) It is acquired or incurred principally for the purpose of selling or repurchasing it in the near term or

(ii) On initial recognition, it is part of a portfolio of identified financial instruments that are managed together and for which, there is evidence of a recent actual pattern of short-term profit-taking, or

(iii) It is a derivative (except for a derivative that is a financial guarantee contract or a designated and effective hedging instrument).

##### 3.4.2.1 Financial assets

The Company classifies its financial assets as subsequently measured at amortised cost or measured at fair value through profit or loss on the basis of both:

- The entity's business model for managing the financial assets
- The contractual cash flow characteristics of the financial asset

##### 3.4.2.1.1 Financial assets measured at amortised cost

A debt instrument is measured at amortised cost if it is held within a business model whose objective is to hold financial assets in order to collect contractual cash flows and its contractual terms give rise on specified dates to cash flows that are solely payments of principal and interest on the principal amount outstanding. The Company includes in this category short-term non-financing receivables, accrued income and other receivables.

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#### 3.4.2.1.2 Financial assets measured at fair value through profit or loss

A financial asset is measured at fair value through profit or loss if:

- (a) Its contractual terms do not give rise to cash flows on specified dates that are solely payments of principal and interest (SPPI) on the principal amount outstanding, or
- (b) It is not held within a business model whose objective is either to collect contractual cash flows, or to both collect contractual cash flows and sell, or
- (c) At initial recognition, it is irrevocably designated as measured at FVPL when doing so eliminates or significantly reduces a measurement or recognition inconsistency that would otherwise arise from measuring assets or liabilities or recognising the gains and losses on them on different bases.

#### 3.4.2.1.3 Financial assets measured at fair value through other comprehensive income

The Company applies the new category under IFRS 9 of debt instruments measured at FVOCI when both of the following conditions are met:

- The instrument is held within a business model, the objective of which is achieved by both collecting contractual cash flows and selling financial assets
- The contractual terms of the financial asset meet the SPPI test

These instruments largely comprise assets that had previously been classified as financial investments available for-sale under IAS 39.

#### 3.4.2.2 Financial liabilities

##### 3.4.2.2.1 Financial liabilities measured at amortised cost

This category includes all financial liabilities, other than those measured at fair value through profit or loss. The Company includes in this category short-term payables.

#### 3.4.3 Derecognition

A financial asset (or, where applicable, a part of a financial asset or a part of a group of similar financial assets) is derecognised where the rights to receive cash flows from the asset have expired, or the Company has transferred its rights to receive cash flows from the asset, or has assumed an obligation to pay the received cash flows in full without material delay to a third party under a pass-through arrangement and the Company has:

- (a) Transferred substantially all of the risks and rewards of the asset; or
- (b) Neither transferred nor retained substantially all the risks and rewards of the asset, but has transferred control of the asset.

When the Company has transferred its right to receive cash flows from an asset (or has entered into a pass-through arrangement), and has neither transferred nor retained substantially all of the risks and rewards of the asset nor transferred control of the asset, the asset is recognised to the extent of the Company's continuing involvement in the asset. In that case, the Company also recognises an associated liability. The transferred asset and the associated liability are measured on a basis that reflects the rights and obligations that the Company has retained. The Company derecognises a financial liability when the obligation under the liability is discharged, cancelled or expired.

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#### 3.4.4 Impairment of financial assets

IFRS 9 requires the Company to record an allowance for ECLs for all loans and other debt financial assets not held at FVPL.

ECLs are based on the difference between the contractual cash flows due in accordance with the contract and all the cash flows that the Company expects to receive. The shortfall is then discounted at an approximation to the asset's original effective interest rate.

The Company holds receivables with no financing component and which have maturities of less than 12 months 'at amortised cost' and, as such, has chosen to apply an approach similar to the simplified approach for expected credit losses (ECL) under IFRS 9 to all its receivables. Therefore, the Company does not track changes in credit risk, but instead, recognises a loss allowance based on lifetime ECLs at each reporting date.

The Company uses the provision matrix as a practical expedient to measuring ECLs on trade receivables, based on days past due for groupings of receivables with similar loss patterns. Receivables are grouped based on their nature. The provision matrix is based on historical observed loss rates over the expected life of the receivables and is adjusted for forward-looking estimates.

#### 3.4.5 Offsetting 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 set-off the recognised amounts and intends either to settle on a net basis or to realise the asset and settle the liability simultaneously.

#### 3.5 Management Fee

Modaraba management fee is determined at 10% of the profit earned each year by the Modarabas floated and managed by the Company.

#### 3.6 Advances, deposits, prepayments and other receivables

These are stated at cost less estimates made for doubtful receivables based on review of all outstanding amounts at the year end. Balances considered bad and irrecoverable are written off when identified.

#### 3.7 Taxation

##### Current

The provision for current tax is based on the taxable income at applicable rates of tax after taking into account tax credits and tax rebates (if any). Income tax expense is recognised in the statement of profit or loss except to the extent that it relates to items recognized directly in equity or other comprehensive income. The charge for the current year also includes adjustments, where considered necessary, to provision for tax made in previous years arising from assessments framed during the year for such years.

##### Deferred

Deferred tax is recognised using the balance sheet liability method on all major temporary differences arising between tax bases of assets and liabilities and their carrying amounts appearing in the financial statements. Deferred tax liabilities are recognised for all taxable temporary differences. Deferred tax assets are recognised for all deductible temporary differences to the extent that it is probable that future taxable profits will be available against which the deductible temporary differences, unused tax losses and tax credits can be utilised. Deferred tax assets are reduced to the extent that it is no longer probable that the related deferred tax benefits will be realised.

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Deferred tax is calculated at the rates that are expected to apply to the period when the differences reverse, based on tax rates that have been enacted or substantially enacted by the reporting date. Deferred tax is charged or credited in the statement of profit or loss, except to the extent that it relates to items recognized in other comprehensive income or directly in equity. In this case, the tax is also recognized in other comprehensive income or directly in equity, respectively.

**3.8 Cash and cash equivalents**

Cash and cash equivalents are carried in the statement of financial position at cost. For the purpose of cash flow statement, cash and cash equivalents include demand deposits with banks, other short term highly liquid investments with original maturities of three months or less and bank overdrafts.

**3.9 Provisions**

Provisions are recognised 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 a reliable estimate of the amount of obligation can be made. Provisions are reviewed at each reporting date and adjusted to reflect the current best estimate.

**3.10 Staff retirement benefits**

**a) Defined contribution plan**

The Company operates a recognised provident fund for all its permanent employees. The Company and its employees make equal monthly contributions to the fund at the rate of 8.33% of basic salary. The Company has no further payment obligation once the contributions have been paid. The contributions made by the Company are recognised as an employee benefit expense when they are due.

**b) Defined benefit plan**

The Company also operates an approved funded gratuity scheme for its permanent employees. Annual contributions to the fund are made based on actuarial recommendations. The latest valuation was carried out as at June 30, 2022 using the Projected Unit Credit Method.

The liability / asset recognised in the statement of financial position in respect of gratuity scheme is the present value of the defined benefit obligation at reporting date less fair value of the plan assets. The amount arising as a result of remeasurements representing the actuarial gains and losses and the difference between the actual investment returns and the return implied by the net interest cost are recognised in the statement of financial position immediately, with charge or credit to Other Comprehensive Income in the periods in which they occur.

**3.11 Employees' compensated absences**

The Company accounts for compensated absences on the basis of un-availed earned leave balance of each employee at the end of the year. The leave balance can accumulate upto a maximum of sixty days.

**3.12 Dividend distribution and transfer between reserves**

Dividends declared and transfers between reserves made subsequent to the reporting date are considered as non-adjusting events and are recognised in the financial statements in the year in which such dividends are declared / transfers are made.

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**3.13 Revenue recognition**

According to the core principle of IFRS 15, the Company recognises revenue to depict the transfer of promised goods and services to customers in an amount that reflects the consideration to which the Company expects to be entitled in exchange for those good and services. The Company recognises revenue in accordance with that core principle by applying the following steps:

- Identify the contract with a customer.
- Identify the performance obligations in the contract.
- Determine the transaction price.
- Allocate the transaction price to the performance obligations in the contract
- Recognize revenue when the entity satisfies a performance obligation

The operating income of the Company is generated from management fee is determined at 10% of the profit earned each year by the Modarabas floated and managed by the Company. Income from different sources other than management fee is recognized on the following basis:

- Gain and loss on sale of shares are recognized at the time of sale of shares.
- Dividend income is recognized in the profit or loss when the Company's right to receive the dividend is established.
- Return on bank deposits, term deposit receipts and sukuk certificates is recognized on an accrual basis.
- Rental income is recognized on an accrual basis

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 FOR THE YEAR ENDED JUNE 30, 2023

	Note	June 30 2023	June 30 2022
----- (Rupees) -----			
<b>4. LONG-TERM INVESTMENTS - related party</b>			
<b>Listed - At fair value through other comprehensive income</b>			
Modaraba Al Mali (related party)	4.1	62,706,368	98,804,257
<b>Equity method</b>			
Digital Custodian Company Limited	4.2	135,811,941	51,032,328
		<u>198,518,310</u>	<u>149,836,585</u>
<b>4.1 Equity securities - at fair value through OCI</b>			
Opening carrying value		98,804,257	20,496,788
Purchased / bonus received during the year		-	124,044,140
Carrying value as at		<u>98,804,257</u>	<u>144,540,928</u>
Shares in profit		-	-
Unrealized gain/(loss) during the year		1,709,438	(45,736,671)
Share transferred during the year		(37,807,327)	-
Less: Dividend received during the year		-	-
Market value as at		<u>62,706,368</u>	<u>98,804,257</u>
Number of certificates		<u>9,103,703</u>	<u>14,746,904</u>
Market value as a percentage of net assets		<u>21%</u>	<u>67.47%</u>
Investment as percentage of total paid-up certificate capital of investee company		<u>11.46%</u>	<u>18.57%</u>

**4.2 Digital Custodian Company Limited**

The Company has entered into share purchase agreement with InfoTech (Private) Limited to purchase 4 million shares of Digital Custodian Company Limited ("DCCL") i.e. . However, during the year bonous share were issued to at the face value of Rs. 10 per share to LSE Capital Limited.

Opening Carrying Value	51,032,328	-
Cost of acquisition - 3.9 million shares of Rs. 10 each	-	39,000,000
Bonus Share issued	85,509,185	-
Share in post acquisition profits brought forward	-	18,147,488
Share in Profit/(loss) for the year	(1,840,481)	(7,670,729)
Share in other comprehensive income for the year	1,110,909	1,555,569
Dividend received during the year	-	-
	(729,571)	(6,115,160)
	<u>135,811,941</u>	<u>51,032,328</u>
Number of shares	<u>18,347,472</u>	<u>3,900,000</u>
Investment as percentage of total paid-up certificate capital of investee company	<u>35.10%</u>	<u>35.10%</u>

This represents investment made by the Company in Digital Custodian Company ("DCCL"), which is calculated under the equity method as the Company holds 35.10% stake in DCCL.

Digital Custodian Company Limited (Formerly MCB Financial Services Limited) was incorporated on February 12, 1992 under the Companies Ordinance, 1984 (now the Companies Act, 2017). The Company converted its status from Private Limited Company to Unlisted Public Company on June 19, 2009. The principal objective of DCCL is to act as Trustee of investment trust schemes, voluntary pension schemes and real estate investment trust schemes to provide custodian services and to act as transfer agent / share registrar of securities of listed and unlisted companies and mutual funds, etc.

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LSE CAPITAL LIMITED (Formerly Assetplex Limited)  
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 FOR THE YEAR ENDED JUNE 30, 2023

	Note	June 30 2023	June 30 2022
		----- (Rupees) -----	
<b>5. MANAGEMENT FEE RECEIVABLE</b>			
Modaraba management fee is determined at 10% of the profit earned each year by the Modaraba floated and managed by the Company. The Board of Directors of the Modaraba in their meeting held on 30 October 2023 have approved the management fee of Rs. 2.55 million net off sales tax.			
<b>6. ADVANCES, DEPOSITS AND PREPAYMENTS</b>			
Advance against investment in InfoTech (Private) Limited	6.1	41,000,000	41,000,000
Advance against purchase of right shares Modaraba Al Mali	6.2	13,058,800	-
Deposits		232,500	137,500
Prepayments		-	93,918
		<u>54,291,300</u>	<u>41,231,418</u>
6.1	As disclosed in note 7.3 above, only 35.10% shareholding has been transferred in the name of the Company. The remaining amount paid to InfoTech (Private) Limited has been recorded as advance.		
6.2	This represent the amount paid in advance to Modaraba AL Mali for right issue shares.		
<b>7. ACCRUED MARK-UP</b>			
Accrued mark-up on bank deposits		<u>24,137</u>	<u>27,871</u>
<b>8. OTHER RECEIVABLES</b>			
Due from associated undertakings	8.1	9,078,483	9,078,483
Less: Provision for impairment		(9,078,483)	(9,078,483)
		-	-
Other receivables		67,624	67,624
Less: Provision for impairment		(67,624)	(67,624)
		-	-
Receivable from Gratuity Fund - Defined Benefit Scheme		871,476	803,194
Receivable from Modaraba Al Mali		53,854,366	432,384
Zahid Latif Securities		778	778
Others		8,720	8,720
		<u>54,735,340</u>	<u>1,245,076</u>
8.1	This represents amount receivable in respect of incorporation expenses from three Modarabas being floated by the Company. The SECP in its vide letter dated 20 August 2018 has given the Company time till June 30, 2020 to float these Modarabas. On expiry of the above the management has written to SECP for permission to extend the floatation of these Modarabas till June 30, 2022. However, the management has fully provided the above balances as a matter of prudence.		
<b>9. SHORT TERM INVESTMENT - Financial assets classified as fair value through profit or loss</b>	Note	June 2023	June 2022
		----- (Rupees) -----	
Investment in mutual funds	9.1	-	4,191,955
Investment in equity securities		129,898	-
		<u>129,898</u>	<u>4,191,955</u>
9.1 Investment in mutual funds			
Opening carrying value		4,191,955	4,778,835
Purchased / bonus received during the year		-	-
Sold during the year		(4,161,130)	-
Carrying value as at		<u>30,825</u>	<u>4,778,835</u>
Loss during the year		(30,825)	(586,880)
Market value as at		<u>-</u>	<u>4,191,955</u>
Number of certificates		-	29,928

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LSE CAPITAL LIMITED (Formerly Assetplex Limited)  
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 FOR THE YEAR ENDED JUNE 30, 2023

Note	June 30 2023	June 30 2022
	----- (Rupees) -----	
<b>10. CASH AND BANK BALANCES</b>		
Balances with banks	1,800	1,800
in current accounts	86,915	1,291,530
in deposit accounts	88,715	1,293,330
Security stationery in hand	-	-
	<u>88,715</u>	<u>1,293,330</u>
<b>11. ISSUED, SUBSCRIBED AND PAID-UP CAPITAL</b>		
<b>Authorized capital</b>		
25,000,000 (2022: 25,000,000) ordinary shares of Rs. 10 each	<u>250,000,000</u>	<u>250,000,000</u>
<b>Issued, subscribed and paid-up capital.</b>		
21,000,000 (2022: 16,000,000) ordinary shares of Rs. 10 each fully paid for cash consideration	<u>210,000,000</u>	<u>160,000,000</u>
<b>Opening</b>	160,000,000	160,000,000
<b>Issued During the period</b>	50,000,000	-
<b>Closing</b>	<u>210,000,000</u>	<u>160,000,000</u>

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LSE CAPITAL LIMITED (Formerly Assetplex Limited)  
 NOTES TO THE FINANCIAL STATEMENTS  
 FOR THE YEAR ENDED JUNE 30, 2023

	Note	June 30 2023	June 30 2022
		----- (Rupees) -----	-----
<b>12 PAYABLE TO RELATED PARTY</b>			
Related party-payable		14,420,000	
<b>12.1</b>	This represent the amount payable to related party.	<u>14,420,000</u>	<u>-</u>
<b>13. ACCRUED AND OTHER LIABILITIES</b>			
Accrued liabilities		6,585,259	2,138,236
Payable to employees for leave encashment		56,788	56,788
Chairman's honorarium		240,000	240,000
Security against default in investment		962,000	962,000
Sundry creditors		983,197	11,228
		<u>8,827,244</u>	<u>3,408,252</u>
<b>14. LOAN FROM DIRECTOR</b>			
	This represents unsecured, interest free loan obtained from the Director of the Company and is repayable on demand.		
<b>15. CONTINGENCES AND COMMITMENTS</b>			
<b>15.1</b>	The ownership of the Company in respect of its investment in 400,000 certificates of Modaraba Al-Mali costing Rs 2,972,822 was disputed by a person. The Company rejected this claim and filed a suit against that party in the High Court of Sindh claiming damages of Rs 20,000,000. The High Court granted an injunction in favour of the Company along with an order restraining the person to deal with the shares pending future hearing and disposal of the suit. The winding up petition as filed by the same party was also dismissed by the High Court.		
	After dismissal the party filed a suit against the Company in the Banking Court, Karachi, claiming Rs 19,200,000. The management of the Company, based on the opinion of the Company's lawyer, is confident that the Company has a strong case and the suit filed against the Company will be dismissed. Accordingly, no provision has been made in these financial statements in respect of the above.		
<b>15.2</b>	There were no commitments as at 30 June 2023 (30 June 2022: Nil).		
<b>16. OTHER INCOME</b>			
Profit on savings account and term deposit receipts		306,664	638,200
Dividend income		-	1,016,758
Loss on disposal of asset		30,825	(33,774)
Gain on sale of investment property		-	2,925,000
Other		1,840,000	550,000
		<u>2,177,489</u>	<u>5,096,184</u>
<b>17. SHARE OF PROFIT OF ASSOCIATES</b>			
Digital Custodian Company Limited		<u>(1,840,481)</u>	<u>10,476,759</u>

RMDM

LSE CAPITAL LIMITED (Formerly Assetplex Limited)  
 NOTES TO THE FINANCIAL STATEMENTS  
 FOR THE YEAR ENDED JUNE 30, 2023

	Note	June 30 2023	June 30 2022
----- (Rupees) -----			
<b>18. ADMINISTRATIVE EXPENSES</b>			
Salaries and other benefits:			
- Chief executive		1,979,883	9,091,455
- Others		166,478	364,623
Director's meeting fee		925,000	1,425,000
Rent, rates and taxes		84,000	133,708
Insurance		-	29,805
Repairs and maintenance		52,500	106,847
Travelling		414,400	1,047,781
Utilities		-	268,996
Depreciation	4.1	-	16,586
Advertisement		-	38,650
Legal and professional		880,158	1,383,855
Auditors' remuneration	18.3	750,000	836,936
CDC charges		56,500	42,375
Share registrar fee		214,700	32,124
Sundry expenses		535,968	492,767
Bank charges		-	1,598
		<u>6,059,587</u>	<u>15,313,106</u>

18.1 Salaries and other benefits include a contribution of Rs. 449,990 (2022: Rs. 449,990) made to the staff provident fund.

18.2 Defined contribution plan - Provident Fund

An amount of Rs. 449,990 (2022: Rs. 449,990) has been charged during the year in respect of contributory Provident Fund operated by the Company and Modaraba Al-Mali. The particulars of which are as follows:

Size of the provident fund - Total assets	5,085,908	4,889,734
Fair value of investments	1,878,545	1,972,615

----- (Percentage) -----

Percentage of investments made	36.94%	40.34%
--------------------------------	--------	--------

The cost of above investments amounted to Rs. 1,161,683 (2022: Rs. 1,412,134).

The break-up of fair value of investments is as follows:

	June 2023	June 2022	June 2023	June 2022
	-----Percentage-----		----- (Rupees) -----	
Certificate of Investments	15.73%	16.36%	800,000	800,000
Listed Securities	36.94%	23.98%	1,878,545	1,172,615
	<u>52.67%</u>	<u>40.34%</u>	<u>2,678,545</u>	<u>1,972,615</u>

The investments of the provident fund have been made in accordance with the provisions contained in Section 218 of the Companies Act, 2017 and the rules formulated thereunder.

The above information is based on the un-audited financial statements of the Fund as at June 30, 2023.

The amount represents the combined total assets and investments of the contributory Provident Fund scheme of Assetplex Modaraba Management Limited and Modaraba Al-Mali.

LSE CAPITAL LIMITED (Formerly Assetplex Limited)  
 NOTES TO THE FINANCIAL STATEMENTS  
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	Note	June 30 2023	June 30 2022
----- (Rupees) -----			
<b>18.3 Auditors' remuneration</b>			
Audit fee		750,000	750,000
Out of pocket expenses		-	24,941
Sindh sales tax at the rate of 8%		-	61,995
		<u>750,000</u>	<u>836,935</u>

**19. EMPLOYEE BENEFITS**

**19.1 Defined benefit plan - staff retirement gratuity scheme**

As mentioned in note 3.10(b), the Company operates an approved funded gratuity scheme for all its staff. The latest actuarial valuation of the fund was carried out at June 30, 2023 using the Projected Unit Credit Method. The following significant assumptions were used for the valuation

**19.1.1 Principal actuarial assumptions**

a) Discount rate	13.25%	13.25%
b) Expected rate of increase in salary	13.25%	13.25%
c) Expected rate of return on plan asset	12.58%	12.58%
d) Assumptions regarding future mortality are based on actuarial advice in accordance with published statistics and experience in Pakistan. The rates assumed are based on the adjusted SLIC 2001-2005 mortality tables with one year age set back.		

**19.1.2 Amount recognised in the statement of financial position**

Present value of defined benefit obligation	-	16,163
Less: Fair value of plan assets	(855,161)	(819,357)
Net defined asset	<u>(855,161)</u>	<u>(803,194)</u>

**19.1.3 The movement in net defined benefit obligation during the year is as follows:**

	----- 2023 -----		
	Present value of defined benefit obligation	Fair value of plan assets	Net
----- Rupees -----			
As at July 1, 2022	16,163	(819,357)	(803,194)
Current service cost	14,630	-	14,630
Interest expense / (income)	3,065	(103,039)	(99,974)
Actual benefits paid from the Fund during the period	(33,858)	-	(33,858)
Remeasurements:			
- return on plan assets excluding amounts included in interest expense / (income)	-	(67,265)	(67,265)
- gains from changes in financial assumptions	234	-	234
- experience adjustments	(504,785)	-	(504,785)
	(504,551)	(67,265)	(571,816)
Contributions made during the year	-	-	-
Benefits paid during the year	-	-	-
As at June 30, 2023	<u>(504,551)</u>	<u>(989,661)</u>	<u>(1,494,212)</u>

LSE CAPITAL LIMITED (Formerly Assetplex Limited)  
 NOTES TO THE FINANCIAL STATEMENTS  
 FOR THE YEAR ENDED JUNE 30, 2023

	Note	June 30	June 30
		2023	2022
----- (Rupees) -----			
----- 2022 -----			
	Present value of defined benefit obligation	Fair value of plan assets	Net
----- Rupees -----			
As at July 1, 2021	99,971	800,340	(700,369)
Current service cost	449,709	-	449,709
Interest expense / (income)	31,640	(98,417)	(66,777)
Actual benefits paid from the Funds during the per	(60,606)	60,606	-
Remeasurements:			
- return on plan assets excluding amounts included in interest expense / (income)	-	85,166	85,166
- gains from changes in financial assumptions	234	-	234
- experience adjustments	(504,785)	-	(504,785)
	(504,551)	85,166	(419,385)
Contributions made during the year	-	(66,372)	(66,372)
Benefits paid during the year	-	-	-
<b>As at June 30, 2022</b>	<b>16,163</b>	<b>819,357</b>	<b>803,194</b>

19.1.4 Amount recognised in the profit or loss

Current service cost	14,630	449,709
Interest cost	3,065	31,640
Expected return on plan assets	(103,039)	(98,417)
Cost / (income) for the year	<b>(85,344)</b>	<b>382,932</b>

19.1.5 Composition of plan assets (un-audit --- As at June 30, 2023 ---

	Rupees		Percentage		--- As at June 30, 2022 ---	
					Rupees	Percentage
Debt Instrument	285,746	34.87%	285,746	34.87%		
Cash and cash equivalents	533,611	65.13%	533,611	65.13%		
Others	-	0.00%	-	0.00%		
	<b>819,357</b>	<b>100.00%</b>	<b>819,357</b>	<b>100.00%</b>		

19.1.6 Analysis of present value of defined benefit obligation

Split by vested / non-vested

(i) Vested benefits	-	-
(ii) Non-vested benefits	16,163	16,163
	<b>16,163</b>	<b>16,163</b>

Split by benefits earned to date

(i) Present value of accumulated Benefit Obligation	7,039	7,039
(ii) Present value of benefits attributable to future increase in s	9,124	9,124
	<b>16,163</b>	<b>16,163</b>

19.1.7 The plan assets and defined benefit obligations are based in Pakistan.

19.1.8 Actual return on plan assets during the year amounted to Rs 134,688 (June 30, 2022: Rs. 85,166).

19.1.9 Based on actuarial advice the Company intends to charge an amount of approximately Rs. 134,688 in respect of gratuity fund in the financial statements for the year ending June 30, 2023.

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a) Mortality risk

This is the risk that the actual mortality experience is different. The effect depends on the beneficiaries' service / age distribution and the benefit.

b) Investment risk

This is the risk of investments underperforming and not being sufficient to meet liabilities.

c) Salary increase risk

This is the risk that the final salary at the time of cessation of service is greater than the expectation. Since the benefit is calculated on the final salary, the benefit amount increase similarly.

d) Risk of insufficiency of assets

This is the risk that a greater need for retirement assets than originally anticipated due to changing personal circumstances, or simply to a longer lifetime.

e) Withdrawal risks

This is the risk that withdrawals may be higher or lower than actuarial assumptions. The final effect could go either way depending on the beneficiaries' service / age distribution and the benefit.

0.0.01 The sensitivities of the defined benefit obligation to changes in the principal actuarial assumptions are as under:

Particulars	Change in assumption	As at June 30, 2023	
		Increase / (decrease) in present value of defined benefit obligation	
		(%)	Rupees
Discount rate	+1%	-5.35%	15,299
	-1%	5.70%	17,085
Salary increase rate	+1%	6.12%	17,152
	-1%	-5.81%	15,224

The above sensitivity analysis is based on a change in an assumption while holding all other assumptions constant. When calculating the sensitivity of the defined benefit obligation to significant actuarial assumptions the same method (present value of the defined benefit obligation calculated with the projected unit credit method at the end of the reporting period) has been applied as when calculating the liability against gratuity recognised in the statement of financial position.

0.0.02 The weighted average duration of the defined benefit obligation is 8.81 years (2022: 5.60 years).

0.0.03 Expected maturity analysis of undiscounted obligation for the gratuity scheme is as follows:

Particulars	As at June 30, 2023					
	Year 1	Year 2	Year 3	Year 4	Year 5	Year 6 - 10

Gratuity fund

The disclosure made in notes 22.1.1 to 22.1.13 are based on the information included in the actuarial valuation report of the Fund as of June 30, 2023 *RMDM*

LSE CAPITAL LIMITED (Formerly Assetplex Limited)  
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20. TAXATION

Current	3,767,276	2,928,850
Prior	-	-
Deferred	(341,966)	2,997,324
	<u>3,425,310</u>	<u>5,926,174</u>

20.1 The Company has filed the return of income for the tax year 2022 which is deemed to be an assessment order issued by the Commissioner under the provision of section 120 of the Income Tax Ordinance, 2001.

21. EARNINGS PER SHARE

21.1 Basic

Basic earnings per share has been computed by dividing the net profit for the year after taxation by the weighted average number of shares outstanding during the year.

	June 30 2023	June 30 2022
	-----Rupees-----	
Profit after taxation for the year	<u>11,023,755</u>	<u>10,773,032</u>
	Number of shares	
Weighted average number of ordinary shares outstanding during the	<u>12,000,000</u>	<u>12,000,000</u>
	-----Rupees-----	
Earnings per share	<u>0.92</u>	<u>(Restated) 0.90</u>

21.2 Diluted

No figure for diluted earnings per share has been presented as the Company has not issued any instruments which would have an impact on basic earnings per share when exercised.

22. RELATED PARTY TRANSACTIONS

The Company has related party relationships with its former associated undertakings, employees retirement benefit plans and its key management personnel. The significant transactions carried out with related parties during the year are as follows:

	Note	June 30 2023	June 30 2022
		-----Rupees-----	
22.1 Transactions during the year:			
BankIslami Pakistan Limited			
Profit on savings account and term deposit receipts		-	-
Modaraba Al Mali			
Management fee		2,552,212	9,529,655
Dividend income		-	1,016,758
Shares purchased/Advance against right share		13,058,800	124,044,140
Others			
Gratuity Paid		-	60,606
Key management personnel		3,071,361	10,516,455

Transactions with Digital Custodian Company Limited are disclosed in Note 4.2 to the financial statements. *RWDM*

LSE CAPITAL LIMITED (Formerly Assetplex Limited)  
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22.1.1 The amounts charged in these financial statements in respect of the chief executive and executives are as follows:

	Director and Chairman	Other Executives	Chief Executive
Meeting Fee	2,146,361		925,000
Other Benefits			
2023.0.	2,146,361	-	925,000
Number of Person	7		1
2022	1,425,000	-	9,091,455
Number of Person	7		1

Note June 30 2023 June 30 2022  
 -----Rupees-----

22.2 Balance outstanding at the year end:

Investments

Modaraba Al Mali	62,706,368	98,804,257
Digital Custodian Company Limited	135,811,941	51,032,328

Other receivables

Receivable from Staff Gratuity	871,476	803,194
Advance against investment - DCCL	41,000,000	41,000,000

Loan to Director	-	56,428,879
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Contributions and accruals in respect of staff retirement benefit funds have been disclosed in note 22 to these financial statements.

23. FAIR VALUE OF FINANCIAL ASSETS AND FINANCIAL LIABILITIES

Fair value is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date.

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

Level 1: Fair value measurements using quoted price (unadjusted) in an active market for identical assets or

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

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

The financial assets and financial liabilities have been classified by category in the table below. The short term investments are valued as per the Level 1 category defined above whereas all other financial assets and financial liabilities falls under the Level 3 category.

	----- As at June 30, 2023 -----			
	At amortised cost	At fair value through profit or loss	At fair value through OCI	Total
	----- Rupees -----			
Long term investment	-	-	62,706,368	62,706,368
Advances & deposits	54,291,300	-	-	54,291,300
Accrued mark-up	24,137	-	-	24,137
Other receivables	54,735,340	-	-	54,735,340
Short-term investments	-	129,898	-	129,898
Cash and bank balances	88,715	-	-	88,715
	109,139,492	129,898	62,706,368	171,975,758

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LSE CAPITAL LIMITED (Formerly Assetplex Limited)  
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	As at June 30, 2023			Total
	Upto three months	More than three months and upto one year	More than one year	
----- Rupees -----				
<b>Liabilities</b>				
Accrued expenses and other liabilities	8,827,244	-	-	8,827,244

	As at June 30, 2022			Total
	Upto three months	More than three months and upto one year	More than one year	
----- Rupees -----				
<b>Liabilities</b>				
Accrued expenses and other liabilities	3,408,252	-	-	3,408,252

24.3 Market risk

Market risk is the risk that the fair value or the future cash flows of a financial instrument may fluctuate as a result of changes in market prices.

The Company manages market risk by monitoring exposure on marketable securities by following the internal risk management policies and regulations laid down by the Securities and Exchange Commission of Pakistan.

Market risk comprises of three types of risk: currency risk, interest rate risk and other price risk.

24.3.1 Currency risk

Currency risk is the risk that the fair value or future cash flows of a financial instrument will fluctuate because of changes in foreign exchange rates. The Company, at present, is not exposed to currency risk as all transactions are carried out in Pakistani Rupees.

24.3.2 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 yields. At the reporting date, the interest rate profile of the Company's interest bearing financial instruments was as follows:

	Effective interest rate		Carrying amount	
	2023	2022	2023	2022
-----Rupees-----				
<b>Variable rate instruments</b>				
Bank balances - Savings account	5% to 6%	5% to 6%	86,915	1,291,530

**Sensitivity analysis**

The Company does not have any fixed rate financial instrument at fair value through profit or loss. Therefore, a change in interest rate at the reporting date would not affect the profit or loss.

**Cashflow sensitivity analysis for variable rate financial instruments**

A change in 100 basis points in interest rates at the reporting date would have increased / (decreased) equity and profit or loss by the amounts shown below. This analysis assumes that all other variables remain constant. The analysis is performed on the same basis for June 30, 2022.

	Profit or loss		Equity	
	100 bps increase	100 bps decrease	100 bps increase	100 bps decrease
-----Rupees-----				
<b>As at 30 June 2023</b>				
Bank balances - Savings account	869	(869)	869	(869)
<b>As at 30 June 2022</b>				
Bank balances - Savings account	12,915	(12,915)	12,915	(12,915)

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LSE CAPITAL LIMITED (Formerly Assetplex Limited)  
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----- As at June 30, 2022 -----				
	At amortised cost	At fair value through profit or loss	At fair value through OCI	Total
----- Rupees -----				
LIABILITIES				
Accrued and other liabilities	8,827,244	-	-	8,827,244
	<u>8,827,244</u>	<u>-</u>	<u>-</u>	<u>8,827,244</u>

----- As at June 30, 2022 -----				
	At amortised cost	At fair value through profit or loss	At fair value through OCI	Total
----- Rupees -----				
ASSETS				
Long term investment	-	-	98,804,257	98,804,257
Advances & deposits	41,137,500	-	-	41,137,500
Accrued mark-up	27,871	-	-	27,871
Other receivables	1,245,076	-	-	1,245,076
Short-term investments	-	4,191,955	-	4,191,955
Cash and bank balances	1,293,330	-	-	1,293,330
	<u>43,703,777</u>	<u>4,191,955</u>	<u>98,804,257</u>	<u>146,699,989</u>

----- As at June 30, 2022 -----				
	At amortised cost	At fair value through profit or loss	At fair value through OCI	Total
----- Rupees -----				
LIABILITIES				
Accrued and other liabilities	3,408,252	-	-	3,408,252
	<u>3,408,252</u>	<u>-</u>	<u>-</u>	<u>3,408,252</u>

24. FINANCIAL RISK MANAGEMENT

The Company primarily invests in a portfolio of money market investments such as mutual fund units and capital market investments such as modaraba certificates. These activities are exposed to a variety of financial risks: market risk, credit risk and liquidity risk.

24.1 Credit risk

Credit risk represents the risk of a loss if the counter parties fail to perform as contracted. The Company's credit risk is primarily attributable to its investments and balances with banks. The credit risk on the Company is limited because the counter parties are financial institutions with reasonably high credit ratings.

The maximum exposure to credit risk before any credit enhancement as at June 30, 2022 is the carrying amount of the financial assets. None of these assets are impaired nor past due but not impaired.

The analysis below summarises the credit quality of the Company's financial assets as at June 30, 2023:

Bank balances by rating category	June 2023	June 2022
A1+	3%	2%
A1	97%	98%
	<u>100%</u>	<u>100%</u>

Concentration of credit risk

Concentration of credit risk exists when changes in economic or industry factors similarly affect groups of counterparties whose aggregate credit exposure is significant in relation to the Company's total credit exposure. The Company's portfolio of financial instruments is broadly diversified and transactions are entered into with diverse credit-worthy counterparties thereby mitigating any significant concentrations of credit risk.

24.2 Liquidity risk

Liquidity risk is the risk that the Company may not be able to generate sufficient cash resources to settle its obligation in full as they fall due or can only do so on terms that are materially disadvantageous.

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

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25. CAPITAL RISK MANAGEMENT

The Company's prime objective when managing capital is to safeguard its ability to continue as a going concern in order to provide adequate returns for shareholders and benefits for other stakeholders and to maintain an optimal capital structure to reduce the cost of capital.

In order to maintain or adjust the capital structure, the company may adjust the amount of dividends paid to shareholders, issue new shares or sell assets to reduce debts.

The Company is currently financing its operations through equity and working capital. The Company has no gearing risk in the current year.

26. NUMBER OF EMPLOYEES

Average number of employees during the year

2

2

Number of employees as at year end

2

2

27. GENERAL

Figures have been rounded off to the nearest rupee unless otherwise specified.

28. DATE OF AUTHORISATION

These financial statements were authorised for issue on 24-11-2023 by the Board of Directors of the Company.

  
Chief Executive

  
Director

## 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

	Note	2023	2022
		Rupees in thousands	
<b>ASSETS</b>			
<b>Non Current Assets</b>			
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
<b>Current Assets</b>			
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>
<b>EQUITY AND LIABILITIES</b>			
<b>SHARE CAPITAL AND RESERVES</b>			
<b>Authorized Share Capital</b>			
52,000,000 (2022: 200,000,000) ordinary shares of Rs. 10 each		520,000	2,000,000
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
<b>Total Equity</b>		<u>100,718</u>	<u>3,491,478</u>
<b>Non-Current Liabilities</b>			
Long term financing	18	3,848	5,870
Deferred tax liability	19	-	148,497
		3,848	154,367
<b>Current Liabilities</b>			
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
<b>Contingencies and Commitments</b>			
	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

		<b>2023</b>	<b>2022</b>
	Note	Rupees in thousands	
Revenue	23	54,299	148,013
Other income	24	15,552	26,880
<b>Operating Expenses</b>			
Administrative and general expenses	25	(56,313)	(151,983)
Other operating expenses	26	<u>(16,585)</u>	<u>(10,381)</u>
<b>Operating (Loss) / Profit</b>		(3,047)	12,529
Finance cost	27	(271)	(458)
Share of profit of associates accounted for using the equity method - net of tax	7	<u>37,362</u>	<u>202,021</u>
<b>Profit before Taxation</b>		34,044	214,092
Taxation	28	(33,009)	(56,821)
<b>Net Profit for the Year</b>		<u>1,035</u>	<u>157,271</u>
<b>Earnings Per Share - Basic and Diluted</b>		<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	
<b>Net Profit for the Year</b>	1,035	157,271
<b>Other Comprehensive Income</b>		
<b>Items that may be subsequently reclassified to profit or loss</b>	-	-
<b>Items that may not be reclassified to profit or loss:</b>		
Share in other comprehensive income of associate - net of tax	4,843	-
	4,843	-
<b>Total Comprehensive Income for the Year</b>	<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 -----						
<b>Balance as at June 30, 2021</b>	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	-
<b>Transactions with owners:</b>						
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)
<b>Balance as at June 30, 2022</b>	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	-
<b>Balance as at June 30, 2023 before Demerger Adjustments</b>	1,795,979	773,243	9,236	947,420	956,656	3,525,878
<b>Adjustments / Transfers as per Scheme of Demerger:</b>						
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)
<b>Balance as at June 30, 2023</b>	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	
<b>Cash Generated from Operations</b>	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)
<b>Net Cash Used in Operating Activities</b>		(35,571)	(23,348)
<b>Cash Flows from Investing Activities</b>			
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
<b>Net Cash Generated from / (Used in) Investing Activities</b>		207,542	(242,411)
<b>Cash Flows from Financing Activities</b>			
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
<b>Net Cash (Used in) / Generated from Financing Activities</b>		(215,018)	280,826
<b>Net (Decrease) / Increase in Cash and Cash Equivalents</b>		(43,047)	15,067
Cash and cash equivalents at the beginning of the Year		94,891	79,824
<b>Cash and Cash Equivalents at the end of the Year</b>		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...*

<b>Standard or Interpretation</b>	<b>Effective Date - Annual Beginning on or After</b>
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.

	<b>Effective Date - Annual Beginning on or After</b>
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**

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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
	LSE FSL	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
	DATM	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	DATA	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	Charge for the Year	Disposals	Transfer to LPL		
	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)	445	-	(16,017)	-	-
Computer and accessories	34,803	143	-	(34,946)	123	-	(30,143)	-	-
Furniture and fixture	15,080	199	-	(15,279)	57	-	(8,508)	-	-
Office equipment	6,631	-	-	(6,631)	3	-	(6,417)	-	-
Electric fittings and appliances	136,677	246	-	(136,923)	885	-	(84,755)	-	-
Vehicles	21,521	-	-	(21,521)	328	-	(2,140)	-	-
Elevator	19,969	-	-	(19,969)	96	-	(14,317)	-	-
Generators	34,206	-	-	(34,206)	124	-	(19,356)	-	-
Arms and security equipment	6,210	-	-	(6,210)	31	-	(2,531)	-	-
Library books	318	-	-	(318)	0	-	(317)	-	-
Leasehold improvements	5,697	-	-	(5,697)	-	-	(5,697)	-	-
	1,460,843	2,902	-	(1,463,745)	2,093	-	(190,199)	-	-

Owned assets

Rupees in thousands

Rupees in thousands

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	Charge for the Year	Disposals	Balance as at June 30, 2022		
	Rupees in thousands								
	%								
Land freehold	1,059,660	-	-	1,059,660	-	-	-	1,059,660	
Buildings on freehold land	119,460	611	-	120,071	5,475	-	15,572	104,499	
Computer and accessories	51,355	4,261	(20,813)	34,803	873	(20,334)	30,020	4,783	
Furniture and fixture	13,867	3,549	(2,336)	15,080	468	(1,437)	8,451	6,629	
Office equipment	7,351	-	(720)	6,631	81	(561)	6,414	217	
Electric fittings and appliances	136,630	2,187	(2,140)	136,677	12,225	(2,056)	83,870	52,807	
Vehicles	3,345	20,317	(2,141)	21,521	807	(1,508)	1,812	19,709	
Elevator	19,969	-	-	19,969	1,290	-	14,221	5,748	
Generators	34,206	-	-	34,206	1,659	-	19,232	14,974	
Arms and security equipment	5,316	1,542	(648)	6,210	301	(447)	2,500	3,710	
Library books	318	-	-	318	1	-	317	1	
Leasehold improvements	5,697	-	-	5,697	-	-	5,697	-	
	1,457,174	32,467	(28,798)	1,460,843	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**

	<b>2023</b>
	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)
<b>Movement transfer during the transit period Aug 01, 2022 to Apr 26, 2023</b>	
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**

	<b>2023</b>	<b>2022</b>
	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)**

	<b>2023</b>	<b>2022</b>
	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**

	<b>2023</b>	<b>2022</b>
	Rupees in thousands	
<b>Under Equity Method</b>		
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**

	<b>2023</b>			
	<b>PACRA</b>	<b>CDC</b>	<b>NCCPL</b>	<b>Total</b>
	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	-	-	-	-
<b>Shareholding in %age</b>	0.00%	0.00%	0.00%	

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

	2022			Total
	PACRA	CDC	NCCPL	
	----- 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
<b>Shareholding in %age</b>	<b>36.00%</b>	<b>10.00%</b>	<b>23.53%</b>	

**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**

	<b>TO LPL</b>
	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**

	<b>2023</b>	<b>2022</b>
	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**

		<b>2023</b>	<b>2022</b>
	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 (PKGI) - 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 (PKGI), 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**

	Note	2023	2022
		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**

	Note	2023	2022
		Rupees in thousands	
<b>Unsecured - Considered good</b>			
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>
<b>13.1 Income tax</b>			
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)
	<u>776,715</u>	<u>778,189</u>
Less: Deferred tax		
Opening balance	(3,620)	(3,811)
Incremental depreciation for the year	149	191
Closing balance	<u>(3,471)</u>	<u>(3,620)</u>
	<u>773,244</u>	<u>774,569</u>
Transfer to LPL as per demerger Scheme - Note 4	(706,080)	-
Transfer to LVL as per demerger Scheme - Note 4	<u>(67,164)</u>	<u>-</u>
	<u>-</u>	<u>774,569</u>

**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)
	<u>3,848</u>	<u>5,870</u>

**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**

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

**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	<u>(7,284)</u>	<u>148,497</u>

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	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	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
	<u>54,299</u>	<u>148,013</u>

**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	
<b>Income from financial assets</b>		
<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
<b>Income from non - financial assets</b>		
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
	<u>15,552</u>	<u>26,880</u>

**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
		<u>56,313</u>	<u>151,983</u>

**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	-
	<u>1,121</u>	<u>494</u>

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
	<u>16,585</u>	<u>10,381</u>

Note 27

**Finance Cost**

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

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
		<u>33,009</u>	<u>56,821</u>

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
<b>Adjustments</b>		
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
<b>Loss before working capital changes</b>	<b>(33,346)</b>	<b>(241,985)</b>
(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
<b>Cash (Used in) / Generated from Operations</b>	<b>7,493</b>	<b>17,038</b>

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:

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

	Note	2023 Rupees in thousands	2022
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
				<u>51,844</u>	<u>94,791</u>

**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 -----

**Financial assets as at June 30, 2023**

Trade and other receivables	-	18,045	-	18,045
Long term deposits	-	25,009	-	25,009
Short term investments	-	363,648	-	363,648
Cash and bank balances	-	51,844	-	51,844
	-	<u>458,546</u>	-	<u>458,546</u>

Note 31, Financial Risk Management - Continued...

	Fair value through profit or loss	At amortized cost	At fair value through other comprehensive income	Total
<b>Financial assets as at June 30, 2022</b>				
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**

	<u>2023</u>	<u>2022</u>
	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:

	<u>2023</u>	<u>2022</u>
	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:

<b>Names of Related Parties</b>	<b>Relationship</b>	<b>Basis of relationship / (percentage shareholding or common directorship)</b>	
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**

		<b>2023</b>	<b>2022</b>
		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
	<u>16,563</u>	<u>7,002</u>	<u>6,080</u>	<u>5,959</u>	<u>5,497</u>	<u>5,924</u>	<u>28,140</u>	<u>18,885</u>
Number of persons	<u>1</u>	<u>1</u>	<u>10</u>	<u>7</u>	<u>2</u>	<u>1</u>	<u>13</u>	<u>9</u>

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	<u>3</u>	<u>54</u>
Average number of employees during the year	<u>4</u>	<u>49</u>

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

## AUDITORS' REPORT TO THE CERTIFICATE HOLDERS

We have audited the annexed balance sheet of Modaraba Al-Mali as at 30 June 2023 and the related statement of profit and loss account, statement of comprehensive income, cash flow statement and statement of changes in equity together with the notes forming part thereof (hereinafter referred to as the financial statements), for the year then ended.

These financial statements are LSE Capital Limited's (Modaraba Management Company) responsibility which is also responsible to establish and maintain a system of internal control, and prepare and present the above said statements in conformity with the approved accounting standards as applicable in Pakistan and the requirements of the Modaraba Companies and Modaraba (Floatation and Control) Ordinance, 1980 (XXXI of 1980), and the Modaraba Companies and Modaraba Rules, 1981. Our responsibility is to express an opinion on these statements based on our audit.

We conducted our audit in accordance with the auditing standards as applicable in Pakistan. These standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of any material misstatements. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting policies and significant estimates made by the Modaraba Company, as well as, evaluating the overall presentation of the financial statements. We believe that our audit provides a reasonable basis for our unmodified opinion and we report that:

- a) In our opinion, proper books of account have been kept by the Modaraba Company in respect of Modaraba Al-Mali as required by the Modaraba Companies and Modaraba (Floatation and Control) Ordinance, 1980 (XXXI OF 1980), and Modaraba Companies and Modaraba Rules, 1981;
- b) in our opinion:
  - i) the balance sheet and statement of profit and loss account together with the notes thereon have been drawn up in conformity with the Modaraba Companies and Modaraba (Floatation and Control) Ordinance, 1980, (XXXI of 1980) and the Modaraba Companies and Modaraba Rules, 1981, and are in agreement with the books of account and are further in agreement with accounting policies consistently applied;
  - ii) the expenditure incurred during the year was for the purpose of the modaraba's business; and
  - iii) the business conducted, investments made and the expenditure incurred during the year were in accordance with the objects, terms and conditions of the modaraba.

- c) In our opinion and to the best of our information and according to explanations given to us, the balance sheet, statement of profit and loss account, statement of comprehensive income, cash flow statement and statement of changes in equity together with the notes forming part thereof confirm with the approved accounting standards as applicable in Pakistan and give the information required by the Modaraba companies and the Modaraba (Floatation and Control) Ordinance ,1980 (XXXI of 1980) and the Modaraba Companies and the Modaraba Rules,1981 in the manner so required and respectively give a true and fair view of the state of the Modaraba's affairs as at 30 June 2023 and of the loss, its cash flows and changes in equity for the year then ended; and
- d) in our opinion, no Zakat was deducted by the Modaraba under the Zakat and Ushr Ordinance, 1980 (XVIII of 1980).

**Other Matter**

The financial statements of the Modaraba for the year ended 30 June 2022 were audited by another auditor who expressed an unmodified opinion in their audit report dated 20 October 2022.

Lahore

Date: 27 October 2023

UDIN: AR202310269X9fJa8z0I

  
Kreston Hyder Bhimji & Co.  
Chartered Accountants  
Muhammad Usman Shah

AR7422

## INDEPENDENT AUDITOR'S REVIEW REPORT

### Modaraba Al-Mali (the Modaraba)

#### Review Report on the Statement of Compliance contained in Listed Companies (Code of Corporate Governance) Regulations, 2019

We have reviewed the enclosed Statement of Compliance with the Listed Companies (Code of Corporate Governance) Regulations, 2019 (the Regulations) prepared by the Board of Directors of LSE Capital Limited, the Modaraba Management Company of Modaraba Al-Mali (the Modaraba) for the year ended 30 June 2023, in accordance with the requirements of regulation 36 of the aforesaid Regulations.

The responsibility for compliance with the Regulations is that of the Board of Directors of the Modaraba Management Company. Our responsibility is to review whether the Statement of Compliance reflects the status of the Modaraba Management Company's compliance with the provisions of the Regulations and report if it does not and to highlight any non-compliance with the requirements of the Regulations. A review is limited primarily to inquiries of the Modaraba's, and Modaraba Management Company's personnel and review of various documents prepared by the Modaraba Management Company to comply with the Regulations.

As a part of our audit of the financial statements we are required to obtain an understanding of the accounting and internal control systems sufficient to plan the audit and develop an effective audit approach. We are not required to consider whether the Board of Directors' statement on internal control covers all risks and controls or to form an opinion on the effectiveness of such internal controls, the Modaraba Management Company's corporate governance procedures and risks.

The Regulations require the Modaraba Management Company to place before the Audit Committee, and upon recommendation of the Audit Committee, place before the Board of Directors for their review and approval, its related party transactions. We are only required and have ensured compliance of this requirement to the extent of the approval of the related party transactions by the Board of Directors upon recommendation of the Audit Committee.

Based on our review, nothing has come to our attention which causes us to believe that the Statement of Compliance does not appropriately reflect the Modaraba Management Company's compliance, in all material respects, with the requirements contained in the Regulations as applicable to the Modaraba Management Company for the year ended 30 June 2023.

Further, we highlight below instances of non-compliance with the requirements of the Regulations as reflected in the paragraph reference where these are stated in the Statement of Compliance:

S. No.	Paragraph reference	Description
1.	7	The Board has not complied with the requirements of the Regulations with respect to circulation of minutes of the meetings of audit committee.

Lahore

Date: 27 October 2023

UDIN: CR202310269o0VZ1CxBb

  
Kreston Hyder Bhimji & Co.  
Chartered Accountants



**Modaraba Al-Mali**

Financial Statements for the  
year ended June 30 2023

**Modaraba Al-Mali**  
**Balance Sheet**  
**As at June 30, 2023**

ASSETS	Note	2023 Rupees	Restated 2022 Rupees
<b><u>Non-current assets</u></b>			
Property and equipment	6	4,405,622	2,384,468
Long-term investments	7	1,259,724,433	929,621,875
Long-term portion of diminishing musharaka	8	-	117,322
		<u>1,264,130,055</u>	<u>932,123,665</u>
<b><u>Current assets</u></b>			
Tax refunds due from government	9	11,032,683	18,540,284
Current portion of diminishing musharaka		227,069	455,176
Ijarah finance	10	3,755,007	3,755,007
Advances, deposits, prepayments and other receivables	11	17,657,692	249,744,611
Investments	12	153,581,521	13,124,176
Cash and bank balances	13	17,578,812	19,778,001
		<u>203,832,784</u>	<u>305,397,255</u>
Non-current asset held for sale	14	-	96,616,000
		<u>203,832,784</u>	<u>402,013,255</u>
<b>Total assets</b>		<u><u>1,467,962,839</u></u>	<u><u>1,334,136,920</u></u>
<b>LIABILITIES</b>			
<b><u>Non-current liabilities</u></b>			
Deferred tax liabilities	15	48,719,568	75,393,512
<b><u>Current liabilities</u></b>			
Short term finance from related parties	16	53,854,366	60,000,000
Creditors, accrued and other liabilities	17	236,036,565	22,726,605
Security deposits - Ijarah finance	18	3,762,138	3,797,138
Unclaimed profit distribution		10,358,639	10,358,639
		<u>304,011,708</u>	<u>96,882,382</u>
Liabilities directly associated with the asset held for sale	14	-	74,601,589
		<u>304,011,708</u>	<u>171,483,971</u>
<b>Total liabilities</b>		<u><u>352,731,276</u></u>	<u><u>246,877,483</u></u>
<b>Net assets</b>		<u><u>1,115,231,563</u></u>	<u><u>1,087,259,437</u></u>
<b>Represented by:</b>			
<b><u>Capital and reserves</u></b>			
Authorized certificate capital 92,000,000 (2022: 80,000,000) Modaraba certificates of Rs.10 each	19	<u>920,000,000</u>	<u>800,000,000</u>
Issued, subscribed and paid-up certificate capital	19	794,239,450	794,239,450
Certificate subscription money	20	13,058,890	-
Capital reserves	21	81,320,896	332,181,167
Revenue reserves		<u>226,612,327</u>	<u>(39,161,180)</u>
		<u><u>1,115,231,563</u></u>	<u><u>1,087,259,437</u></u>
<b>Contingencies and commitments</b>	22		

The annexed notes from 1 to 43 form an integral part of these financial statements.

**LSE Capital Limited**  
**(Modaraba Management Company)**

  
 Chief Financial Officer

  
 Chief Executive Officer

  
 Director

  
 Director

**Modaraba Al-Mali**  
**Statement of Profit and Loss Account**  
For the year ended June 30, 2023

	Note	2023 Rupees	Restated 2022 Rupees Restated
<b><u>Continuing operations</u></b>			
Dividend income	23	8,065,963	40,739,183
Income from deposits with Islamic banks	24	1,122,809	3,107,264
Income on diminishing musharaka transactions		33,104	206,814
Rental income		2,450,000	-
		<u>11,671,876</u>	<u>44,053,261</u>
Fair value change on re-measurement of investments classified as financial assets at FVPL	25	(9,360,369)	17,269,140
Other income		-	90,793
Gain on disposal of property and equipment		(151,254)	-
Administrative and operating expenses	26	(41,385,306)	(24,126,160)
		<u>(39,225,053)</u>	<u>37,287,034</u>
Share of profit from associates	27	38,232,011	-
Gain on bargain purchase of investment	28	47,819,187	-
Management fee		(2,769,885)	(10,768,510)
Provision for workers' welfare fund	29	(434,848)	(1,875,500)
		<u>43,621,412</u>	<u>24,643,024</u>
<b>Operating profit</b>		<b>43,621,412</b>	<b>24,643,024</b>
Musharaka finance cost		(9,215,725)	(435,419)
		<u>34,405,687</u>	<u>24,207,605</u>
<b>Profit before taxation</b>		<b>34,405,687</b>	<b>24,207,605</b>
Taxation	30	(24,976,067)	(13,022,774)
		<u>9,429,620</u>	<u>11,184,831</u>
<b>Profit after taxation from continuing operations</b>		<b>9,429,620</b>	<b>11,184,831</b>
<b><u>Discontinued operations</u></b>			
(Loss) / profit after taxation from discontinued operations	31	(13,098,160)	54,877,910
<b>(Loss) / profit after taxation for the year</b>		<u><b>(3,668,540)</b></u>	<u><b>66,062,741</b></u>
(Loss) / earnings per certificate - basic & diluted	32	<u>(0.05)</u>	<u>1.23</u>
Earnings per certificate - basic & diluted (from continuing operations)	32	<u>0.12</u>	<u>0.21</u>

The annexed notes from 1 to 43 form an integral part of these financial statements.

**LSE Capital Limited**  
**(Modaraba Management Company)**

  
\_\_\_\_\_  
Chief Financial Officer

  
\_\_\_\_\_  
Chief Executive Officer

  
\_\_\_\_\_  
Director

  
\_\_\_\_\_  
Director

**Modaraba Al-Mali**  
**Statement of Comprehensive Income**  
For the year ended June 30, 2023

	Note	2023 Rupees	Restated 2022 Rupees
(Loss) / profit for the year		(3,668,540)	66,062,741
<b><u>Items that will not be reclassified to profit and loss account</u></b>			
Unrealized gain on re-measurement of equity investments at FVOCI		-	259,616,959
Less: Deferred tax liability attributable to unrealized gain			(75,288,918)
Add: Reversal of excess deferred tax liability attributable to fair value reserve on reclassification of FVOCI equity investments		36,346,374	-
Actuarial gain/(loss) on re-measurement of post-employment benefit obligation		91,365	(434,019)
Less: Deferred tax (liability)/asset attributable to actuarial gain/(loss)	11	(26,496)	125,866
Share of comprehensive loss from associated companies	33	(20,975,844)	-
Add: Deferred tax asset attributable to share of loss from associate		3,146,377	-
		<b>18,581,776</b>	<b>184,019,888</b>
<b>Total comprehensive income for the year</b>		<b>14,913,236</b>	<b>250,082,629</b>

The annexed notes from 1 to 43 form an integral part of these financial statements.

**LSE Capital Limited**  
**(Modaraba Management Company)**

  
\_\_\_\_\_  
Chief Financial Officer

  
\_\_\_\_\_  
Chief Executive Officer

  
\_\_\_\_\_  
Director

  
\_\_\_\_\_  
Director

**Modaraba Al-Mali**  
**Cash Flow Statement**  
For the year ended June 30, 2023

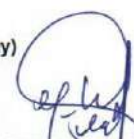
	Note	2023 Rupees	2022 Rupees
<b>Cash flows from operating activities</b>			
Profit for the year		(3,668,540)	38,391,560
<b>Adjustments for non-cash charges and other items:</b>			
Depreciation on property and equipment	6.1.2	800,548	200,605
Dividend income	23	(8,065,963)	(39,239,183)
Realized / unrealized appreciation on investments classified as financial assets at FVTPL-net	25	9,360,369	(17,269,140)
Other income		-	(90,793)
Share of profit from associates	27	(86,051,198)	-
Provision for Workers' Welfare Fund	29	434,848	1,875,500
Finance income on defined benefit asset	11.5.3	(27,868)	(10,582)
Provision for impairment on tower and allied equipment Management fee		-	350,000
		2,769,885	10,768,510
Musharaka finance cost		9,215,725	435,419
Taxation	30	24,976,067	44,260,978
Gain on sale of discontinued operation		-	(52,329,436)
		(46,587,587)	(51,048,122)
		(50,256,127)	(12,656,562)
<b>Working capital changes</b>			
<b>(Increase) / decrease in current assets</b>			
Advances, deposits, prepayments and other receivables		100,278,778	(235,417,431)
Inventory		-	2,280,388
		100,278,778	(233,137,043)
<b>Increase / (decrease) in current liabilities</b>			
Creditors, accrued and other liabilities		200,889,502	3,282,813
Security deposits		(35,000)	(80,000)
		200,854,502	3,202,813
Acquisition of investments		(698,461,929)	(223,609,373)
Proceeds from sale of investments		546,438,413	257,514,674
		(152,023,516)	33,905,301
<b>Cash used in operations</b>		98,853,637	(208,685,491)
Income taxes paid		(4,676,155)	(7,540,154)
<b>Net cash used in operating activities</b>		94,177,482	(216,225,645)
<b>Cash flows from investing activities</b>			
Long term investments purchased during the year		(127,382,682)	(670,472,285)
Dividend income received during the year		8,065,963	28,982,291
Acquisition of property and equipment		(14,682,875)	(2,321,000)
Proceeds against assets held for sale		30,364,238	74,601,589
Proceeds from discontinued operations		-	120,000,000
Proceeds from diminishing musharaka		345,429	3,617,678
<b>Net cash (used in) / generated from investing activities</b>		(103,289,927)	(445,591,727)
<b>Cash flows from financing activities</b>			
Receipt of right issue subscription		-	610,000,000
Certificate subscription money received		13,058,890	-
Receipt against musharaka finance		(6,145,634)	60,000,000
Expenses incurred on issuance of right certificates		-	(35,648,148)
Profit distributed to certificate holders		-	(6,107,461)
<b>Net cash generated from / (used in) financing activities</b>		6,913,256	628,244,391
<b>Net decrease in cash and cash equivalents</b>		(2,199,189)	(33,572,981)
<b>Cash and cash equivalents at beginning of the year</b>		19,778,001	53,350,982
<b>Cash and cash equivalents at end of the year</b>	13	17,578,812	19,778,001

The annexed notes from 1 to 43 form an integral part of these financial statements.

LSE Capital Limited  
(Modaraba Management Company)

  
Chief Financial Officer

  
Chief Executive Officer

  
Director

  
Director

**Modaraba Al-Mali**  
**Statement of Changes in Equity**  
For the year ended June 30, 2023

	Capital reserves					Revenue reserves (Accumulated loss) / Retained earnings	Total reserves	Total equity
	Paid-up certificate capital	Certificate subscription money	Premium on issue of certificates	Statutory reserve (Note)	Revaluation reserve			
Balance as at July 1, 2021	184,239,450	-	511,409	73,642,584	66,532,230	(55,283,857)	85,402,366	269,641,816
<b>Total comprehensive income - restated</b>								
Profit for the year ended June 30, 2022	-	-	-	-	-	66,062,741	66,062,741	66,062,741
Other comprehensive income for the year	-	-	-	-	-	-	252,294,840	184,328,041
- Unrealized gain on re-measurement of investments measured through FVOCI, net	-	-	-	-	-	(308,153)	(308,153)	(308,153)
- Remeasurement of post-employment benefit obligations, net	-	-	-	-	-	65,754,588	318,049,428	250,082,629
<b>Total comprehensive income for the year - restated</b>								
<b>Transactions with owners of the Modaraba recognized directly in equity</b>								
Right issue at Rs. 10 per certificate	610,000,000	-	(511,409)	-	-	-	(35,648,148)	610,000,000
Expenses incurred on issuance of right certificates	-	-	-	-	-	-	(35,136,739)	(35,648,148)
Final cash dividend of Rs. 0.37 per certificate for the year ended June 30, 2021	-	-	-	-	-	-	(6,816,860)	(6,816,860)
Transfer to statutory reserve	-	-	-	7,678,312	-	-	(7,678,312)	-
Balance as at June 30, 2022 - restated	794,239,450	-	-	81,320,896	66,532,230	(39,161,180)	293,019,987	1,087,259,437
Balance as at July 31, 2022 as previously reported	794,239,450	-	-	81,320,896	66,532,230	(66,832,361)	333,315,605	1,127,556,056
Effects for the correction of error (Note 5.1)	-	-	-	-	-	-	27,671,181	27,671,181
Effects for the correction of error (Note 5.2)	-	-	-	-	-	-	(67,966,799)	(67,966,799)
<b>Balance as at July 31, 2022 as restated</b>	<b>794,239,450</b>	<b>-</b>	<b>-</b>	<b>81,320,896</b>	<b>66,532,230</b>	<b>(39,161,180)</b>	<b>293,019,987</b>	<b>1,087,259,437</b>
<b>Total comprehensive income</b>								
Loss for the year ended June 30, 2023	-	-	-	-	-	(3,668,540)	(3,668,540)	(3,668,540)
Other comprehensive loss for the year	-	-	-	-	-	-	-	-
- Reversal of excess deferred tax liability attributable to fair value reserve on reclassification of FVOCI equity investments	-	-	-	-	-	-	36,346,374	36,346,374
- Share of comprehensive loss from associated companies, net	-	-	-	-	-	-	(17,829,467)	(17,829,467)
- Remeasurement of post-employment benefit obligations, net	-	-	-	-	-	-	64,869	64,869
<b>Total comprehensive loss for the year</b>								
<b>Transactions with owners of the Modaraba recognized directly in equity</b>								
Fair value reserve on investments measured through FVOCI recycled to accumulated loss on reclassification of investments	-	-	-	-	-	(220,674,415)	220,674,415	-
Certificate subscription money received during the year	-	13,058,890	-	-	-	-	-	13,058,890
Surplus on revaluation on investment property	-	-	-	-	(66,532,230)	-	66,532,230	-
Transfer to statutory reserve	-	-	-	-	-	-	-	-
<b>Balance as at June 30, 2023</b>	<b>794,239,450</b>	<b>13,058,890</b>	<b>-</b>	<b>81,320,896</b>	<b>-</b>	<b>226,612,327</b>	<b>307,933,223</b>	<b>1,116,231,563</b>

The annexed notes from 1 to 43 form an integral part of these financial statements.

**Note:** The statutory reserve represents profit set aside as required under the Modaraba Regulations, 2021 for Modarabas, as issued by the Securities and Exchange Commission of Pakistan. Since, the Modaraba has suffered a loss for the year ended June 30, 2023, therefore, no transfers to statutory reserves were applicable in the instant case.

  
Chief Financial Officer

LSE Capital Limited  
(Modaraba Management Company)

  
Director

  
Director

## **Modaraba Al-Mali**

### **Notes to the Financial Statements**

For the year ended June 30, 2023

#### **1. Legal status and nature of business**

**1.1** Modaraba Al-Mali (the "Modaraba") is a multipurpose and perpetual Modaraba floated in Pakistan on July 8, 1987 under the Modaraba Companies and Modaraba (Floatation and Control) Ordinance, 1980 ("Modaraba Ordinance, 1980"), and Modaraba Companies and Modaraba Rules, 1981 ("Modaraba Rules, 1981"), and is being managed by LSE Capital Limited (Formerly Assetplex Limited) (the "Management Company"), a company registered under the repealed Companies Ordinance, 1984 (now Companies Act, 2017). The Modaraba is listed on the Pakistan Stock Exchange Limited. The registered office of the Modaraba is relocated to 505, 5th Floor, LSE Plaza, Kashmir-Edgerton Road, Lahore, in the province of Punjab.

**1.2** The Modaraba was previously engaged in the business of Leasing / Ijarah, Murabaha, Musharaka Financing and operation of petrol and diesel filling / service station. The BankIslami Pakistan Limited had disposed off its ownership stake in the management company which was acquired by a new group. Upon transfer to the new management, the Modaraba's focus has been changed from conventional Islamic financing modaraba to undertaking Islamic venture capital, private equity and corporate & financial restructuring / rehabilitation transactions of potentially viable companies through resource mobilization.

The new management of the Modaraba specializes in the business of restructuring and reviving of the dormant and listed shell companies through the utilization of its entrepreneurial and financial resources having sufficient regulatory experience. In order to align the competence, expertise and vision of the new management of Modaraba with its more dynamic and focused business objects aimed at reviving the dormant and listed shell companies to explore new business avenues and opportunities as per the available investment climate as well as maintaining the investors' (shareholders) confidence by providing them adequate return on their investments thereby maximizing their wealth.

In pursuance of Modaraba's new objects and vision, the management of Modaraba had entered into a share purchase agreement with Ex-CEO of the Messrs. Metatech Health Limited ("the Company") for its revival. As per the arrangement, the Modaraba had acquired 29.99% of the share capital of the company from its ex-sponsors comprising 489,900 ordinary shares @ Rs. 51 per share having a total value of Rs. 25 million and became an associated undertaking of the company. In pursuance of revival of company's business, the management of Modaraba had taken over all the assets of the company free from all encumbrances and incurred all the regulatory and corporate expenses that were necessary for the revival of the company for its smooth operations in addition to making payments against legal costs previously borne by the ex-sponsors of the company in connection with revival activities.

Towards the endeavor of revival of the Company, the Company under the management of Modaraba Al Mali has signed a Term Sheet with Messrs. Ensmile Limited for an investment of Rs. 300 million and has also taken-over the Operations and Management of Ensmile's Digital Dental Aligners Studios in Pakistan. The investment in Messrs. Ensmile Limited by the company was funded by the Modaraba and this financing was to be converted into Perpetual, Non-participatory and convertible Sukuks to be issued in the parity of ordinary shares. However, due to current economic market situation, these Sukuks were on hold by the SECP and the management of the company has decided to cancel the proposed sukuks and these had been settled by transferring the investment in Ensmile Limited to the Modaraba after the allotment of shares in its name under a duly executed transfer deed entered into between the company and the Modaraba Al Mali on March 24, 2023.

On March 24, 2023, the management of the Modaraba, being also the directors of the Company with majority, had takeover the business operations of Ensmile studios that were previously being managed by the Company after the approval of members of the Company in their EOGM held on the said date for a total purchase consideration of Rs. 0.470 million against the transfer of all the net assets owned by the Company to the Modaraba as at that date.

The carrying amounts of assets and liabilities takeover by the Modaraba as approved by the members of the company in their EOGM held on March 24, 2023 as were appearing in the financial statements of the company as at March 31, 2023 are as follows:

<u>Assets</u>	<u>Rupees</u>
Property and equipment	14,027,635
Other receivables	2,625,930
Cash and bank balances	2,113,647
	<hr/> 18,767,212
 <u>Liabilities</u>	
Short term loan	(4,979,500)
Trade and other payables	(2,694,161)
	<hr/> (7,673,661)
<b>Net assets</b>	<b>11,093,551</b>
Add: Acquisition of investment in Ensmile shares at agreed value	289,396,637
Less: Adjustment of advance to the Company for investment	(300,020,500)
<b>Loss on business portfolio</b>	<b>(10,623,863)</b>
<b>Consideration payable to the Company</b>	<b>469,688</b>

Later on, the management of Modaraba has decided to transfer the business of Ensmile studio operations to Ensmile Limited along with all the related assets and liabilities for a purchase consideration of Rs. 2.626 million. On June 30, 2023, the management of the Modaraba has transferred all the net assets to Ensmile Limited as approved by the members of the Modaraba in their Extraordinary review meeting held on the said date. The particulars of assets and liabilities related to Ensmile studio business along with their carrying values transferred to Ensmile Limited as were appearing in the books of account of the Modaraba as on June 30, 2023 are as follows:

<u>Assets</u>	<u>Rupees</u>
Property and equipment	9,596,086
 <u>Liabilities</u>	
Short term loan	(4,979,500)
Trade and other payables	(2,694,161)
Security deposits against rented premises	(1,050,000)
	<hr/> (8,723,661)
<b>Net assets</b>	<b>872,425</b>
<b>Less: Consideration payable by Ensmile Limited</b>	<b>2,625,930</b>
<b>Gain on disposal of Ensmile related business assets</b>	<b>(1,753,505)</b>

- 1.3 Pakistan Credit Rating Agency (PACRA) has maintained long term entity rating of BBB+ and short term rating of A2 on March 25, 2022, for the Modaraba. The Modaraba has not undergone any fresh rating during the year.



## **2. Basis of preparation**

### **2.1 Statement of compliance**

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

- International Financial Reporting Standards (IFRS) issued by the International Accounting Standards Board (IASB) as notified under the Companies Act, 2017;
- Islamic Financial Accounting Standards (IFASs) issued by the Institute of Chartered Accountants of Pakistan as notified under the Companies Act, 2017;
- Requirements of the Modaraba Companies and Modaraba (Floatation and Control) Ordinance, 1980, Modaraba Companies and Modaraba Rules, 1981 and Modaraba Regulations, 2021; and
- Provisions of and directives issued by the Securities and Exchange Commission of Pakistan (SECP) under the Modaraba Companies and Modaraba (Floatation and Control) Ordinance, 1980.

Wherever the requirements of the Modaraba Companies and Modaraba (Floatation and Control) Ordinance, 1980, IFASs, Modaraba Companies and Modaraba Rules, 1981, Modaraba Regulations, 2021 and directives issued by the SECP differ from the Companies Act, 2017 and IFRS Standards, the requirements of the Modaraba Companies and Modaraba (Floatation and Control) Ordinance, 1980, IFASs, Modaraba Companies and Modaraba Rules, 1981, Modaraba Regulations, 2021 or the provisions of and directives issued by the SECP under the Modaraba Companies and Modaraba (Floatation and Control) Ordinance, 1980 have been followed.

### **2.2 Basis of measurement**

These financial statements have been prepared under the historical cost convention except for the following items, without taking into account the effects of inflation:

- certain financial assets (equity investments) measured at FVOCI and FVPL;
- financial assets which are carried at value determined after the provision of impairment under expected credit loss approach;
- investment property measured at fair value;
- non-current assets held for sale at the lower of carrying value and fair value less cost to sell;
- net defined benefit asset / obligation measured at fair value of plan assets less the present value of defined benefit obligation.
- Deferred tax liabilities recognized at amounts in accordance with IAS 12; and
- Provisions are recognized at amounts reflecting the best estimate and contingencies are disclosed in accordance with IAS 37.

In these financial statements, except for the cash flow statement, all the transactions have been accounted for on accrual basis of accounting.

### **2.3 Functional and presentation currency**

These financial statements have been presented in Pakistani Rupee (Rs.), which is the functional and presentation currency of the Modaraba. All figures have been rounded off to the nearest rupee, unless otherwise indicated.

## **2.4 Applicability of International Accounting Standard (IAS) 17 'Leases' and Islamic Financial Accounting Standard (IFAS) 2 'Ijarah'**

**2.4.1** SECP vide its circular No. 10 of 2004 dated February 13, 2004 had deferred, till further orders, the applicability of International Accounting Standard (IAS) 17 "Leases" on modarabas with effect from July 1, 2003 and advised the management companies of modarabas that they may continue to prepare the financial statements of modarabas without applying the requirements of IAS 17. However, the requirements of IAS 17 were considered for the purpose of leasing transactions (net investment in finance lease, assets given on finance lease, liabilities against assets subject to finance lease, and assets obtained on finance lease) entered into by the Modaraba up to June 30, 2008. Currently, lease transactions (both for assets given and assets obtained) are being accounted for in accordance with the requirements of IFAS 2 as explained below.

**2.4.2** Islamic Financial Accounting Standard (IFAS) 2 'Ijarah' issued by the Institute of Chartered Accountants of Pakistan was adopted by the SECP vide SRO 431(1)/ 2007 dated May 22, 2007. Under IFAS 2, the Ijarah transactions are accounted for in the following manner:

- Mu'jir (lessor) presents assets subject to Ijarah on their balance sheet according to the nature of the asset, distinguished from owned assets.
- Costs, including depreciation on the assets given on Ijarah, incurred in earning the Ijarah income are recognized as expense.
- Ijarah income is recognized in income on accrual basis as and when the rental becomes due, unless another systematic basis is more representative of the time pattern in which the benefit of the use derived from the leased asset is diminished.

SECP, vide its letter No. SC/ M/ RW/ SCM /2009 dated March 9, 2009, allowed that in case of Modarabas, IFAS 2 shall be applied for Ijarah transactions executed on or after July 1, 2008. Accordingly, the Modaraba has accounted for leasing transactions executed before July 01, 2008 as finance leases and has treated the leasing transactions executed on or after July 01, 2008 in accordance with the requirements of IFAS 2.

**2.5** During the year ended June 30, 2019, NBF1 & Modaraba Association of Pakistan based on the clarification of SECP informed its members that SECP has deferred the applicability of IFRS 9 to the extent of provision for impairment for financings made by Modaraba and required the Modaraba to follow all other requirements of IFRS 9.

Accordingly, the Modaraba had adopted all requirements of IFRS 9 and had determined the provision in respect of financings as per the requirements of the repealed Prudential Regulations in the financial statements for the year ended June 30, 2019. During the year ended June 30, 2020, the SECP extended the applicability of IFRS 9 for period ending on or after June 30, 2021 which was further delayed until June 30, 2022.

However, during the current year, the SECP has further deferred the applicability of complete IFRS-9 for Modarabas until June 30, 2024. As previously reported, the Modaraba had already adopted all requirements of IFRS 9 with the exception of provision for impairment for financings which was determined in accordance with the requirements of the repealed Prudential Regulations (now Modaraba Regulations, 2021) therefore, the Modaraba continues to follow same practice in the current year.

However, the requirements of expected credit loss model would have no financial impact on the profitability of Modaraba had the said model been adopted by the Modaraba as it has not made any financing during the current year in line with its strategic management of business and change in business portfolio. In addition to this, all the investments of Modaraba are in listed equity instruments and any change in fair value is being recorded in these financial statements in profit and loss account / other comprehensive income depending on the nature of investment portfolio.

## **2.6 Use of estimates and judgments**

The preparation of the financial statements in conformity with approved accounting standards requires management to make judgments, estimates and assumptions that affect the application of policies and reported amounts of assets, liabilities, income and expenses. The estimates and associated assumptions and judgments are based on historical experience and various other factors that are believed to be reasonable under the circumstances, the result of which forms the basis of making the judgments about carrying values of assets and liabilities that are not readily apparent from other sources. Actual results may differ from these estimates.

The estimates and underlying assumptions are reviewed on an ongoing basis. Revision to accounting estimates are recognized in the period in which the estimate is revised if the revision affects only that period, or in the period of revision and future periods if the revision affects both current and future periods. The areas where judgments made in applying accounting policies and various assumptions and estimates are significant to Modaraba's financial statements or where judgments were exercised in application of accounting policies are as follows:

### **2.6.1 Useful life and residual values of property, plant and equipment**

The Modaraba reviews the useful life and residual value of property, plant and equipment on regular basis to determine that expectations are not significantly changed from the previous estimates. Further, where applicable, an estimate of the recoverable amount of assets is made for possible impairment on an annual basis. In making these estimates, the Modaraba uses the technical resources available with it. Any change in the estimates in the future might affect the carrying amount of respective item of property, plant and equipment, with corresponding effects on the depreciation / amortization charge and impairment, if any.

### **2.6.2 Recoverable amount of non financial assets and impairment**

The management of the Modaraba reviews carrying amounts of its non financial assets and cash generating units for possible impairment and makes formal estimates of recoverable amount if there is any such indication.

### **2.6.3 Allowance for expected credit losses**

The allowance for expected credit losses assessment requires a degree of estimation and judgement. It is based on the lifetime expected credit loss, grouped based on days overdue, and makes assumptions to allocate an overall expected credit loss rate for each group. These assumptions include historical collection rates and forward looking information for macro economic factors i.e. interest rates, inflation rates, unemployment rates, GDP rates etc.

### **2.6.4 Employees' retirement benefits**

The calculation of the benefit requires assumptions to be made of future outcomes, the principal ones being in respect of increase in remuneration and the discount rate used to convert future cash flows to current values. The assumptions used for the plan are determined by independent actuary on annual basis.

The amount of the expected return on plan assets is calculated using the expected rate of return for the year and the market-related value at the beginning of the year. Gratuity cost primarily represents the increase in actuarial present value of the obligation for benefits earned on employee service during the year and the interest on the obligation in respect of employee service in previous years, net of the expected return on plan assets. Calculations are sensitive to changes in the underlying assumptions.

### 2.6.5 Contingencies

The Modaraba has disclosed significant contingent liabilities for the pending litigations and claims against it based on its judgment and the advice of the legal advisors for the estimated financial outcome. The actual outcome of these litigations and claims can have an effect on the carrying amounts of the liabilities recognized at the balance sheet date. However, based on the best judgment of the Modaraba and its legal advisors, the likely outcome of these litigations and claims is remote and there is no need to recognize any liability at the balance sheet date.

### 2.6.6 Provision for income taxes

Instances where the Modaraba's view differs with the view taken by the income tax department at the assessment stage and where the Modaraba considers that its view on items of a material nature is in accordance with the law, the amounts are shown as contingent liabilities.

### 2.6.7 Valuation of investments measured at FVOCI and FVPL

The Modaraba has recorded its investments measured at FVPL and FVOCI by using quotations from Pakistan Stock Exchange. This valuation is subjective to market price fluctuation and therefore, cannot be determined with precision.

## 3. New standards / amendments to approved accounting standards and interpretations

There are certain amendments and interpretations to the accounting and reporting standards which are mandatory for the Modaraba's annual accounting period which began on July 1, 2022. However, these do not have any significant impact on the Modaraba's financial statements.

### 3.1 Standards, interpretations and amendments to published approved accounting standards that became effective during the year:

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

Standard or Interpretation	Effective Date
IAS-37 Provisions, Contingent liabilities and Contingent assets (Amendments)	January 01, 2022
IAS-16 Property, Plant and Equipment	January 01, 2022
Annual improvements to IFRS Standards 2018-2020	January 01, 2022

### 3.2 Standards, interpretations and amendments to published approved accounting standards that are not yet effective:

The following standards, amendments and interpretations with respect to the approved accounting and reporting standards as applicable in Pakistan and relevant to the Modaraba, would be effective from the dates mentioned below against the respective standard or interpretation:

<b>Standard or Interpretation</b>		<b>Effective Date (Periods beginning on or after)</b>
IAS-1	Presentation of Financial Statements & Accounting Policies - Amendments regarding the classification of liabilities.	January 01, 2023
IAS-1	The amendments to IAS 1 require companies to disclose their material accounting policy information rather than their significant accounting policies.	January 01, 2023
IAS-8	Accounting Policies, changes in Accounting Estimates and Errors (Amendment regarding the definition of accounting estimates).	January 01, 2023
IAS-12	Income Taxes (The amendments to narrow the scope of the initial recognition exemption).	January 01, 2023
IAS-7	Statement of Cash Flows (Amendments)	January 01, 2023
IFRS-4	Insurance Contracts - Amendments regarding the expiry date of the deferral approach.	January 01, 2023
IFRS-7	Financial Instruments	January 01, 2023
IFRS-16	Leases	January 01, 2024
IFRS-10 / IAS-28	Consolidated Financial Statements and IAS 28 - Investment in Associates and Joint Ventures (Amendment regarding sale or contribution of assets between an investor and its associate or Joint Venture).	Deferred indefinitely

The above standards, amendments to approved accounting standards and interpretations are not likely to have any material impact on the Modaraba's financial statements.

**3.3 Other than the aforesaid standards, interpretations and amendments, International Accounting Standards Board (IASB) has also issued the following standards and interpretation, which have not been notified locally or declared exempt by the Securities and Exchange Commission of Pakistan (SECP) as at June 30, 2023;**

IFRS 1 First Time Adoption of International Financial Reporting Standards  
IFRS 17 Insurance Contracts  
IFRIC 12 Service Concession Arrangements

**4. Significant accounting policies**

The significant accounting policies applied in the preparation of these financial statements are set out below. These policies have been applied consistently to all years presented, unless otherwise stated.

**4.1 Cash and cash equivalents**

Cash and cash equivalents are carried in the balance sheet at amortized cost less impairment allowance, if any. For the purposes of the cash flow statement, cash and cash equivalents comprise of cash in hand, balances with banks in current accounts and in profit and loss sharing accounts, term deposit receipt with maturity up to 90 days, as well as balance held with the State Bank of Pakistan (SBP) and stamp papers.

#### **4.2 Ijarah Finance - prior to July 1, 2008**

Lease transactions entered into by the Modaraba prior to July 1, 2008 are accounted for as finance leases whereby assets under Ijarah arrangements are presented as receivables at an amount equal to the present value of the minimum Ijarah payments, including estimated residual value, if any. Unearned income i.e. excess of aggregate rentals over the cost of the asset is recorded at the inception of the Ijarah and is amortized over the term of the Ijarah so as to produce a constant rate of return on net investment in Ijarah. Allowances for non-performing leases are made in accordance with the Modaraba Regulations, 2021.

#### **4.3 Murabaha transactions**

Under Murabaha financing, funds disbursed for the purchase of goods are recorded as 'advance for Murabaha'. On culmination of Murabaha i.e. sale of goods to customers, Murabaha financings are recorded at the deferred sale price net of profit. Goods purchased but remaining unsold at the reporting date are recorded as inventories.

#### **4.4 Property and equipment**

Operating assets are stated at cost less accumulated depreciation and impairment losses, if any. Cost comprises purchase price, non refundable duties and taxes after deducting trade discounts and rebates, and includes other expenditure that is directly attributable to the acquisition. Subsequent costs are included in the asset's carrying amount or recognized as a separate asset, as appropriate, only when it is probable that future economic benefits associated with the asset will flow to the Modaraba and the cost of the item can be measured reliably. All other repairs and maintenance are charged to profit and loss account during the period in which they are incurred.

Depreciation is charged as an expense by applying the straight-line method whereby the cost of an asset is written off over its estimated useful life after taking into account residual value, if any. Depreciation is charged on additions from the day when the asset is available for use while no depreciation is charged for the day in which the assets are disposed of.

Depreciation method, useful lives and residual values are reassessed at least at each balance sheet date and changes, if any, are recognized prospectively.

Residual values are determined by the management as the amount it expects it would receive currently for an item of property and equipment if it was already of the age and in the condition expected at the end of its useful life based on the prevailing market prices of similar assets already at the end of their useful lives.

Useful lives are determined by the management based on the expected usage of assets, physical wear and tear, technical and commercial obsolescence, legal and similar limits on the use of the assets and other similar factors.

An item of property and equipment is derecognized upon disposal or when no future economic benefits are expected from its use or disposal. Gains and losses on disposals are determined by comparing proceeds with the carrying amount of the relevant assets. These are included in the profit and loss account currently.

#### **4.5 Investments in equity instruments of associated companies**

Investments in associated companies where significant influence can be established are accounted for using the equity method. Under this method, the investments are stated at cost plus the Modaraba's equity in undistributed earnings and losses after acquisition, less any impairment in the value of individual investment. Income on investments in associated companies is recognized using the equity method. Under this method, the Company's share of post-acquisition profit or loss of the associated companies is included in profit and loss, its share of post-acquisition other comprehensive income or loss is included in other comprehensive income and its share of post-acquisition movements in reserves is recognized in reserves. Dividend distribution by the associated companies is adjusted against the carrying amount of the investment. Unrealized gains on transactions between the Modaraba and its associates are eliminated to the extent of the Modaraba's interest in the associate.

#### **4.6 Lease rentals - assets under Ijarah arrangements - after July 1, 2008**

Assets given under Ijarah arrangements after July 1, 2008 are treated as assets given under operating lease arrangements.

#### **4.7 Impairment**

##### **4.7.1 Impairment of financial assets**

The Modaraba recognizes loss allowances for ECLs on:

- financial assets measured at amortized cost and contract assets; and
- debt investments measured at FVOCI.

An impairment loss is recognized if the carrying amount of the assets exceeds its estimated recoverable amount. Impairment losses are recognized in profit and loss account. Impairment losses recognized in prior periods are assessed at each reporting date for any indications that the loss has decreased or no longer exists.

##### **4.7.2 Impairment of non-financial assets**

The Modaraba assesses at each balance sheet date whether there is any indication that non-financial assets may be impaired. If such indication exists, the carrying amounts of such assets are reviewed to assess whether they are recorded in excess of their recoverable amount. Where carrying values exceed the respective recoverable amount, assets are written down to their recoverable amounts and the resulting impairment loss is recognized in the profit and loss account. The recoverable amount is the higher of an asset's fair value less costs to sell and value in use.

Where an impairment loss for asset subsequently reverses, the carrying amount of the asset is increased to the revised recoverable amount but limited to the extent of initial cost or the carrying amount of the asset had there been no impairment. Reversal of impairment loss is recognized as income.

#### **4.8 Advances and other receivables**

Advances and other receivables are initially recognized at fair value and subsequently measured at amortized cost using the effective interest method, less any allowance for expected credit losses. Other receivables generally do not include amounts over due by 365 days.

#### **4.9 Non-current assets held for sale**

Non-current assets are classified as assets held for sale if it is highly probable that their carrying amount will be recovered principally through sale rather than through continuing use. Such non-current assets or disposal groups are valued at lower of cost and fair value less cost to sell.

Once classified as held for sale, property and equipment are no longer amortized or depreciated, and any equity accounted investee is no longer equity accounted.

The gain or loss on disposal of non-current assets held for sale represented by the difference between the sale proceeds and the carrying amount of the asset is recognized as income or expense in the profit and loss account.

#### **4.10 Investment property**

Investment property, which is property held to earn rentals and/or for capital appreciation, but not for sale in ordinary course of business or use in production or supply of goods & services as for administrative purpose, including property under construction for such purposes, 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 is measured at fair value, at each reporting date. The changes in fair value are recognized in the profit and loss account. Any other investment property (whose fair value cannot be measured reliably without undue cost or effort) is measured at cost less accumulated depreciation and any impairment loss.

In case, where the property is partially being used for the purposes of business of the Modaraba and some portion of it is being rented out to a tenant under the contract of tenancy, in which case the property is being classified as owner occupied property in accordance with IAS 16, "Property, plant and Equipment".

Investment properties are derecognized either when they are disposed of or when they are permanently withdrawn from use and no future economic benefit is expected from their disposal. The difference between the net disposal proceeds and the carrying amount of the asset is recognized in profit and loss in the period of derecognition.

Compensation from third parties for investment property that is impaired, lost or given up is recognized in profit or loss when the compensation becomes receivable.

#### **4.11 Trade and other payables**

Liabilities for trade and other amounts payable are recognized and carried at cost which is the fair value of the consideration to be paid in future.

#### **4.12 Provisions**

Provisions are recognized when the Modaraba has a present legal or constructive obligation as a result of past events and it is probable that an outflow of resources embodying economic benefits will be required to settle the obligation and a reliable estimate can be made of the amount of the obligation. Provisions are reviewed at each reporting date and are adjusted to reflect the current best estimate. If it is no more probable that the resources would be required to settle the obligation, the provisions are reversed.

#### **4.13 Musharaka finance**

Musharaka financing is recognized initially at fair value, less attributable transaction costs. Difference between the fair value and proceeds of musharaka is recognized as income or expense in the profit and loss account. Subsequently these are measured at amortized cost using the effective interest method.



#### **4.14 Contingent liabilities**

Contingent liability is disclosed when:

- there is a possible obligation that arises from past events and whose existence will be confirmed only by the occurrence or non occurrence of one or more uncertain future events not wholly within the control of the Modaraba; or
- there is present obligation that arises from past events but it is not probable that an outflow of resources embodying economic benefits will be required to settle the obligation or the amount of the obligation cannot be measured with sufficient reliability.

The assessment of the contingencies inherently involves the exercise of significant judgment as the outcome of the future events cannot be predicted with certainty. The company, based on the availability of the latest information, estimates the value of contingent assets and liabilities which may differ on the occurrence / non-occurrence of the uncertain future events not wholly within the control of the Company. However, based on the best judgment of the Company and its legal advisors, the likely outcome of these litigations and claims is remote and there is no need to recognize any liability at the reporting date.

#### **4.15 Revenue recognition**

##### **4.15.1 Dividend income**

Dividend income is recognized in profit and loss account on the date on which the Modaraba's right to receive dividend is established.

##### **4.15.2 Income on bank balances and term deposit receipts**

Income on these assets is recognized on a time proportion basis under the effective yield method.

##### **4.15.3 Musharaka finance**

Profit on Musharaka finance is recognized on the basis of pro rata accrual of the profit estimated for the transaction over the period except for Diminishing Musharaka finance which is recognized on an accrual basis.

##### **4.15.4 Murabaha finance**

Profit from Murabaha Finance is accounted for on culmination of Murabaha transaction. However, the profit on that portion of Murabaha Finance not due for payment is deferred by accounting for "Deferred Murabaha Income" with a corresponding credit to "Unearned Murabaha Income" which is recorded as a liability. The same is then recognized on a time proportion basis.

##### **4.15.5 Gains and losses on remeasurement and sale of investments**

Unrealized gains / (losses) arising on remeasurement of investments classified as financial assets 'at fair value through profit or loss' are recorded in the period in which these arise.

Gains and losses on sale of investments are accounted for on trade date i.e. the date on which the Modaraba commits to purchase or sell the asset.

#### **4.15.6 Ijarah income**

The Modaraba classify and account for Ijarah contracts commencing prior to June 30, 2008 as finance leases. Unearned income i.e. the excess of aggregate Ijarah rentals (including residual value) over the cost of the asset under Ijarah facility is deferred and then amortized over the term of the Ijarah, so as to produce a constant rate of return on net investment in the Ijarah.

For Ijarah arrangements commencing on or after July 1, 2008, Ijarah rentals are recognized as income on an accrual basis, as and when rentals become due on a systematic basis over the lease and Ijarah period.

Documentation charges, front-end fee and other Ijarah income are recognized as income on receipt basis. Unrealized lease income pertaining to non-performing leases is held in suspense account, where necessary, in accordance with the requirements of the Modaraba Regulations, 2021.

#### **4.15.7 Rental income**

Leases in which a significant portion of the risk and reward is retained by the Modaraba are classified as operating lease. Rental income from operating leases is recognized on a straight line basis over the lease term.

#### **4.15.8 Unrealized income on non-performing assets**

Unrealized income is suspended, where necessary, on non-performing assets (including non-performing net investment in Ijarah and Murabaha and Musharaka Finances), in accordance with the requirements of the Modaraba Regulations, 2021 issued by the SECP. Unrealized suspense income is recognized in profit and loss account on receipt basis.

#### **4.15.9 Sale of goods**

Revenue from the sale of goods is recognized at the point in time when the performance obligations arising from the contract with a customer is satisfied and the amount of revenue that it expects to be entitled to can be determined. This usually occurs when control of the asset is transferred to the customer, which is when goods are delivered to the customers. Revenue is measured based on the consideration specified in a contract with a customer and excludes amounts collected on behalf of third parties. Revenue is disclosed net of taxes, returns, rebates, discounts and other allowances.

### **4.16 Financial instruments**

#### **4.16.1 Financial assets**

All financial assets are recognized at the time when the Modaraba becomes a party to the contractual provisions of the instrument. Regular purchases and sales of financial assets are recognized and derecognized, as applicable, using trade-date accounting or settlement date accounting.

##### **Classification and measurement of financial assets**

Under IFRS 9, on initial recognition, the Modaraba classifies its financial assets in the following measurement categories:

- Those to be measured subsequently at fair value either through other comprehensive income ("FVOCI"), or through profit or loss ("FVTPL"); and
- Those to be measured at amortized cost.

The classification depends upon entity's business model for managing the financial assets and the contractual terms of the cash flows.

The following assessments are made on the basis of the facts and circumstances that exist at the date of initial application:

- The determination of business model within which a financial asset is held; and
- The designation of certain financial assets with respect to subsequent measurement either through profit or loss or other comprehensive income.

A financial asset is measured at amortized cost if it meets both of the following conditions:

- it is held within business model whose objective is to hold assets to collect contractual cash flows; and
- its contractual terms give rise on specified dates to cash flows that are solely payments of principal and interest on principal amount outstanding.

A financial asset is measured at FVOCI if it meets both of the following conditions:

- it is held within a business model whose objective is achieved by both collecting contractual cash flows and selling financial assets; and
- its contractual terms give rise on specified dates to cash flows that are solely payments of principal and interest on the principal amount outstanding.

A debt investment is measured at FVOCI if it meets both of the following conditions:

- it is held within a business model whose objective is achieved by both collecting contractual cash flows and selling financial assets; and
- its contractual terms give rise on specified dates to cash flows that are solely payments of principal and interest on the principal amount outstanding.

On initial recognition of an equity investment that is not held for trading, the Modaraba may irrevocably elect to present subsequent changes in the investment's fair value in OCI. This election is made on an investment-by-investment basis.

All financial assets not classified as measured at amortized cost or FVOCI as described above are measured at FVTPL. On initial recognition, the Modaraba may irrevocably designate a financial asset that otherwise meets the requirements to be measured at amortized cost or at FVOCI as at FVTPL if doing so eliminates or significantly reduces an accounting mismatch that would otherwise arise.

A financial asset is initially measured at fair value plus, for an item not at FVTPL, transaction costs that are directly attributable to its acquisition.

### **Reclassification**

When the Modaraba changes its business model for managing financial assets, it reclassifies all affected financial assets accordingly. The Modaraba applies the reclassification prospectively from the reclassification date.

In case of reclassification out of the amortized cost measurement category to fair value through profit and loss measurement category, fair value of the financial asset is measured at the reclassification date. Any gain or loss arising from a difference between the previous amortized cost and fair value is recognized in profit and loss account.

In case of reclassification out of fair value through profit and loss measurement category to the amortized cost measurement category, fair value of the financial asset at the reclassification date becomes its new gross carrying amount.

In case of reclassification out of fair value through other comprehensive income measurement category to the amortized cost measurement category, the financial asset is reclassified at its fair value at the reclassification date. However, the cumulative gain or loss previously recognized in other comprehensive income is removed from equity and adjusted against the fair value of the financial asset at the reclassification date. The effective interest rate and the measurement of expected credit losses are not adjusted as a result of the reclassification.

In case of reclassification out of fair value through profit and loss measurement category to the fair value through other comprehensive income measurement category, the financial asset continues to be measured at fair value.

The following accounting policies apply to the subsequent measurement of financial assets:

**Financial assets at  
amortized cost**

These assets are subsequently measured at amortized cost using effective interest method. The amortized cost is reduced by impairment losses, if any. Gain or loss on financial assets not part of hedging relationship is recognized in profit and loss account when the financial asset is derecognized, reclassified, through the amortization process or in order to recognize impairment gains or losses. When the contractual cash flows of a financial asset are renegotiated or otherwise modified and the renegotiation or modification does not result in the derecognition of that financial asset, the Modaraba recalculates the gross carrying amount of the financial asset and recognizes a modification gain or loss in profit and loss account.

**Debt investment at FVOCI**

These assets are subsequently measured at fair value. Interest / markup income calculated using the effective interest method, foreign exchange gains and losses and impairment are recognized in profit and loss account. Other net gains and losses are recognized in statement of comprehensive income. On derecognition, gains and losses accumulated in OCI are reclassified to profit and loss account.

**Equity investments at  
FVOCI**

These are marked to market using the closing market rates and are carried in the balance sheet at fair value. Net gains and losses arising on changes in fair values of these financial assets are recognized in other comprehensive income. Interest calculated using the effective interest rate method is credited to the profit and loss account. Dividends on equity instruments are credited to the profit and loss account unless the dividend clearly represents a recovery of part of the cost of the investment. Other net gains and losses on derecognition of such investments are recognized in OCI and are never reclassified to profit and loss account.

#### **Equity investments at FVPL**

These are marked to market using the closing market rates and are carried in the balance sheet at fair value. Net gains and losses arising on changes in fair values of these financial assets are recognized in profit and loss account. Interest calculated using the effective interest rate method is credited to the profit and loss account. Dividends on equity instruments are credited to the profit and loss account. Other net gains and losses on derecognition of such investments are recognized in profit and loss account.

Fair values of quoted investments are based on current prices. If the market for a financial asset is not active and for unlisted securities, the Modaraba measures the investment at cost less impairment in value, if any.

#### **4.16.2 Financial liabilities - Classification, subsequent measurement and gains and losses**

Financial liabilities are classified as measured at amortized cost or FVTPL. A financial liability is classified as at FVTPL if it is classified as held-for-trading, it is a derivative or it is designated as such on initial recognition. Financial liabilities at FVTPL are measured at fair value and net gains and losses, including any interest expense, are recognized in profit and loss. Other financial liabilities are subsequently measured at amortized cost using the effective interest method. Any gain or loss on derecognition is recognized in profit and loss. 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 effective interest rate. The unwinding of interest over the period of amortization of liability using the effective rate of interest is included as finance costs in profit and loss account.

The amount of change in the fair value that is attributable to changes in the credit risk of financial liability is presented in other comprehensive income and the remaining amount of change in the fair value of the liability is presented in profit and loss account.

Financial liabilities designated upon initial recognition at fair value through profit and loss are designated at the initial date of recognition, and only if it eliminates or significantly reduces a measurement or recognition inconsistency or a group of financial liabilities is managed and its performance is evaluated on a fair value basis, in accordance with a documented risk management or investment strategy, and information about the group is provided internally on that basis to the Modaraba's key management personnel. The Modaraba has not designated any financial liability as at fair value through profit and loss account.

#### **4.16.3 Derecognition**

##### **Financial assets**

The Modaraba derecognizes a financial asset when the contractual rights to the cash flows from the financial asset expire, or it transfers the rights to receive the contractual cash flows in a transaction in which substantially all of the risks and rewards of ownership of the financial asset are transferred or in which the Modaraba neither transfers nor retains substantially all of the risks and rewards of ownership and it does not retain control of the financial asset.

The Modaraba enters into transactions whereby it transfers assets recognized in its statement of financial position, but retains either all or substantially all of the risks and rewards of the transferred assets. In these cases, the transferred assets are not derecognized.

### **Financial liabilities**

The Modaraba derecognizes a financial liability when its contractual obligations are discharged or cancelled, or expire. The Modaraba also derecognizes a financial liability when its terms are modified and the cash flows of the modified liability are substantially different, in which case a new financial liability based on the modified terms is recognized at fair value.

On derecognition of a financial liability, the difference between the carrying amount extinguished and the consideration paid (including any non-cash assets transferred or liabilities assumed) is recognized in profit and loss.

#### **4.16.4 Offsetting**

Financial assets and financial liabilities are offset and the net amount presented in the statement of financial position when, and only when, the Modaraba currently has a legally enforceable right to set off the amounts and it intends either to settle them on a net basis or to realize the asset and settle the liability simultaneously.

#### **4.17 Staff retirement benefits**

##### **4.17.1 Defined benefit plan - staff gratuity**

The Modaraba participates in an approved group funded gratuity scheme for all its permanent employees, who have completed minimum qualifying service period of 3 years. The group comprises of LSE Capital Limited (Formerly Assetplex Limited) and Modaraba Al-Mali. Consolidated fund is being maintained for the employees of the group. Contributions to the fund are made on the basis of actuarial recommendation normally carried out on yearly basis. The latest actuarial valuation was carried out as at June 30, 2023 under the 'Projected Unit Credit Method'.

Re-measurements, comprising of actuarial gains and losses, excluding net mark-up and the return on plan assets (excluding net mark-up), are recognized immediately in the balance sheet with a corresponding debit or credit to retained earnings through other comprehensive income in the period in which they occur. Re-measurements are not reclassified to profit or loss in subsequent periods. Net mark-up is calculated by applying the discount rate to the net defined benefit liability or asset. The Modaraba recognizes service costs comprising current service costs, past-service costs, and net mark-up expense or income in the profit and loss account.

##### **4.17.2 Defined contribution plan - staff provident fund**

The Modaraba contributes to an approved group provident fund scheme covering all its employees who are eligible under the scheme. The employees are eligible under the scheme if they complete the minimum period of six months from their first day of employment. Equal monthly contributions are made by Modaraba and the employees to the fund at the rate of 8.33% of the basic salary.

##### **4.17.3 Staff compensated absences**

Previously, the Modaraba recognizes provision in the financial statements for its liability towards compensated absences based on the leaves accumulated up to the balance sheet date in accordance with the service rules. However, after taking over of the Modaraba by the new management in the prior periods, this benefit had been withdrawn with immediate effect after the entire payment of such benefit to all the old employees resigned thereafter. Further, the operations of fuel station had also been discontinued last year and all the employees related liabilities pertaining to fuel station had been paid off.

## **4.18 Taxation**

### **4.18.1 Current**

The provision of current tax is based on the taxable income for the year, determined in accordance with the prevailing law for taxation of income. The charge for current tax is calculated using prevailing tax rates or tax rates expected to apply to the profit for the year if enacted after taking into account tax credits, rebates and exemptions, if any, or minimum tax u/s 113 of the Income Tax Ordinance 2001 or Alternative Corporate Tax at the rate of 17% of accounting profit adjustable as per income tax laws, whichever is higher. 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.

The Modaraba takes into account the current income tax law and decisions taken by the taxation authorities. Instances where the Modaraba's view differ from the views taken by the income tax department at the assessment stage and where the Modaraba considers that its view on items of material nature is in accordance with law, the amounts are shown as contingent liabilities.

### **4.18.2 Deferred**

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

Deferred tax assets are reviewed at each reporting date and excluded to the extent that it is no longer probable that sufficient taxable profits will be available to allow all or part of deferred tax assets to be utilized. Unrecognized deferred tax assets are reassessed at each reporting date and are recognized to the extent that it has become probable that future taxable profits will be available against which they can be used.

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

## **4.19 Segment information**

Segments are reported in a manner consistent with the internal reporting used by the chief operating decision-maker. The Chief Executive Officer has been identified as the chief operating decision-maker, who is responsible for allocating resources and assessing performance of the operating segments.

The Chief Executive Officer is responsible for the Modaraba's entire product portfolio and considers the business to have a multiple operating segments. The Modaraba's asset allocation decisions are based on an integrated investment strategy and the Modaraba's performance is evaluated on an overall basis.

## **4.20 Proposed profit distribution to certificate holders and transfers between reserves**

Dividends declared and transfers between reserves made subsequent to the reporting date are considered as non-adjusting events and are recognized in the financial statements in the period in which such dividends are declared / transfers are made.

#### 4.21 Equity and reserves

Ordinary Modaraba certificates issued represent the equity and are recorded at face value. Any transaction costs associated with the issuing of certificates are deducted from certificate capital, net of any related income tax benefits, if any. Unappropriated profit - retained earnings include all current and prior period retained profits.

#### 4.22 Related party transactions

All transactions arising in the normal course of business and are conducted at arm's length at normal commercial rate on the same terms and conditions as third party transactions using valuation modes as admissible, except in rarely extreme circumstances where, subject to approval of the Board of Directors, it is in the interest of the Modaraba to do so. Parties are said to be related if they are able to influence the operating and financial decisions of the Modaraba and vice versa.

#### 4.23 Earnings per certificate

The Modaraba presents basic and diluted earnings per certificate data for its certificate holders. Basic earnings per certificate is calculated by dividing the profit or loss attributable to certificate holders of the Modaraba by the weighted average number of certificates outstanding during the year. Diluted earnings per certificate is determined by adjusting the profit or loss attributable to certificate holders and the weighted average number of certificates outstanding for the effects of all dilutive potential certificates.

#### 4.24 Comprehensive income

Comprehensive income is the change in equity resulting from transactions and other events, other than changes resulting from transactions with shareholders in their capacity as shareholders. Total comprehensive income comprises all components of profit and loss and other comprehensive income. Other comprehensive income comprises items of income and expense, including reclassification adjustments, that are not recognized in profit or loss as required or permitted by approved accounting standards.

### 5. CORRECTION OF ERRORS

- 5.1 During the FY June 30, 2022, the Modaraba had inadvertently recognized deferred tax liability on the investment property classified as held for sale in the profit and loss account. Since, the said property had been acquired by the Modaraba for the past many years and accordingly does not come under the purview of taxation on capital gains. As a result, the deferred tax previously recognized on this property and classified as "liabilities directly associated with assets held for sale" is exempt and there would be no tax consequences on its disposal, therefore, the deferred tax liability pertaining to assets held for sale recognized in the year ended June 30, 2022 is being reversed retrospectively in accordance with the requirements of IAS 8, "Accounting Policies, Changes in Accounting Estimates and Errors". The financial impact of this correction of error is disclosed below:

<b>Balance Sheet</b>	<b>June 30, 2022</b>
<b>Current liabilities</b>	
(Decrease) in liabilities directly associated with the asset held for sale	(27,671,181)
<b>Revenue reserves</b>	
Increase in revenue reserves	27,671,181



**Statement of profit or loss**

Increase in profit after taxation from discontinued operations	27,671,181
Increase in profit after taxation for the year	27,671,181

**Statement of changes in equity**

Increase in revenue reserves	27,671,181
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**5.2**

During the FY June 30, 2022 another error was also observed in the valuation of investment in the shares of LSE Financial Services Limited carried at fair value through OCI. Further, deferred tax liability attributed to fair value reserves was also not erroneously computed and recognized in the financial statements for the year ended June 30, 2022. This error was also rectified retrospectively in accordance with the requirements of IAS 8, "Accounting Policies, Changes in Accounting Estimates and Errors". The financial impact of this correction of error is disclosed below:

<b>Balance Sheet</b>	<b>June 30, 2022</b>
<b>Non-current assets</b>	
Increase in long term investments	7,322,119
<b>Non-current liabilities</b>	
Increase in deferred tax liabilities	75,288,918
<b>Capital and reserves</b>	
Decrease in capital reserves	(67,966,799)
<b>Statement of changes in equity</b>	
Decrease in capital reserves	(67,966,799)

The correction of above stated error in note 5.1 also has an impact on the earnings per certificate of the Modaraba for the year ended June 30, 2022 as disclosed below:

Earnings per certificate - previously reported	0.72
Effects for the correction of error	0.510786359
Earnings per certificate - as restated	<u>1.23</u>

Since, the above stated errors pertains to the year June 30, 2022, therefore the correction of these errors have no impact on the opening balance of the earliest period presented, therefore, the opening balance sheet of the earliest period presented as required under paragraph 40(a) of IAS 1, "Presentation of Financial Statements" is not shown in these financial statements being not applicable in the instant case.

6. PROPERTY AND EQUIPMENT  
Owned and tangible

	2023							Total	
	Lease hold land - fuel station	Building - fuel station	Office premises	Vehicles	Surgical instruments	Furniture and fixtures	Office equipment		Computers
<b>At July 01, 2022</b>									
Cost	-	-	2,200,000	42,500	-	1,958,977	3,269,931	2,355,898	9,827,306
Accumulated depreciation	-	-	-	(42,500)	-	(1,870,240)	(3,174,200)	(2,355,898)	(7,442,838)
<b>Net book value</b>	-	-	2,200,000	-	-	88,737	95,731	-	2,384,468
<b>Additions</b>									
From third parties	-	-	-	-	-	385,340	89,900	180,000	655,240
From related party - Metatech Health Limited	-	-	-	4,019,962	550,377	5,188,762	3,176,287	1,092,247	14,027,635
<b>Depreciation charge for the year</b>									
Disposals	-	-	-	4,019,962	550,377	5,574,102	3,286,187	1,272,247	14,682,875
Cost	-	-	(86,167)	(203,231)	(27,825)	(146,703)	(219,379)	(117,242)	(800,547)
Depreciation	-	-	-	42,500	550,377	7,147,739	6,446,218	3,448,145	17,634,979
Transfers	-	-	-	(42,500)	(27,825)	(2,010,414)	(3,358,979)	(2,447,921)	(7,887,639)
Cost	-	-	-	-	522,552	5,137,325	3,087,239	1,000,224	9,747,340
Depreciation	-	-	(86,167)	-	-	-	-	-	(86,167)
<b>Closing net book value</b>									
Cost	-	-	-	3,816,731	-	378,811	55,300	154,781	4,405,623
Accumulated depreciation	-	-	-	4,019,962	-	385,340	89,900	180,000	4,675,202
<b>Net book value</b>									
Cost	-	-	-	(203,231)	-	(6,529)	(34,600)	(25,219)	(269,579)
Life (Years)	-	20	20	5	5	10	5	3	4,405,623

	2022							Total	
	Lease hold land - fuel station	Building - fuel station	Office premises - lease hold	Vehicles	Surgical instruments	Furniture and fixtures	Office equipment		Computers
At July 01, 2021									
Cost	63,848,000	8,399,474	-	42,500	-	2,004,827	3,396,074	2,388,488	81,042,541
Accumulated depreciation	-	(4,436,918)	-	(34,592)	-	(1,900,929)	(3,383,699)	(2,388,488)	(13,107,904)
Net book value	63,848,000	3,962,556	-	7,808	-	103,898	12,375	-	67,934,637
Additions	-	-	2,200,000	-	-	-	121,000	-	2,321,000
Depreciation charge for the year	-	(139,992)	-	(7,808)	-	(15,161)	(37,644)	-	(200,605)
Disposals / transfers									
Cost	63,848,000	8,399,474	-	-	-	45,850	247,143	32,590	72,573,057
Depreciation	-	(4,576,910)	-	-	-	(45,850)	(247,143)	(32,590)	(4,902,493)
Closing net book value	63,848,000	3,822,564	2,200,000	-	-	88,737	95,731	-	67,670,564
At June 30, 2022									
Cost	-	-	2,200,000	42,500	-	1,958,977	3,269,931	2,355,898	9,827,306
Accumulated depreciation	-	-	-	(42,500)	-	(1,870,240)	(3,174,200)	(2,355,898)	(7,442,838)
Net book value	-	-	2,200,000	-	-	88,737	95,731	-	2,384,468
Life (Years)	-	20	20	5	5	10	5	3	-

**6.1.1** Office premises represented a property rented out to a related party namely; Metatech Health Limited, an associated company, located at 508, 5th Floor, LSE Plaza, Kashmir-Edgerton Road, Lahore. The Modaraba had acquired office premises of Rs. 2,200,000 under a duly executed sale/purchase deed entered into with a third party on February 18, 2022. During the year, the Modaraba had rented out this property to its aforesaid related party on September 01, 2022 @ fair market monthly rental of Rs. 350,000. The property was being used both by the Modaraba and the related party and was being classified as Property and equipment as disclosed in note 4.10 of these financial statements. On November 27, 2022, the management of Modaraba had decided to sell this property to a third party under a duly executed agreement to sell for a consideration of Rs. 2,500,000. Accordingly, this property was transferred to "Non-Current assets held for sale" as the property was in saleable condition and the sale was materialized during the year (Note 14.2).

**6.1.2 Disposal of property and equipment**

The particulars of items of property and equipment that were disposed off during the year are as follows:

Particulars of assets	Cost	Net book value	Rupees		Gain on disposal	Mode of disposal	Purchaser	Relationship with the Modaraba
			Sale proceeds					
<b>June 30, 2023</b>								
Surgical instruments	550,377	522,552						
Furniture and fixtures	5,188,762	5,057,602						
Office equipment	3,176,287	3,015,708				Members approval in EOGM	Ensmile Limited	Associated company
Computers	1,092,247	1,000,224						
	10,007,673	9,596,086	11,349,591		1,753,505			
Vehicles	42,500	-				Written off		
Office equipment	3,269,931	71,531			(71,531)	Written off		
Computers	2,355,898	-				Written off		
Furniture and fixtures	1,958,977	79,723			(79,723)	Written off		
	7,627,306	151,254			(151,254)			
	<b>17,634,979</b>	<b>9,747,340</b>	<b>11,349,591</b>		<b>1,602,251</b>			
<b>June 30, 2022</b>								
Fuel station (land and building)	72,247,474	67,670,564	120,000,000		52,329,436	Negotiation	Umar Hayat	Third party

**6.1.2 Depreciation charge for the year has been allocated to:**

	Note	2023 Rupees	2022 Rupees
Administrative and operating expenses	26	388,961	55,774
Discontinued operations	31.2	411,587	144,831
		<b>800,548</b>	<b>200,605</b>

## 7. LONG TERM INVESTMENTS

	Note	2023 Rupees	2022 Rupees
Investment in debt securities - at amortized cost	7.1	-	281,832,631
Investment in equity instruments - at Fair value through OCI			
LSE Financial Services Limited - unquoted	7.2	-	647,789,244
<b>Investments in equity instruments - associated companies</b>			
<i>measured at equity method</i>			
LSE Proptech Limited	7.3	322,499,846	-
LSE Ventures Limited	7.4	639,908,985	-
Ensmile Limited	7.5	297,315,602	-
Metatech Health Limited	7.6	-	-
		<u>1,259,724,433</u>	<u>929,621,875</u>

### 7.1 Investment in debt securities - at amortized cost

The Modaraba had made investment in 28,000,000 non-voting cumulative preference shares of PGP Consortium Limited carrying dividend at the rate of 6 Month Kibor + 5.5% per annum. The net asset value of the investment per share is Rs. 10/-, which had been calculated with reference to the net assets of the PGP Consortium Limited on the basis of audited financial statements for the year ended June 30, 2021 audited by A.F. Ferguson & Company Chartered Accountants. During the year, this investment had been realized during the year under a swap arrangement entered into with LSE Financial Services Limited for the purchase of shares of Ensmile through MetaTech Health Limited in exchange for investment in PGP Consortium Limited.

	2023 Rupees	2022 Rupees
PGP Consortium Limited	-	280,000,000
Unamortized transaction cost	-	1,832,631
	<u>-</u>	<u>281,832,631</u>

	Rating	Face value / share	Effective rate
PGP Consortium Limited - preference shares	BBB	10	9.15% - 13.14%

### 7.2 Investment in equity instruments - at Fair value through OCI

This represents the investment made with the intention of establishing or maintaining a long-term ownership relationship in LSE Financial Services Limited, an unquoted Company by the Modaraba. The net asset value of the investment per share is Rs. 19.44/-, which had been calculated with reference to the net assets of the LSE Financial Services Limited on the basis of audited financial statements for the year ended June 30, 2022 audited by Crowe Hussain Chaudhury & Company Chartered Accountants.

The Modaraba holds 47,032,467 (2022: 33,322,492) fully paid ordinary shares of Rs. 10 each which represents 26.20% (2022: 18.55%) of the total paid-up capital of the investee. During the year, the Modaraba had acquired 26.20% of the share capital of the said company and accordingly the investment previously classified as fair value through OCI has been reclassified to investment in associate with immediate effect after the said acquisition. At that date, the fair value reserves of the previously classified investment has been recycled to retained earnings through the statement of changes in equity. After such reclassification, the investment is measured at cost which is the fair value at the date of reclassification and subsequently measured under the equity method as per the applicable financial reporting framework.

	Note	2023 Rupees	Restated 2022 Rupees
LSE Financial Services Limited			
Fair value reserve		888,919,369	388,172,285
Reclassification adjustment		-	259,616,959
		<u>888,919,369</u>	<u>647,789,244</u>
The movement in this head of account is as follows:			
Balance as at July 01,		647,789,244	-
Add: Investment made during the year		241,130,125	388,172,285
Add: Fair value reserve		-	259,616,959
Less: Reclassification adjustment		(888,919,369)	-
Balance as at June 30,		<u>-</u>	<u>647,789,244</u>

During the year, management of Messrs. LSE Financial Services Limited has decided to demerge the company with/into LSE Ventures Limited and LSE Proptech Limited which were previously the subsidiaries of the company. As per the scheme of demerger, all the net assets of the company related to property business are to be transferred to LSE Proptech Limited while all the investments in listed securities and other companies are to be transferred to LSE Ventures Limited after the approval from the Honourable High Court. Under the scheme, all the shares previously held by LSEFSL of both of its subsidiaries were stand cancelled and all the shareholders of the LSEFSL will be given shares of LSE Ventures Limited and LSE Proptech Limited. Upon demerger of LSEFSL, it will become a shell unlisted company and dissolve with the order of Honourable Lahore High Court. After the sanctioned order from the Honourable High Court, Lahore for the demerger of LSE Financial Services Limited with/into LSE Ventures Limited and LSE Proptech Limited on April 26, 2023, the statement of financial position of the said transferee companies were drawn up to include the effects of demerger scheme. After demerger, the investment in LSEFSL by the Modaraba is allocated to both the transferee companies on the basis of shares received in both of them on pro-rata basis based on the audited financial statements for the period ended April 26, 2023.

### 7.3 LSE Proptech Limited - Quoted

#### Movement during the period in investment in associate

Investment in LSE Proptech Limited on demerger of LSEFSL		315,731,785	-
Add: Gain on bargain purchase on acquisition of investment	28	16,984,710	-
Less: Share of loss after tax from associated company	27	(4,339,185)	-
Less: Share of other comprehensive loss after tax from associate	33	(5,877,464)	-
<b>Balance as at June 30,</b>		<b>6,768,061</b>	<b>-</b>
		<b>322,499,846</b>	<b>-</b>
<b>Number of shares of Rs. 10 each</b>		<b>16,469,434</b>	<b>-</b>
<b>Percentage of holding in LSE Proptech Limited</b>		<b>18.38%</b>	<b>-</b>

### 7.4 LSE Ventures Limited - Quoted

#### Movement during the period in investment in associate

Investment in LSE Ventures Limited on demerger of LSEFSL		573,187,584	-
Add: Gain on bargain purchase on acquisition of investment		30,834,477	-
Add: Share of profit after tax from associated company		50,985,304	-
Less: Share of other comprehensive loss after tax from associate		(15,098,380)	-
<b>Balance as at June 30,</b>		<b>66,721,401</b>	<b>-</b>
		<b>639,908,985</b>	<b>-</b>
<b>Number of shares of Rs. 10 each</b>		<b>46,967,585</b>	<b>-</b>
<b>Percentage of holding in LSE Proptech Limited</b>		<b>26.15%</b>	<b>-</b>

### 7.5 Ensmile Limited - Unquoted

#### Movement during the period in investment in associate

Investment acquired from Metatech Health Limited		289,396,637	-
Add: Share of profit after tax from associated company		13,801,318	-
Less: Dividend Income received during the year		(5,882,353)	-
<b>Balance as at June 30,</b>		<b>7,918,965</b>	<b>-</b>
		<b>297,315,602</b>	<b>-</b>
<b>Number of shares of Rs. 10 each</b>		<b>5,050,000</b>	<b>-</b>
<b>Percentage of holding in Ensmile (Private) Limited</b>		<b>33.33%</b>	<b>-</b>

During the year, the Modaraba had acquired 33.33% of the share capital of the above named associated company representing 5,050,000 shares from Metatech Health Limited that were earlier purchased by the said company @ Rs. 59.41 per share. On March 24, 2023, the management of Messrs. Metatech Health Limited has decided to transfer this investment to the Modaraba on the transfer of its entire business portfolio of Ensmile Digital Dental Studios as disclosed in note 1.2 of these financial statements. The Company had adopted equity method for accounting its investment in associate upto the date of transfer of investment to Modaraba. The Modaraba has recognized its investment in Ensmile Limited at the value of investment that was appearing in the books of Metatech Health Limited at the transfer date.

Ensmile was established in December, 2019 and manufactures Clear Aligners, a dental product, which are transparent plastic braces worn over the teeth as an alternative to the conventional metal braces and one of the leading teeth straightening manufacturers. These aligners are manufactured with 3D printers in Pakistan as per computer generated customized designs for individual patients taken at any part of the world.

The Modaraba has recognized its share of profit after tax from above named associate on the basis of its unaudited financial statements for the period ended from April 01, 2023 to June 30, 2023, which is the date for which the Modaraba held investment in the said associated company.

**7.6 Metatech Health Limited - Quoted**

During the year, the Modaraba has acquired 489,900 shares of MetaTech Health Limited @ Rs. 51.03 amounting to Rs. 25 million from the ex sponsors of the said associated company under an arrangement for the revival / rehabilitation of the company through the introduction of new line of business (dental aligners) undertaken by it and the development of dental studios for its sales and marketing operations. The Modaraba held 489,900 (2022: Nil) fully paid ordinary shares of Rs. 10 each which represents 29.99% of the total paid-up capital of the investee. However, the management of the Modaraba has decided to divest the shares of Metatech Health Limited on March 10, 2023 and accordingly had sold its entire shareholding on May 26, 2023 at a loss of Rs. 12.437 million on investment.

**8. DIMINISHING MUSHARAKA**

	Note	2023 Rupees	2022 Rupees
Musharaka finance			
Less: Current portion of diminishing musharaka		227,069	572,498
Long term portion of diminishing musharaka		(227,069)	(455,176)
		-	117,322

**9. TAX REFUNDS DUE FROM GOVERNMENT**

These represent amounts either withheld by various withholding agents on account of payments received by the Modaraba or advance tax paid by the Modaraba as required under the Income Tax Ordinance, 2001 at the time of making certain payments. In respect of tax years 2014, 2015 and 2019, the FBR had passed orders of refund for amounts less than that claimed by Modaraba in its refund applications. The Modaraba had filed a rectification application against the said orders and the management is confident that the appeal will be decided in favour of the Modaraba as the amount of refundable tax is supported by the underlying record for the relevant tax years as also appearing in the income tax returns of the relevant tax years filed with the FBR.

**10. IJARAH FINANCE**

	Note	2023 Rupees	2022 Rupees
Ijarah contracts commencing up to June 30, 2008 - accounted for as finance leases			
Minimum lease payments due		40,480,939	40,480,939
Residual value of leased assets		3,755,007	3,755,007
Total receivable		44,235,946	44,235,946
Suspended lease income		(7,491,364)	(7,491,364)
Provision for impairment against potential Ijarah losses	10.1 & 35	(32,989,575)	(32,989,575)
		(40,480,939)	(40,480,939)
		3,755,007	3,755,007

10.1 These Ijarah finances are fully provided and the remaining amount represents amount of security deposit to be adjusted at the time of settlement with the defaulted parties. Since the finance is non-performing, no income is accrued on it in accordance with the Modaraba Regulations, 2021.

11. ADVANCES, DEPOSITS, PREPAYMENTS AND OTHER RECEIVABLES

	Note	2023 Rupees	2022
<b>Considered good</b>			
<b>Advances</b>			
- against purchase of shares	11.1	-	131,935,312
- to employees against salary - secured		-	50,000
- to broker		-	60,976
		-	132,046,288
Receivable from corporate entities - associated companies	11.3	15,751,858	104,355,468
Dividend income receivable	11.4	-	10,724,261
Defined benefit plan - staff gratuity	11.5	1,268,785	1,141,614
Prepayments		381,279	635,235
Others		255,770	841,745
		17,657,692	117,698,323
		<b>17,657,692</b>	<b>249,744,611</b>

11.1 This represented the advance paid for purchase of shares of LSE Financial Services Limited and MetaTech Health Limited amounting to Rs. 106.94 million and Rs. 25.00 million respectively. During the year, this advance has been adjusted as the shares of these companies have been transferred in the name of the Modaraba after approval from the Securities and Exchange Commission of Pakistan.

11.2 In line with the changed focus of Modaraba from Islamic financing activities to the revival of shell listed companies, the Modaraba has acquired 29.99% of the share capital of Messrs. Metatech Health Limited for a total purchase consideration of Rs. 25 million. In addition to this, the Modaraba has also borne expenses for the revival of the said company to the tune of Rs. 27.504 million in addition to the financial obligations of the company towards its ex-sponsors.

11.3 As previously reported, the Modaraba had changed its focus from conventional Islamic financing modaraba to undertaking Islamic venture capital, private equity and corporate & financial restructuring / rehabilitation transactions of potentially viable companies through resource mobilization. The balance represents expenses incurred on behalf of the following shell listed companies which is receivable from them at the reporting date.

**Associated companies**

**Unlisted company**

<i>Ensmile Limited</i>	11.3.1	2,625,930	-
<i>Digital Custodian Company Limited</i>		13,125,928	-

**Listed shell companies**

<i>Metatech Health Limited</i>	11.3.3	-	82,495,876
<i>Oil Boy Energy Limited</i>		-	21,859,592
		15,751,858	104,355,468

11.3.1 This represents amounts receivable from the above named related party in consideration for the transfer of net assets of the business of Ensmile Digital Dental Studios as disclosed in note 1.2 of these financial statements. This balance is within the age bracket of one month. Moreover, the said party has a historical proven track of profitability with sound financial footing as evident from its latest available audited financial statements for the year ended June 30, 2023, therefore, no provision under the expected credit loss is required in respect of the balance receivable from it at the reporting date.

11.3.2 This represents amounts receivable from above named related party on account of tax withheld in the name of said party for holding the custody of securities of Ghani Chemical Industries Limited for trading in the name of the Modaraba as a trustee as disclosed in note 12.3 of these financial statements. This balance is recoverable from the said party in due course of time.

11.3.3 These balances have been recovered in full during the year from the above named related parties. The Modaraba has not recognized any profit on the outstanding amount of advance extended to the said parties in view of their dormant status as these are in phase of their revival.

11.4 This represented dividend income on PGP preference shares receivable semi annually which have been received during the year.

	Note	2023 Rupees	2022 Rupees
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11.5.1 Present value of defined benefit obligation and assets of the fund

Present value of defined benefit obligation		-	66,444
Fair value of plan assets		(1,268,785)	(1,208,058)
Net defined benefit asset recognized in the balance sheet		(1,268,785)	(1,141,614)



	Note	2023 Rupees	2022 Rupees
<b>11.5.2 Movement in net defined benefit asset during the year</b>			
Opening net defined benefit asset			
Income recognized in profit and loss account	11.5.3	(1,141,614)	(1,333,640)
Contributions made during the year		(27,688)	(10,582)
Remeasurement loss recognized in other comprehensive income		(7,938)	(231,411)
Closing net defined benefit asset	11.5.6	(91,365)	434,019
		<u>(1,268,605)</u>	<u>(1,141,614)</u>
<b>11.5.3 Amount charged to the profit and loss account</b>			
Following amounts have been charged to the profit and loss account during the current year in respect of this scheme:			
Current service cost	11.5.4	114,272	116,576
Return expense	11.5.4	16,081	150,574
Return on plan assets	11.5.5	(158,221)	(277,732)
		<u>(27,868)</u>	<u>(10,582)</u>
Actuarial return on plan assets	11.5.6	46,202	46,202
		<u>46,202</u>	<u>46,202</u>
<b>11.5.4 Movement in present value of defined benefit obligation</b>			
Present value of defined benefit obligation at beginning of the year		66,444	1,456,817
Current service cost		114,272	116,576
Return expense		16,081	150,574
Benefits paid		-	(1,860,012)
Remeasurement (gain) / loss for the year		(196,797)	202,489
Present value of defined benefit obligation at end of the year		<u>-</u>	<u>66,444</u>
<b>11.5.5 Movement in the fair value of plan asset</b>			
Fair value of plan assets at beginning of the year		1,208,058	2,790,457
Return on plan assets		158,221	277,732
Contributions		7,938	231,411
Benefit paid		-	(1,860,012)
Remeasurement loss for the year		(105,432)	(231,530)
Fair value of plan assets at end of the year		<u>1,268,785</u>	<u>1,208,058</u>
<b>11.5.6 Re-measurements recognized in other comprehensive income</b>			
Re-measurement: Actuarial (gain) / loss on obligation			
Due to change in financial assumptions		-	960
Due to change in experience		(196,797)	201,529
		<u>(196,797)</u>	<u>202,489</u>
Remeasurement: Actuarial gain on plan assets			
Actuarial return on plan assets		(52,789)	(46,202)
Return on plan assets		158,221	277,732
		<u>105,432</u>	<u>231,530</u>
Re-measurement (gain) / loss recognized in other comprehensive income		<u>(91,365)</u>	<u>434,019</u>
<b>11.5.7 Composition of plan assets</b>			
Debt instruments		826,243	445,212
Bank deposits		442,542	762,846
		<u>1,268,785</u>	<u>1,208,058</u>
<b>11.5.8</b>	During the year, the Modaraba has transferred all its employees to its associated company namely; Messrs. Ensmile		
<b>11.5.9 Actuarial assumptions</b>	The principal assumptions used in the actuarial valuation carried out as of June 30, 2023, using the 'Projected Unit Credit' method, are as follows:		

	<u>2023</u>	<u>2022</u>
Expected rate of increase in salary	15.75% per annum	13.25% per annum
Discount rate used to determine the actuarial present value obligation	15.75% per annum	13.25% per annum
Expected rate of return on plan assets	15.75% per annum	13.25% per annum
Expected mortality rate	SLIC (2001-05) with 1 year set back	SLIC (2001-05) with 1 year set back
Expected withdrawal rate	Light	Light

Expected income in respect of gratuity scheme in the next financial year on the advice of actuary is Rs. 199,834.

#### 11.5.10 Actuarial Risk

The scheme exposes the Modaraba to the following actuarial risks:

##### Salary risk

This includes the risk that final salary at the time of cessation of service is higher than what was assumed. Since the benefit is calculated on the final salary, the benefit amount increases similarly.

##### Mortality / withdrawal risk

This includes the risk that the actual mortality / withdrawal experience is different than assumed. The effect depends upon the beneficiaries' service / age distribution and the benefit.

##### Investment risk

This includes the risk of the investment underperforming and not being sufficient to meet the liabilities. This risk is managed by formulating an investment policy and guidelines based on which investments are made after obtaining approval of the trustees of the fund.

In case of the funded plans, the investment positions are managed within an Asset-Liability Matching (ALM) framework to ensure that long-term investments are in line with the obligation under the defined benefit plan. The Modaraba actively monitors how the duration and the expected yield of the investments are matching the expected cash outflows arising from the defined benefit plan obligations. The Modaraba has not changed the process used to manage its risks from previous years. Investments are well diversified. A large portion of the plan assets in the current year consists of investment in debt instruments with high yield and in bank deposits.

The expected return on plan assets was determined by considering the expected returns available on the assets underlying the current investment policy. Expected yield on fixed profit investments is based on gross redemption yield as at the balance sheet date.

#### 11.5.11 Sensitivity analysis

The calculation of defined benefit asset is sensitive to assumptions set out above. The following table summarizes how the defined benefit asset at the reporting date would have increased / (decreased) as a result of change in respective assumptions by one percent.

	Defined benefit obligation Effect of 1%	
	Increase Rupees	Decrease Rupees
Discount rate	-	-
Expected rate of increase in salaries	-	-

The sensitivity analysis is based on a change in assumption while holding all other assumptions constant. In practice, this is unlikely to occur, and changes in some of the assumptions may be correlated. When calculating the sensitivity of the defined benefit obligation to significant actuarial assumptions, the same method (present value of defined benefit obligation calculated with the projected unit credit method at the end of the reporting period) has been applied as and when calculating the liability for gratuity recognized within the balance sheet. Since, the Modaraba had transferred all the employees to its associated company, therefore there is no provision for benefit obligation at the year end and accordingly no sensitivity analysis of the obligation is applicable in the instant case.

The weighted average number of years of defined benefit asset as at June 30, 2023 is 10.52 (2022: 10.52 years).

The undiscounted projected benefit payments from gratuity fund are as follows:

	Rupees
For the year 2023	-
For the year 2024	-
For the year 2025	-
For the year 2026	-
For the year 2027	-
For the year 2028-32	-

11.5.12 Historical information (in respect of the gratuity scheme)

	2023	2022	2021	2020	2019
	----- Rupees -----				
Defined benefit obligation	-	66,444	1,456,817	1,774,139	1,558,945
Fair value of plan assets	<u>(1,268,785)</u>	<u>(1,208,058)</u>	<u>(2,790,457)</u>	<u>(3,058,493)</u>	<u>(2,951,720)</u>
Surplus	<u>(1,268,785)</u>	<u>(1,141,614)</u>	<u>(1,333,640)</u>	<u>(1,284,354)</u>	<u>(1,392,775)</u>
Remeasurements of plan liabilities	<u>(196,797)</u>	<u>202,489</u>	<u>(196,432)</u>	<u>(114,097)</u>	<u>100,635</u>
Remeasurements of plan assets	<u>(105,432)</u>	<u>(231,530)</u>	<u>(203,360)</u>	<u>(313,299)</u>	<u>(363,289)</u>

12. INVESTMENTS	Note	2023 Rupees	2022 Rupees
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**At fair value through profit and loss**

Investments in listed equity securities	12.1	<u>153,581,521</u>	<u>13,124,176</u>
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**12.1 Investment in listed equity securities**

All shares have a nominal face value of Rs. 10 each

	Number of shares	June 30, 2023			Number of shares	June 30, 2022		
		Cost	Fair value	Unrealized loss		Cost	Fair value	Unrealized gain
		----- Rupees -----				----- Rupees -----		
<b>Gem board transport</b>								
Universal Network Transport System	267,895	17,413,175	16,609,495	3,485,319	267,895	17,413,175	13,124,176	(4,288,999)
<b>Food &amp; personal care products</b>								
Ghani Chemical Limited- Class B	14,509,749	145,097,490	136,972,031	(8,125,459)	-	-	-	-
<b>Balance as at June 30,</b>		<u>162,510,665</u>	<u>153,581,526</u>	<u>(4,640,140)</u>		<u>17,413,175</u>	<u>13,124,176</u>	<u>(4,288,999)</u>

12.2 Fair value of listed equity securities represents market value prevailing on June 30, 2023 and 2022.

12.3 During the year, the Modaraba had entered into agreement with Messrs. G3 Technologies Limited and Messrs. Ghani Chemicals Industries Limited for the purchase of cross-shareholdings of both the companies in each other at a purchase consideration of Rs. 502.646 million. As per the duly executed term sheet mutually agreed between the parties, Messrs. G3 Technologies Limited is being merged with/into Messrs. Ghani Chemicals Industries Limited after selling its entire holdings in the latter company to the Modaraba.

Under the scheme executed on August 31, 2022, Modaraba intends to purchase the securities from their respective sellers at a purchase consideration and terms as mentioned

Name of the seller	Name of securities	Number of shares	Price per share	Amount - Rupees
G3 Technologies Limited	GCIL	16,835,205	20	336,704,094
Ghani Chemicals Industries Limited	GTECH	16,511,628	10.05	165,941,862
				<u>502,645,956</u>

Other important terms and conditions of the term sheet as executed between the parties is as under:

- Messrs. G3 Technologies Limited is being merged (as a transferor) with and into Ghani Chemical Industries Limited (as a transferee) under the Scheme of Arrangement under Section 279 to 283 of the Companies Act, 2017.
- Messrs. G3 Technologies Limited will be dissolved once the Scheme of Arrangement is approved by the honorable Lahore High Court and with the order of the Board of Directors of G3 Technologies Limited.
- Modaraba and both the sellers have agreed to appoint Messrs. Digital Custodian Company Limited, an associated company of the Modaraba as trustee to the transaction at the agreed terms and conditions mentioned in the term sheet.
- The trustee will ensure the following activities:
  - Hold the shares of GTECH and GCIL on Trust on behalf of the Modaraba.
  - Dispose of the shares of GTECH and GCIL in the market (through CDC and PSX) and shall make the payments to both the seller companies on behalf and on instructions of the Modaraba.
  - Total payment shall be made within one year by the Modaraba which may only be extended after the consent of all the parties i.e. Modaraba and seller companies.
  - If Scheme of Arrangement is sanctioned by the Honorable Lahore High Court in the interim payment period, payment shall be made to the surviving entity i.e. Ghani Chemical Industries limited.
  - Trustee gives the guarantee of the payment by the Modaraba to both the companies (and in case of merger sanctioned by the Honorable Court, to the Ghani Chemical Industries Limited).
  - All charges including withholding taxes (advance income tax) borne by the Trustee shall be accrued to the Modaraba.

	Note	2022 Rupees	2022 Rupees
<b>13. CASH AND BANK BALANCES</b>			
Balances with banks in:			
- profit and loss sharing accounts	13.2	1,255,038	15,702,098
- current accounts		16,318,862	4,070,991
		17,573,900	19,773,089
Balances with State Bank of Pakistan		4,912	4,912
		<u>17,578,812</u>	<u>19,778,001</u>

**13.1** As decided by the Board of Directors of Messrs. Metatech Health Limited and as approved by its members in their EOGM held on March 24, 2023, the bank accounts of the company being maintained / operated in its name had been transferred to Modaraba Al Mali with immediate effect after the date of transfer of its business portfolio to the Modaraba as disclosed in note 1.2 of these financial statements. Accordingly, all the transactions in these bank accounts after the date of assignment are now vested to Modaraba and have been accordingly incorporated in these financial statements.

**13.2** These carry profit rates ranging from 10% to 13% (2022: 1.95% to 8.68%) per annum.

#### 14. ASSETS HELD FOR SALE

##### Assets and liabilities of disposal group held for sale

Disposal groups comprising assets and liabilities, are classified as held for sale if it is highly probable that they will be recovered primarily through sale rather than through continuing use.

Disposal groups, are generally measured at the lower of their carrying amount and fair values less cost to sell except for investment property, which is measured at fair value. Any impairment loss on a disposal group is allocated first to goodwill and then to the remaining assets and liabilities on a pro rata basis, except that no loss is allocated to inventories, financial assets, employee benefits assets or investment property, which continue to be measured in accordance with the Modaraba's other accounting policies. Impairment losses on initial classification as held for sale or held for distribution and subsequent gain and losses on remeasurement are recognized in profit or loss.

In October 2021, management committed to a plan to dispose off investment property (leasehold office premises) located at 10th Floor, Progressive Square Plaza, Shahrah e Faisal, Karachi. Accordingly, that asset was previously presented as held for sale in accordance with IFRS 5 'Non-current Assets Held for Sale and Discontinued Operations. Modaraba had entered into multiple sale agreements to sell the property for a total consideration of Rs. 104.697 million, of which Rs. 102.466 million were actually realized and a sale transaction was materialized on September 06, 2022.

The disposal group was stated at the lower of carrying amounts and fair value less cost to sell and comprised of the following assets and liabilities:

	Note	2023 Rupees	Restated 2022 Rupees
<b>Asset held for sale</b>			
Balance as at July 01,		96,616,000	-
Add: Non-current assets classified as held for sale			
Investment property	14.1	-	96,616,000
Property and equipment	14.2	2,113,833	-
		98,729,833	96,616,000
Less: Sold during the year		(98,729,833)	-
Balance as at June 30,		<u>-</u>	<u>96,616,000</u>
<b>Liabilities directly associated with asset held for sale</b>			
Balance as at July 01,		74,601,589	-
Proceed against disposal of investment property		27,864,238	74,601,589
Less: Liability adjusted / proceeds realized during the year		(102,465,827)	-
Balance as at June 30,		<u>-</u>	<u>74,601,589</u>

#### 14.1 Investment property

The fair value of investment property after initial recognition / transfer is determined at the end of each year using current market prices for comparable real estate, adjusted for any differences in nature, location and condition.

The leasehold office premises were valued by an independent and qualified valuer Harvester Services (Private) Limited, as at June 30, 2021 on the basis of professional assessment of the market values. Forced sale value of the investment property was assessed at Rs. 82.12 million.

#### 14.2 Property and equipment

On February 25, 2023, the Modaraba had sold out office premises to a third party and handed over the possession of the property after receiving all the tranches of sale consideration as per the terms of duly executed agreement. After the firm commitment of management of the Modaraba to sale the office premises, the same were classified as held for sale and no depreciation was charged after such reclassification. The gain on disposal of these assets is credited to profit and loss account.

14.3 The following amounts of gain on disposal of assets held for sale are credited to profit and loss account:

	Investment property	Property and equipment
Sale proceeds	102,465,827	2,500,000
Less: carrying value	(96,616,000)	(2,113,833)
Gain on disposal	<u>5,849,827</u>	<u>386,167</u>

#### 15. DEFERRED TAX LIABILITIES

##### Taxable temporary differences

	2023 Rupees	Restated 2022 Rupees
Property and equipment	450,907	-
Defined benefit plan - staff gratuity	1,268,785	953,919
Long-term investments	330,401,523	261,449,590
	<u>332,121,215</u>	<u>262,403,509</u>

##### Deductible temporary differences

Investments	(8,929,139)	(4,288,999)
Property and equipment	-	(207,436)
	<u>(8,929,139)</u>	<u>(4,496,435)</u>
	<u>323,192,076</u>	<u>257,907,074</u>

15.1 The details of the tax effect of taxable and deductible temporary differences are as follows:

	2023			
	Opening balance	Charged to profit or loss	Charged to other comprehensive income	Closing balance
<b>Deferred Tax Liabilities</b>	-----Rupees-----			
Property and equipment	(60,156)	190,919	-	130,763
Defined benefit plan - staff gratuity	276,637	64,815	26,496	367,948
Long-term investments	75,820,381	13,232,598	(39,492,751)	49,560,228
<b>Deferred Tax Assets</b>				
Investments	(643,350)	(696,021)	-	(1,339,371)
	<u>75,393,512</u>	<u>12,792,311</u>	<u>(39,466,255)</u>	<u>48,719,568</u>

15.2 The Modaraba has carried forward taxable losses of Rs. 116.249 million (2022: Rs. 49.940 million) at the reporting date. However, deferred tax assets amounting to Rs. 33.712 million (2022: Rs. 14.482 million) in respect of unused tax losses has not been recognized in these financial statements as the timing of generation of taxable profits in the foreseeable future is not assured with any degree of certainty against which these assets are to be adjusted / reversed.

## 16. SHORT TERM FINANCE FROM RELATED PARTIES

### Musharaka finance

Universal Network Systems Limited	16.1	-	60,000,000
Digital Custodian Company Limited - associated company	16.2	50,000,000	

### Short term finance

LSE Capital Limited - Modaraba Management Company	16.3	3,854,366	-
		<u>53,854,366</u>	<u>60,000,000</u>

16.1 This represented musharaka finance facility obtained from the above named public listed company in the sum of Rs. 60 million for a tenor of 89 days to meet its working capital requirements. It was unsecured and carried profit rate @ 6 months Kibor + 3.5% per annum. This facility had been paid off in full during the year along with profit.

16.2 This represents musharaka finance facility obtained from the above named public unlisted company in the sum of Rs. 50 million (2022: Nil) for a tenor of 276 days to meet its working capital requirements. It is unsecured and carries profit rate @ 6 months Kibor + 2% per annum. This facility along with profit will be paid off in full on maturity.

16.3 This represents short term financial assistance availed from the above named related party to meet the operational requirements of the Modaraba's business. It is unsecured, interest free and payable on demand.

17. CREDITORS, ACCRUED AND OTHER LIABILITIES	Note	2023 Rupees	2022 Rupees
Management fee payable			
LSE Capital Limited	17.1	12,299,540	9,529,655
Accrued liabilities	17.2	2,759,037	5,090,552
Payable to provincial government		1,247,338	1,247,338
Payable to Ghani Chemical Industries Limited	17.3	205,945,836	-
Profit payable on musharaka certificate	17.4	6,811,644	435,419
Payable to gratuity fund		231,411	231,411
Payable to management company		-	432,384
Ijarah rental received in advance		29,381	123,246
Charity and donation		68,612	67,022
Others	17.5	6,643,766	5,569,578
		<u>236,036,565</u>	<u>22,726,605</u>

17.1 The Modaraba Management Company is entitled to a remuneration for services rendered to the Modaraba under the provisions of the Modaraba Companies and Modarabas (Floatation and Control) Ordinance, 1980 up to a maximum of 10% per annum of the net annual profits of the Modaraba. For the purposes of determination of net profits of the Modaraba for computation of management fee, these are considered pre-tax.

17.2 These include Rs. 1.934 million (2022: Nil) on account of consultancy / agency fee payable to Mr. Danish Elahi, a substantial certificate holder holding 31.71% (2022: 22.03%) of the certificate capital of the Modaraba, for his services to the Modaraba as an investment agent in the acquisition of investment in PGP shares amounting to Rs. 280 million.

17.3 This represents the balance payable to the above named surviving seller company by the Modaraba for the purchase of shares as per the duly executed term sheet as disclosed in note 12.3 of these financial statements.

17.4 This represents profit payable to Digital Custodian Company Limited, an associated company, on the musharaka finance facility obtained from the said party.

17.5 These include Rs. 1.586 million (2022: Nil) payable to Messrs. Ensmile Limited, an associated company on account of dental aligners purchased from the said company during the year. In addition to this, these also include Rs. 0.470 million (2022: Nil) payable to Messrs. Metatech Health Limited as consideration for the purchase of Ensmile business portfolio as disclosed in note 1.2 of these financial statements.

18. SECURITY DEPOSITS - Ijarah finance	Note	2023 Rupees	2022 Rupees
Security deposits	18.1	3,762,138	3,797,138
Less: Current portion of security deposits		<u>(3,762,138)</u>	<u>(3,797,138)</u>
Long term portion of security deposits		<u>-</u>	<u>-</u>

18.1 These represent amounts received under Ijarah Finance as security deposits, which were stated to be repayable / adjustable on the expiry of the Ijarah period. However, due to default by the counterparties in making payments due under the Ijarah finance facility these are now adjustable at the time of settlement with them and are accordingly been shown under current liabilities.



## 19. AUTHORISED, ISSUED, SUBSCRIBED AND PAID-UP CERTIFICATE CAPITAL

	2023 Number of certificates	2022 Number of certificates	2023 Rupees	2022 Rupees
Modaraba Certificates of Rs. 10 each	<u>92,000,000</u>	<u>80,000,000</u>	<u>920,000,000</u>	<u>800,000,000</u>

19.1 During the year, the Board of Directors of the Modaraba in their meeting held on March 29, 2023 have decided to increase the authorized certificate capital of the Modaraba from 800 million to Rs. 920 million.

	2023 Number of certificates	2022 Number of certificates	2023 Rupees	2022 Rupees
<b><u>Issued, subscribed and paid-up certificate capital</u></b>				
Modaraba Certificates of Rs. 10 each fully paid in cash	13,569,000	13,569,000	135,690,000	135,690,000
Modaraba Certificates of Rs. 10 each issued as fully paid bonus certificates	4,688,400	4,688,400	46,884,000	46,884,000
Modaraba Certificates of Rs. 10 each issued on merger	166,545	166,545	1,665,450	1,665,450
Modaraba Certificates of Rs. 10 each as fully paid right issue	<u>61,000,000</u>	<u>61,000,000</u>	<u>610,000,000</u>	<u>610,000,000</u>
	<u>79,423,945</u>	<u>79,423,945</u>	<u>794,239,450</u>	<u>794,239,450</u>

19.2 The certificate capital of the Modaraba is held by the following associates:

<u>Name of the associate</u>	<u>Relationship</u>	<u>%age of holding</u>	<u>Number of certificates held</u>	
LSE Capital Limited (formerly Assetplex Limited)	Modaraba Management company	11.46%	9,103,703	14,746,591
Digital Custodian Company Limited	Associated company of the management	10.00%	7,943,905	7,943,905
Danish Elahi	Substantial certificate holder	31.71%	25,188,000	17,500,000
Mr. Aftab Ahmad Chaudhary	Director of associated company	7.27%	5,776,440	-
Mr. Usman Hassan	Director / Chairman	0.0027%	2,155	-
			<u>48,014,203</u>	<u>40,190,496</u>

## 20 CERTIFICATE SUBSCRIPTION MONEY

During the year, the Board of Directors of the Modaraba in their meeting held on March 29, 2023 have decided to issue right Modaraba certificates @ 14.34% of the existing certificate capital comprising 11,392,970 certificates of Rs. 10 each amounting to Rs. 113,929,700 as per the provisions of Section 83 of the Companies Act, 2017. Towards this endeavor, an amount of Rs. 13.059 million has been received until the reporting date. On July 11, 2023, the modaraba certificates have been issued in full against the right offer made by the Board of Directors after complying with all the legal and regulatory formalities in this regard.

## 21. CAPITAL RESERVES

Capital reserves include statutory reserve which represents profits set aside to comply with the Modaraba Regulations, 2021 issued by the SECP. These regulations require a Modaraba to transfer not less than 20% and not more than 50% of its after tax profit till such time that reserves equal to the amount of the paid-up certificate capital. Thereafter, a sum not less than 5% and not more then 20% of the profit after taxation is to be transferred.

During the year, the Modaraba has transferred an amount of Rs. Nil (2022: Rs. 7,678,312) which represents Nil (2022: 20%) of the profit after taxation.

## 22. CONTINGENCIES AND COMMITMENTS

### 22.1 Contingencies

There were no contingencies as at June 30, 2023 (2022: Nil).

### 22.2 Commitments

There were no commitments outstanding as at June 30, 2023 (2022: Nil).

	2023 Rupees	2022 Rupees
<b>23. DIVIDEND INCOME</b>		
On investment in LSE Financial Services Limited shares	-	28,982,291
On PGP Consortium Limited preference shares	8,065,963	10,256,892
On other listed securities	-	1,500,000
	<u>8,065,963</u>	<u>40,739,183</u>
<b>24. INCOME FROM DEPOSITS WITH ISLAMIC BANKS</b>		
Income on profit and loss sharing accounts	<u>1,122,809</u>	<u>3,107,264</u>
<b>25. FAIR VALUE CHANGE ON RE-MEASUREMENT OF INVESTMENTS CLASSIFIED AS FINANCIAL ASSETS AT FAIR VALUE THROUGH PROFIT OR LOSS</b>		
Realized gain on disposal of securities	21,090,069	21,558,139
Realized loss on disposal of securities	(25,810,298)	-
Unrealized loss on re-measurement of securities	<u>(4,640,140)</u>	<u>(4,288,999)</u>
	<u>(9,360,369)</u>	<u>17,269,140</u>

26. ADMINISTRATIVE AND OPERATING EXPENSES	Note	2023 Rupees	2022 Rupees
Salaries, allowances and other benefits	26.1	6,330,600	3,486,476
Rent, rates and taxes		1,317,124	1,817,023
Depreciation		388,961	55,774
Fuel and conveyance		365,714	207,835
Repairs and maintenance		1,104,036	906,984
Legal and professional	26.2	23,829,749	11,453,324
Electricity		-	146,505
Telephone		127,913	159,798
Travelling		264,494	235,000
Entertainment		102,553	117,398
Takaful expense		44,621	130,549
Printing and stationery		898,823	511,900
Auditor's remuneration	26.3	825,000	2,881,681
Fee and subscription		3,884,155	533,580
Registrar services		387,400	488,265
Postage		137,102	135,605
Advertisement		528,755	263,331
Prepayments written off		101,500	-
Others		746,806	595,132
		<u>41,385,306</u>	<u>24,126,160</u>

26.1 The aggregate amount charged in the financial statements for remuneration, including all benefits to the executive staff and other employees of the Modaraba are as follows:

	Note	2023		
		Officers (key management personnel)	Other employees	Total
		Rupees		
Salaries		2,134,247	1,101,713	3,235,960
Retirement benefits - gratuity	11.5.3	27,868	-	27,868
Defined contribution plan - provident fund		214,325	-	214,325
House rent allowance		964,461	495,771	1,460,232
Conveyance and other allowances		1,011,387	380,828	1,392,215
		<u>4,352,288</u>	<u>1,978,312</u>	<u>6,330,600</u>
Number of employees at the end of year		<u>1</u>	<u>4</u>	<u>5</u>
		2022		
		Officers (key management personnel)	Other employees	Total
		Rupees		
Salaries		909,102	1,022,494	1,931,596
Retirement benefits - gratuity	11.5.3	10,584	-	10,584
Defined contribution plan - provident fund		90,910	96,752	187,662
House rent allowance		409,096	464,884	873,980
Conveyance and other allowances		212,539	270,115	482,654
		<u>1,632,231</u>	<u>1,854,245</u>	<u>3,486,476</u>
Number of employees at the end of year		<u>1</u>	<u>4</u>	<u>5</u>

26.2 These include Rs. 20.000 million (2022: Nil) paid / payable to Mr. Danish Elahi, a substantial certificate-holder on account of advisory fee as per the duly executed agreement entered into with him in connection with the acquisition of investment in PGP shares.

	2023 Rupees	2022 Rupees
<b>26.3 Auditor's remuneration</b>		
Statutory audit	400,000	400,000
Review report on statement of compliance with the Code of Corporate Governance	50,000	50,000
Review of the half yearly financial information	200,000	115,000
Other advisory services	-	1,700,000
Other certifications	100,000	350,000
Out of pocket expenses	75,000	266,681
	<u>825,000</u>	<u>2,881,681</u>
<b>27. SHARE OF PROFIT FROM ASSOCIATES</b>		
Investments in listed equity instruments		
LSE Ventures Limited	50,985,304	-
LSE Proptech Limited	(4,339,185)	-
Metatech Health Limited	(22,215,427)	-
Investments in unlisted equity instruments		
Ensmile Limited	13,801,318	-
	<u>38,232,010</u>	<u>-</u>
<b>28. GAIN ON BARGAIN PURCHASE OF INVESTMENT</b>		
LSE Ventures Limited	30,834,477	-
LSE Proptech Limited	16,984,710	-
	<u>47,819,187</u>	<u>-</u>
<b>29. PROVISION FOR WORKERS' WELFARE FUND</b>		

This represents charge in respect of Workers' Welfare Fund recognized in line with the requirements of Punjab Workers' Welfare Fund Act, 2019.

	Note	2023 Rupees	Restated 2022 Rupees
<b>30. TAXATION</b>			
<b>Continuing operations</b>			
<b>Current tax</b>			
- for the year		12,183,756	12,792,315
<b>Deferred tax</b>			
- for the year		12,792,311	230,459
		<u>24,976,067</u>	<u>13,022,774</u>
<b>Discontinued operations</b>			
<b>Current tax</b>			
- for the year		-	3,384,974
- prior year		-	182,049
		<u>-</u>	<u>3,567,023</u>
<b>Deferred tax</b>			
- for the year		-	-
		<u>-</u>	<u>3,567,023</u>

**30.1** The Modaraba had suffered a taxable loss both for the current year as well as comparative period as disclosed in note 15.2 of these financial statements. Therefore, no provision for normal tax is applicable in the instant case. However, provision for alternative corporate tax is being provided for in these financial statements during the year whereas it was final tax regime in last year. As the Modaraba has recognized provision for taxation under alternative corporate tax regime during the year therefore, reconciliation of tax expenses and product of accounting profit multiplied by the applicable tax rate is not applicable in the instant case.

**30.2** The income tax returns of the Modaraba have been filed up to the financial year ended June 30, 2022 which are deemed assessed under the Income Tax Ordinance 2001, unless selected for audit by taxation authorities.

### 31. ANALYSIS OF PROFIT / (LOSS) FOR THE YEAR FROM DISCONTINUED OPERATIONS

The combined results of the discontinued operations (i.e. dental aligners & investment property) included in the profit / loss for the year are set out below. The comparative profit / loss and cash flows have been re-presented to include those operations classified as discontinued in the current year. However, the business of dental aligners is acquired during the year from Messrs. Metatech Health Limited and there was no such business in the corresponding year which needs to be represented owing to the classification of this business as discontinued in the current year and accordingly disposed of. Nevertheless, the Modaraba had another discontinued operation i.e. fuel station in the corresponding period which had already been presented as discontinued in the last year.

Discontinued operations are a component of the Modaraba's business, the operations and cash flows of which can be clearly distinguished from the rest of the entity and which:

- represents a separate major line of business or geographic area of operations;
- is part of a single coordinated plan to dispose of a separate major line of business or geographic area of operations.

Classification as a discontinued operation occurs at the earlier of disposal or when the operation meets the criteria to be classified as held for sale

When an operation is classified as a discontinued operation, the comparative statement of profit or loss and other comprehensive income is re-presented as if the operation had been discontinued from the start of the comparative year.

#### 31.1

	Note	2023			Restated 2022
		Dental aligners	Investment property and property & equipment	Total	Fuel station
-----Rupees-----					
<b>Results of discontinued operations</b>					
<b>Income</b>					
Revenue	31.2	1,866,447	-	1,866,447	288,957,752
Cost of sales		(1,586,460)	-	(1,586,460)	(280,993,866)
Rental income fuel station	31.3	-	-	-	1,621,000
		<u>279,987</u>	<u>-</u>	<u>279,987</u>	<u>9,584,886</u>
Gain on disposal of Investment property	14.3	-	5,849,827	5,849,827	-
Gain on disposal of Ensmile business assets	1.2	1,753,505	-	1,753,505	-
Gain on disposal of property and equipment	14.3	-	386,167	386,167	-
Rental income from investment property	31.4	-	-	-	8,454,216
		<u>2,033,492</u>	<u>6,235,994</u>	<u>8,269,486</u>	<u>18,039,102</u>
<b>Expenses</b>					
Salaries and allowances		3,767,398	-	3,767,398	2,947,662
Generator fuel		-	-	-	203,799
Depreciation		411,587	-	411,587	144,831
Electricity		100,518	-	100,518	362,224
Repairs and maintenance		-	-	-	5,195,711
Printing and stationery		-	-	-	43,572
Security guards		-	-	-	541,700
Takaful expense		-	-	-	91,693
Telephone		-	-	-	23,387
Entertainment		-	-	-	60,788
Rent, rates & taxes		1,059,136	-	1,059,136	230,594
Business revival charges		2,319,683	-	2,319,683	-
Loss on Ensmile business portfolio	1.2	10,623,863	-	10,623,863	-
Commission and brokerage		-	3,050,321	3,050,321	-
Miscellaneous		35,140	-	35,140	2,077,644
		<u>(18,317,325)</u>	<u>(3,050,321)</u>	<u>(21,367,646)</u>	<u>(11,923,605)</u>
Results from operating activities		<u>(16,283,833)</u>	<u>3,185,673</u>	<u>(13,098,160)</u>	<u>6,115,497</u>
Taxation		-	-	-	(3,567,023)
Results from operating activities - net of tax		<u>(16,283,833)</u>	<u>3,185,673</u>	<u>(13,098,160)</u>	<u>2,548,474</u>
Gain on sale of a part of discontinued operation	6.1.2	-	-	-	52,329,436
<b>Profit from discontinued operations - net of tax</b>		<u>(16,283,833)</u>	<u>3,185,673</u>	<u>(13,098,160)</u>	<u>54,877,910</u>
<b>Earnings per certificate - basic &amp; diluted</b>	32	<u>(0.21)</u>	<u>0.04</u>	<u>(0.17)</u>	<u>1.02</u>

31.2 Revenue relates to the business operations of dental aligners for the year. In the comparable period, the revenue was derived from the operations of petrol and diesel filling / service station which started from October 3, 2010 under a retailer agreement with an oil marketing company. In accordance with the agreement, the Company had granted the right to the Modaraba to operate the fuel station and deal exclusively in petroleum products of the Company on a predetermined margin. Income from sale of dental aligners and oil & lubricants was recognized when the product was delivered i.e. at point in time.

31.3 The amount represented rent earned in respect of the area of fuel station rented for tuck shop and car wash facility. Initial term of the rent agreement was for fifteen years.

31.4 This represented rental income earned from letting out vacant office premises (classified as investment property). This property had been sold out during the year.

31.5	Cashflows from discontinued operations	Note	2023 Rupees	2022 Rupees
	Net cash (used in) / generated from operating activities		(12,686,573)	17,244,323
	Net cash generated from investing activities		30,364,238	194,601,589
31.6	Effect of disposal on the financial position of the Modaraba			
	Property and equipment		(2,113,833)	(67,670,564)
	Investment property		(96,616,000)	-
	Inventory		-	(275,215)
	Advances and other receivables		-	(6,744,861)
	Liabilities directly associated with the asset held for sale		74,601,589	-
	<b>Net assets</b>		<b>(24,128,244)</b>	<b>(74,690,640)</b>
	Consideration received, satisfied in cash		<b>104,965,827</b>	<b>127,020,076</b>

## 32. EARNINGS PER CERTIFICATE - BASIC AND DILUTED

Basic earnings per certificate is worked out as under:

### Continuing operations

Basic earnings per certificate is worked out as under:

Profit for the year after taxation (Rs.)		<u>9,429,620</u>	<u>11,184,831</u>
Weighted average number of ordinary certificates outstanding during the year	32.1	<u>79,423,945</u>	<u>53,648,532</u>
Earnings per certificate - basic & diluted (Rs.)	32.2	<u>0.12</u>	<u>0.21</u>
<b>Discontinued operations</b>			<i>Restated</i>
(Loss) / profit for the year after taxation (Rs.)		(13,098,160)	54,877,910
Weighted average number of ordinary certificates outstanding during the year	32.1	<u>79,423,945</u>	<u>53,648,532</u>
(Loss) / earnings per certificate - basic & diluted (Rs.)	32.2	<u>(0.17)</u>	<u>1.02</u>

### 32.1 Weighted-average number of ordinary shares (basic & diluted)

Issued ordinary shares at July 1	-	18,423,945
Effect of right issue	-	35,224,587
Weighted average number of ordinary shares at June 30	-	<u>53,648,532</u>

32.2 The figure for diluted earnings per certificate is the same as basic earnings per certificate as the Modaraba has not issued any instrument which would have an impact on basic earnings per certificate when exercised.

### 33. SHARE OF COMPREHENSIVE LOSS FROM ASSOCIATED COMPANIES

#### Investment in listed equity instruments

LSE Ventures Limited	15,098,380	-
LSE Proptech Limited	5,877,464	-
	<hr/>	<hr/>
	<b>20,975,844</b>	<b>-</b>

34. RECONCILIATION OF MOVEMENT OF LIABILITIES TO CASH FLOWS ARISING FROM FINANCING ACTIVITIES

	2023					Total	
	Equity		Liabilities				
	Accumulated loss	Paid-up certificate capital	Certificate subscription money	Premium on issue of certificates	Unclaimed dividend	Musharaka finance	
Balance as at July 1, 2022 - Restated	(39,161,180)	794,239,450	-	-	10,358,639	60,000,000	825,436,909
<u>Changes from financing cash flows</u>							
Receipt against musharaka finance - related parties	-	-	-	-	-	53,854,366	53,854,366
Repayment of musharaka finance	-	-	-	-	-	(60,000,000)	(60,000,000)
Receipt of certificate subscription money	-	-	13,058,890	-	-	-	13,058,890
<b>Total changes from financing cash flows</b>	-	-	13,058,890	-	-	(6,145,634)	6,913,256
<u>Other changes</u>							
Total accumulated losses related other changes	265,773,507	-	-	-	-	-	265,773,507
<b>Balance as at June 30, 2023</b>	<b>226,612,327</b>	<b>794,239,450</b>	<b>13,058,890</b>	<b>-</b>	<b>10,358,639</b>	<b>53,854,366</b>	<b>1,098,123,672</b>
	2022					Total	
	Equity		Liabilities				
	Accumulated loss	Paid-up certificate capital	Certificate subscription money	Premium on issue of certificates	Unclaimed dividend	Musharaka finance	
Balance as at July 1, 2021	(55,283,857)	184,239,450	-	511,409	9,649,240	-	139,116,242
<u>Changes from financing cash flows</u>							
Profit distributed to certificate holders	-	-	-	-	(6,107,461)	-	(6,107,461)
Receipt against musharaka finance	-	-	-	-	-	60,000,000	60,000,000
Receipt of right issue subscription	-	610,000,000	-	-	-	-	610,000,000
Expenses incurred on issuance of right certificates	(35,136,739)	-	-	(511,409)	-	-	(35,648,148)
<b>Total changes from financing cash flows</b>	<b>(35,136,739)</b>	<b>610,000,000</b>	<b>-</b>	<b>(511,409)</b>	<b>(6,107,461)</b>	<b>60,000,000</b>	<b>628,244,391</b>
<u>Other changes</u>							
Dividend declared	(6,816,860)	-	-	-	6,816,860	-	-
Total accumulated losses related other changes	58,076,276	-	-	-	-	-	58,076,276
<b>Balance as at June 30, 2022 - restated</b>	<b>(39,161,180)</b>	<b>794,239,450</b>	<b>-</b>	<b>-</b>	<b>10,358,639</b>	<b>60,000,000</b>	<b>825,436,909</b>





37. NUMBER OF EMPLOYEES	2023	2022
37.1 Number of employees at June 30		
- Permanent	-	5
- Contractual	-	-
	<u>-</u>	<u>5</u>
37.2 Average number of employees during the year		
- Permanent	13	5
- Contractual	-	-
	<u>-</u>	<u>5</u>

During the year, the management of the Management company of the Modaraba has decided to transfer all the employees of the Modaraba including the employees taken over from Metatech Health Limited to various group companies since the Modaraba is no more pursuing the business of Islamic financing and has also transferred the business acquired from Metatech Health Limited to Messrs. Ensmile Limited. The Modaraba is solely relying on dividend from associates, profit on deposits, gain from sale of investments held for trading as income derived from its operations which is being managed by the management company of the Modaraba.

38. FINANCIAL INSTRUMENTS BY CATEGORY	2023 Rupees	2022 Rupees
<b>Financial assets as per balance sheet</b>		
<b>At amortized cost</b>		
Investments in debt securities	-	281,832,631
Advances, deposits and other receivables	16,007,628	247,967,762
Bank balances	17,578,812	19,778,001
Diminishing Musharaka	227,069	572,498
Ijarah Finance	3,755,007	3,755,007
	<u>37,568,516</u>	<u>553,905,899</u>
<b>At fair value through profit or loss</b>		
Investments in equity securities	153,581,521	13,124,176
<b>At fair value through OCI</b>		
Investments in equity securities	-	647,789,244
	<u>191,150,037</u>	<u>1,214,819,319</u>
<b>Financial liabilities as per balance sheet</b>		
<b>At amortized cost</b>		
Creditors accrued and other liabilities	234,759,846	19,194,610
Musharaka finance	53,854,366	60,000,000
Security deposits	3,762,138	3,797,138
Unclaimed profit distribution	10,358,639	10,358,639
	<u>302,734,989</u>	<u>93,350,387</u>

#### 38.1 Financial risk management

The Modaraba finances its operations through equity, borrowings and management of working capital with a view to obtain a reasonable mix between the various sources of finance to minimize the finance related risks to the entity.

The Modaraba has exposure to the following risks from its use of financial instruments:

- Market risk
- Credit risk
- Liquidity risk

##### 38.1.1 Risk management framework

The Board of Directors have the overall responsibility for the establishment and oversight of the Modaraba's risk management framework. The Board is also responsible for developing and monitoring the Modaraba's risk management policies. The team regularly meets and any changes and compliance issues are reported to the Board of Directors.

Risk management systems are reviewed regularly by the executive management team to reflect changes in market conditions and the Modaraba's activities. The Modaraba aims to develop a disciplined and constructive control environment in which all employees understand their roles and obligations.

### 38.2 Market risk

Market risk is the risk that changes in market prices – e.g. foreign exchange rates, interest rates and equity prices – will affect the Modaraba's income or the value of its holdings of financial instruments. The objective of market risk management is to manage and control market risk exposures within acceptable parameters, while optimizing the return.

#### 38.2.1 Price risk

The Modaraba has made significant investment in equity securities held for the long term for strategic purposes. Management is assisted by external advisers in this regard. Certain investments are designated as at FVTPL because their performance is actively monitored and they are managed on a fair value basis.

The Modaraba's policy is to manage price risk through diversification and selection of long-term interests in securities and other financial instruments within the specified limits approved by the Board.

#### Sensitivity analysis

The Modaraba's short term investments are listed on the Pakistan Stock Exchange classified at FVTPL. A 1 Rupee increase in share price at the reporting date would have decreased (2022: increased) the loss (2022: profit) before taxation by Rs. 14,777,644 (2022: Rs. 267,895) and vice versa. For sensitivity analysis on investments in equity instruments classified at FVOCI, please refer note 37.

#### 38.2.2 Profit rate risk

The profit rate risk is the risk that the fair value or the future cash flows of a financial instrument will fluctuate because of changes in market profit rates. Majority of the profit rate exposure arises from short and long term borrowings from banks and short term deposits with banks. At the balance sheet date, the profit rate risk profile of the Modaraba's profit bearing financial instruments is as follows:

	Effective rate		Carrying amount	
	2023	2021	2023	2023
	-----Percentage-----		-----Rupees-----	
<b>Financial assets</b>				
<b>Profit bearing financial instruments</b>				
Investment in debt securities - at amortized cost	9.15% - 13.14%	9.15% - 13.14%	-	281,832,631
Bank balances - profit and loss sharing accounts	10% to 13%	1.95% - 8.68%	17,578,812	19,778,001
			<u>17,578,812</u>	<u>301,610,632</u>
<b>Financial liabilities</b>				
<b>Variable rate instruments</b>				
Musharaka finance		18.92%	53,854,366	60,000,000
			<u>(36,275,554)</u>	<u>241,610,632</u>

#### Fair value sensitivity analysis for profit bearing financial instruments

The Modaraba does not hold any of the above financial assets at fair value through profit or loss.

#### Cash flow sensitivity analysis for variable rate instruments

A change of 100 basis points in profit rates at the reporting date would have increased / (decreased) loss for the year by the amounts shown below. This analysis assumes that all other variables, in particular foreign currency rates, remain constant.

	100 bps	
	Increase	Decrease
	------(Rupees)-----	
<b>Effect on loss - June 30, 2023</b>	<u>(362,756)</u>	<u>362,756</u>

### 38.2.3 Currency risk

Currency risk is the risk that fair values or future cash flows of a financial instrument will fluctuate because of changes in foreign exchange rates. Currency risk arises from sales, purchases and resulting balances that are denominated in a currency other than functional currency. The Modaraba is not exposed to foreign currency risks at the reporting date.

### 38.3 Credit risk

Credit risk is the risk of financial loss to the Modaraba if a customer or counterparty to a financial instrument fails to meet its contractual obligations. The Modaraba controls credit risk by monitoring credit exposure, limiting transactions with specific counter parties and continually assessing the creditworthiness of counter parties.

The carrying amounts of financial assets and contract assets represent the maximum credit exposure.

	Note	2023 ------(Rupees)-----	2022
Investments in debt securities	38.3.1	-	281,832,631
Advances, deposits, and other receivables	38.3.2	16,007,628	247,967,762
Ijarah finance	38.3.3	3,755,007	3,755,007
Bank balances	38.3.4	17,578,812	19,778,001
Diminishing musharaka		227,069	572,498
		<u>37,568,516</u>	<u>553,905,899</u>

38.3.1 The Modaraba had held investment in preference shares of PGP Consortium Limited amounting to Rs. 281.833 million at 30 June 2022 which were rated BBB, based on JCR-VIS ratings. Modaraba had not recognized any impairment allowance in the last year on this investment, as the impact was immaterial. During the year, the Modaraba had disposed of this investment measured at amortized cost.

38.3.2 As previously reported, the Modaraba assessed as at the year ended that there was no risk of default against the advances given for purchase of shares amounting Rs. 131.935 million since, it was expected that these advances would be converted into shares. Although there was a risk that the transaction may have been disapproved by the Regulator and the entity may had to receive back the advance from the counter parties, but the risk was insignificant and did not result in any significant increase in credit risk for the Modaraba. Further, the Modaraba assessed that there was no risk of default against receivable from corporate entities amounting to 104.355 million. During the year, the Modaraba had acquired all the investments against the advances to brokers and all advances from corporate entities were fully recovered.

Accordingly, the Modaraba had not recognized any impairment allowance as there is no exposure of default from counterparties.

38.3.3 The Ijarah finance is secured against customers' security deposit.

#### 38.3.4 Bank balances

The Modaraba held bank balances at the reporting date. These cash and cash equivalents are held with banks which are rated A to AAA+, based on PACRA ratings.

The Modaraba considers, its cash and cash equivalents have low credit risk based on the external ratings of the banks.

12 month probabilities of default are based on historical data supplied by VIS rating agency for each credit rating. Loss given default (LGD) parameters generally reflect assumed recovery rates based on recovery rates assumed in Basel Guidelines for unsecured exposures.

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

	Ratings		Rating Agency	2023	2022
	Long term	Short term		------(Rupees)-----	
Bank Islami Pakistan Limited	A-1	A+	PACRA	3,876,655	17,905,239
Bank Alfalah Limited	A-1+	AA+	PACRA	175,524	921,014
Meezan Bank Limited	A-1+	AAA	VIS	57,542	55,953
JS Bank Limited	A-1+	AA-	PACRA	13,093,145	737,251
Faysal Bank Limited	A-1+	AA	PACRA	371,034	153,632
State Bank of Pakistan				4,912	4,912
				<u>17,578,812</u>	<u>19,778,001</u>

The Modaraba has not recognized an impairment allowance on bank balances during the year ended June 30, 2023, as the impact was immaterial coupled with the fact, that the counterparties are banks with sound financial footing and good credit ratings. Accordingly, the Modaraba is not exposed to credit risk at the reporting date.

#### 38.4 Liquidity risk

Liquidity risk is the risk that the Modaraba will encounter difficulty in meeting its financial obligations as they fall due. Liquidity risk arises because of the possibility that the Modaraba will be required to pay its liabilities earlier than expected or will face difficulty in raising funds to meet commitments associated with financial liabilities as they fall due. The Modaraba's approach to managing liquidity is to ensure, as far as possible, that it will always have sufficient liquidity to meet its liabilities when due, under both normal and stress conditions, without incurring unacceptable losses or risking damage to the Modaraba's reputation.

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

	Less than 1 year	1 - 5 years	More than 5 years	Total contractual cash flows	Carrying amount
<b>June 30, 2023</b>					
Creditors, accrued and other liabilities	234,759,846	-	-	234,759,846	234,759,846
Musharaka finance	53,854,366	-	-	53,854,366	53,854,366
Security deposits	3,762,138	-	-	3,762,138	3,762,138
Unclaimed profit distribution	10,358,639	-	-	10,358,639	10,358,639
	<b>302,734,989</b>	-	-	<b>302,734,989</b>	<b>302,734,989</b>
<b>June 30, 2022</b>					
Creditors, accrued and other liabilities	19,194,610	-	-	19,194,610	19,194,610
Musharaka finance	60,000,000	-	-	60,000,000	60,000,000
Security deposits	3,797,138	-	-	3,797,138	3,797,138
Unclaimed profit distribution	10,358,639	-	-	10,358,639	10,358,639
	<b>93,350,387</b>	-	-	<b>93,350,387</b>	<b>93,350,387</b>



	Carrying amount		Fair value						
	FVOCI	FVTPL	Financial assets at amortized cost	Other liabilities	Total	Level 1	Level 2	Level 3	Total
June 30, 2022									
<b>Financial assets - measured at fair value</b>									
Investments in equity securities	647,789,244	13,124,176	-	-	660,913,420	13,124,176	-	647,789,244	660,913,420
<b>Financial assets - not measured at fair value</b>									
Investments in debt securities			281,832,631						
Advances, deposits and other receivables			247,967,762		247,967,762				
Bank balances			19,778,001		19,778,001				
Diminishing Musharaka			572,498		572,498				
Ijarah Finance			3,755,007		3,755,007				
		13,124,176	-	-	553,905,899	13,124,176	-	647,789,244	660,913,420
<b>Non - financial assets - measured at fair value</b>									
Asset held for sale		96,616,000			96,616,000		96,616,000		96,616,000
<b>Financial liabilities - not measured at fair value</b>									
Creditors, accrued and other liabilities			19,194,610		19,194,610				
Musharaka finance			60,000,000		60,000,000				
Security deposits			3,797,138		3,797,138				
Unclaimed profit distribution			10,358,639		10,358,639				
			93,350,387		93,350,387				
<b>Non financial liabilities - not measured at fair value</b>									
Liabilities associated with assets held for sale				74,601,589	74,601,589				

39.1 Reconciliation of Level 3 fair values	Investment property	Investment in equity instruments
	-----Rupees-----	
Balance as at July 1, 2021	96,616,000	-
Investment in equity instruments		388,172,285
Change in fair value - statement of profit and loss account	-	259,616,959
Balance as at June 30, 2022	<u>96,616,000</u>	<u>647,789,244</u>
Balance as at July 1, 2022	96,616,000	647,789,244
Investment property sold during the year	(96,616,000)	-
Investments in equity instruments reclassified / disposed of during the year	-	(647,789,244)
<b>Balance as at June 30, 2023</b>	<u>-</u>	<u>-</u>

Investment property is carried at revalued amounts (level 2 measurement) determined by professional valuers based on their assessment of the market values as disclosed in note 14.1 to these financial statements. The valuation experts used a market based approach to arrive at the fair value of the Modaraba's property. The approach uses prices and other relevant information generated by market transactions involving identical or comparable or similar properties. These values are adjusted to reflect the current condition of the properties.

#### 39.1.2 Sensitivity Analysis

The fair values of investments in equity securities, reasonably possible changes at the reporting date of the significant unobservable inputs, holding other inputs constant, would have the following effects:

	Impact on profit and loss	
	Increase	Decrease
	-----Rupees-----	
Adjustment in net assets by 1% - June 30, 2023	<u>147,776</u>	<u>(147,776)</u>

#### 40 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 Modaraba defines as operating income divided by capital employed. The Board of Directors also monitors the level of dividends to ordinary certificate holders.

The Modaraba's objectives when managing capital are:

- to safeguard the entity's ability to continue as a going concern, so that it can continue to provide returns for
- to provide an adequate return to certificate holders.

The Modaraba manages the capital structure in the context of economic conditions and risk characteristics of the underlying assets. In order to maintain or adjust the capital structure, the Modaraba may, for example, adjust the amount of dividends paid to certificate holders and issue new certificates.

For working capital requirement and capital expenditure, the Modaraba relies substantially on cash generated from operations. The Modaraba is not subject to externally imposed capital requirements.



#### 41. OPERATING SEGMENTS

Management has determined the operating segments based on the information presented to the Chief Executive Officer of the Modaraba Management Company for allocation of resources and assessment of performance. Reporting structure of the Modaraba is based on this internal management reporting structure. The Modaraba had initially two strategic divisions i.e. financing / investments and fuel station, which are its reportable segments. These divisions had different operations and were managed separately because they require different strategies. However, the Modaraba had disposed one of its operating segment i.e. fuel station in the last year. The Modaraba had also started its new venture of managing Ensmile digital dental studios and transferred the same to Messrs. Ensmile Limited during the year as disclosed in note 1.2 of these financial statements. The Modaraba has now only one reportable segment i.e. financing / investment operations at the reporting date.

Reportable segments	Operations
Financing / Investments	Dividend income, trading of securities, diminishing musharaka and Investments
Discontinued operations	
Digital Dental Studios	Sale and purchase of dental aligners
Fuel station and investment property	Petrol and diesel filling / service station and rental income

##### 41.1 Information about reportable segments

Information related to each reportable segment is set out below. Segment profit / (loss) before tax is used to measure performance because management believes that this information is the most relevant in evaluating the results of the respective segments relative to other entities that operate in the same industries.

Segment results and assets include items directly attributable to a segment as well as those that can be allocated on a reasonable basis.

	2023		
	Financing / Investments	Dental aligners / investment property (discontinued)	Total
	-----Rupees-----		
Segment income	84,789,896	8,269,486	93,059,382
Segment profit before tax	84,789,896	(13,098,160)	71,691,736
Musharaka finance cost	(9,215,725)	-	(9,215,725)
Depreciation	-	(411,587)	(411,587)
<b>Segment assets</b>			
Long-term investments	1,259,724,433	-	1,259,724,433
Diminishing musharaka	227,069	-	227,069
Ijarah finance	3,755,007	-	3,755,007
Advances	1,905,834	15,751,858	17,657,692
Investments	153,581,521	-	153,581,521
<b>Segment liabilities</b>			
Musharaka finance	53,854,366	-	53,854,366
Creditors, accrued and other liabilities	206,177,247	-	206,177,247
Profit payable on musharaka certificate	6,811,644	-	6,811,644
Security deposits	3,762,138	-	3,762,138
	2022		
	Financing / Investments	Fuel station / investment property (discontinued)	Total
	-----Rupees-----		
Segment income	58,215,137	18,039,102	76,254,239
Segment profit before tax	58,215,137	6,115,497	64,330,634
Musharaka finance cost	(435,419)	-	(435,419)
Depreciation	-	(144,831)	(144,831)
<b>Segment assets</b>			
Non-current assets held for sale	-	96,616,000	96,616,000
Long-term investments	929,621,875	-	929,621,875
Diminishing musharaka	572,498	-	572,498
Ijarah finance	3,755,007	-	3,755,007
Advances	247,015,041	-	247,015,041
Investments	13,124,176	-	13,124,176
<b>Segment liabilities</b>			
Liabilities directly associated with the asset held for sale	-	74,601,589	74,601,589
Musharaka finance	60,000,000	-	60,000,000
Security deposits	3,797,138	-	3,797,138
Profit payable on musharaka certificate	435,419	-	435,419

**41.2 Reconciliations of information on reportable segments to the amounts reported in the financial statements**

	2023 Rupees	2022 Rupees
<b>Income</b>		
Total income for reportable segments	93,059,382	76,254,239
Income on profit and loss sharing accounts	1,122,809	3,107,264
Other income	-	90,793
Elimination of discontinued operation	(8,269,486)	(18,039,102)
<b>Combined income</b>	<u>85,912,705</u>	<u>61,413,194</u>
<b>Profit before tax</b>		
Segment results before tax	71,691,736	64,330,634
Elimination of discontinued operation	13,098,160	(6,115,497)
Unallocated amounts:		
- income on profit and loss sharing accounts	1,122,809	3,107,264
- other income	-	90,793
- Gain on disposal of property and equipment	(151,254)	-
- administrative expense	(41,385,306)	(24,126,160)
- management fee	(2,769,885)	(10,768,510)
- provision for Workers' Welfare Fund	(434,848)	(1,875,500)
- musharaka finance cost	(9,215,725)	(435,419)
<b>Profit before tax from continuing operations</b>	<u>31,955,687</u>	<u>24,207,605</u>
<b>Assets</b>		
Total assets for reportable segments	1,434,945,722	1,290,704,597
Other unallocated amounts	33,017,117	43,432,323
<b>Combined total assets</b>	<u>1,467,962,839</u>	<u>1,334,136,920</u>
<b>Liabilities</b>		
Total liabilities for reportable segments	270,605,395	138,834,146
Other unallocated amounts	82,125,881	108,043,337
<b>Combined total liabilities</b>	<u>352,731,276</u>	<u>246,877,483</u>

**42. GENERAL**

**42.1 Corresponding Figures**

Corresponding figures have been rearranged and reclassified, wherever necessary, for the purpose of better presentation and comparison. However, no significant reclassifications have been made during the year except as disclosed in note 5 of these financial statements.

**43. DATE OF AUTHORISATION**

These financial statements were authorized for issue by the Board of Directors of the Modaraba Management Company on \_\_\_\_\_.

**LSE Capital Limited  
(Modaraba Management Company)**

  
\_\_\_\_\_  
Chief Financial Officer

  
\_\_\_\_\_  
Chief Executive

  
\_\_\_\_\_  
Director

  
\_\_\_\_\_  
Director

## INDEPENDENT AUDITOR'S REPORT

### TO THE MEMBERS OF LSE PROPTECH LIMITED

### REPORT ON THE AUDIT OF THE FINANCIAL STATEMENTS

#### Opinion

We have audited the annexed financial statements of **LSE PROPTECH 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 loss, its comprehensive loss, the changes in equity and its cash flows for the year then ended.

#### Basis for Opinion

We conducted our audit in accordance with the 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.

#### Key Audit matters

Key audit matters are those matters that, in our professional judgment, were of most significance in our audit of the financial statements of the current period. These matters were addressed in the context of our audit of the financial statements as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on these matters.

Following is the key audit matter:

Key Audit Matter	How the Matter was Addressed in our Report
<b>Scheme of Arrangement of the Companies</b>	
<p>Refer to note 4 of the financial statements.</p> <p>A scheme of arrangement was formulated pursuant to the provisions of Section 279 to 282 of the Companies Act, 2017 for the transfer and vesting of the undertaking and business of LSE Financial Services Limited on partial basis from LSE Financial Services Limited (as transferor) into LSE Ventures Limited [an associated undertaking of LSE Proptech Limited] and LSE Proptech Limited (as transferees) and for the complete transfer and vesting of the undertaking and business of Data Textiles Limited (as transferor) on full basis into LSE Ventures Limited and LSE Proptech Limited (as transferees).</p> <p>The aforementioned scheme was approved by Honorable Lahore High Court, Lahore under court order no. 58175/2022 dated April 26, 2023.</p> <p>We identified this transaction as the key audit matter due to the complexity and the materiality of this and the importance of the matter to intended users' understanding of the financial statements as a whole.</p>	<p>We performed the following procedures:</p> <ul style="list-style-type: none"> <li>• Obtained and reviewed the court order and related documentation of scheme of arrangement.</li> <li>• Discussed with the management as to how the scheme of arrangement has been complied with and books of accounts streamlined to effect the resultant transaction / balances.</li> <li>• Reviewed the schedule of transfer of assets and liabilities and assessed whether the transferred assets / liabilities have been incorporated appropriately in the transferee entities.</li> <li>• Sought legal opinion to verify that the demerger scheme has been executed in compliance with all relevant legal and regulatory requirements and the transfers of balances are made as per demerger scheme from the effective date.</li> <li>• Assessed the adequacy of the disclosures in the financial statements and appropriateness of management's assumptions and estimates.</li> </ul>

### **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 Annual 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 management determines is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

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

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

## **Auditor's Responsibilities for the Audit of the Financial Statements**

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

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

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

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

We also provide the board of directors with a statement that we have complied with relevant ethical requirements regarding independence, and to communicate with them all relationships and other matters that may reasonably be thought to bear on our independence, and where applicable, related safeguards.

From the matters communicated with the board of directors, we determine those matters that were of most significance in the audit of the financial statements of the current period and are therefore the key audit matters. We describe these matters in our auditor's report unless law or regulation precludes public disclosure about the matter or when, in extremely rare circumstances, we determine that a matter should not be communicated in our report because the adverse consequences of doing so would reasonably be expected to outweigh the public interest benefits of such communication.

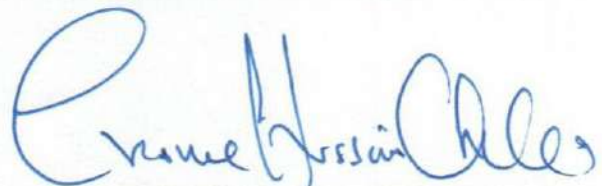
### **Report on Other Legal and Regulatory Requirements**

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

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

Lahore  
Dated: October 06, 2023  
UDIN: AR202310051dXL4hr9V



**CROWE HUSSAIN CHAUDHURY & CO.**  
*Chartered Accountants*

**LSE PROPTECH LIMITED**  
**STATEMENT OF FINANCIAL POSITION**  
**AS AT JUNE 30, 2023**

	Note	2023	2022
		Rupees in thousands	
<b>ASSETS</b>			
<b>Non Current Assets</b>			
Property and equipment	5	1,301,829	-
Investment property	6	378,431	-
Goodwill from demerger		26,533	-
Net investment in finance lease	7	4,276	-
Long term deposits	8	75	-
		1,711,144	-
<b>Current Assets</b>			
Inventories		2,923	-
Trade and other receivables	9	39,163	-
Prepayments, deposits and advances	10	3,462	-
Tax refunds due from the Government - net	11	2,285	-
Cash and bank balances	12	43,517	-
		91,350	-
		<u>1,802,494</u>	<u>-</u>
<b>EQUITY AND LIABILITIES</b>			
<b>SHARE CAPITAL AND RESERVES</b>			
<b>Authorized Share Capital</b>			
150,000,000 (2022: 150,000,000) ordinary shares of Rs. 10 each		<u>1,500,000</u>	<u>1,500,000</u>
Issued, subscribed and paid-up share capital	13	900,907	-
Surplus on revaluation of property and equipment	14	706,004	-
Revenue reserves:			
- Building reserve fund	15	10,082	-
- Unappropriated profit		127,709	(25)
		<u>137,791</u>	<u>(25)</u>
<b>Total Equity</b>		1,744,702	(25)
<b>Non Current Liabilities</b>			
Other liabilities		5,643	-
Deferred tax liability	16	1,403	-
		7,046	-
<b>Current Liabilities</b>			
Trade and other payables	17	50,746	25
<b>Contingencies and Commitments</b>			
	18	-	-
		<u>1,802,494</u>	<u>-</u>

The annexed notes from 1 to 34 form an integral part of these financial statements.

  
**CHIEF EXECUTIVE OFFICER**

  
**CHIEF FINANCIAL OFFICER**

  
**DIRECTOR**

# LSE PROPTECH LIMITED

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

	Note	2023 Rupees in thousands	2022
<b>Revenue</b>	19	81,863	-
<b>Other Income</b>	20	13,868	-
<b>Operating Expenses</b>			
Administrative and general expenses	21	(101,793)	(25)
Other operating expenses	22	(3,631)	-
<b>Operating Loss</b>		(9,693)	(25)
Finance cost - bank charges		(79)	-
Share of profit of associates		-	-
<b>Loss before Taxation</b>		(9,772)	(25)
Taxation	24	861	-
<b>Net Loss for the Year</b>		<u>(8,911)</u>	<u>(25)</u>
<b>Earnings Per Share - Basic and Diluted</b>	25	<u>(0.11)</u>	-

The annexed notes from 1 to 34 form an integral part of these financial statements.

  
CHIEF EXECUTIVE OFFICER

  
CHIEF FINANCIAL OFFICER

  
DIRECTOR



# LSE PROPTECH LIMITED

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

	2023	2022
	Rupees in thousands	
<b>Net Loss for the Year</b>	(8,911)	(25)
<b>Other Comprehensive Income</b>		
Items that may be subsequently reclassified to profit or loss	-	-
Items that may not be reclassified to profit or loss:		
	-	-
<b>Total Comprehensive Loss for the Year</b>	<u>(8,911)</u>	<u>(25)</u>

The annexed notes from 1 to 34 form an integral part of these financial statements.

  
CHIEF EXECUTIVE OFFICER

  
CHIEF FINANCIAL OFFICER

  
DIRECTOR

# LSE PROPTTECH LIMITED

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

Share Capital	Surplus on Revaluation of Property and Equipment	Revenue Reserves		Total	Total Equity
		Building Reserve	Unappropriated Profit		

Rupees in Thousands

<b>Balance as at June 30, 2021</b>	-	-	-	-	-
Net loss for the year	-	-	(25)	(25)	(25)
Other comprehensive income - net of tax	-	-	-	-	-
Total comprehensive loss for the year	-	-	(25)	(25)	(25)
<b>Balance as at June 30, 2022</b>	-	-	(25)	(25)	(25)
Net loss for the period	-	-	-	-	(8,911)
Other comprehensive income - net of tax	-	-	-	-	(8,911)
Total comprehensive loss for the year	-	-	-	-	(17,822)
Fresh issuance of share capital	50,000	-	-	-	50,000
Amount collected from building occupants for fixed assets replacement fund	-	-	846	-	846
Transferred to retained earnings on account of incremental depreciation - net of tax	-	(76)	-	76	-
	50,000	(76)	846	(8,860)	41,910

### Adjustments / Transfers as per Scheme of Demerger

Transfer of retained earnings as per demerger scheme to:  
 Goodwill arising on demerger  
 Transfer from DATM  
 Write off of balance receivable from DATM  
 Write off of balances not recognized of DATM  
 Transfer of share capital from LSE Financial Services Limited  
**Balance as at June 30, 2023**

-	706,080	9,236	155,016	164,252	870,332
26,533	-	-	-	-	26,533
-	-	-	(21,124)	(21,124)	(21,124)
-	-	-	(4,144)	(4,144)	(4,144)
-	-	-	6,820	6,820	6,820
824,374	-	-	-	-	824,374
<b>900,907</b>	<b>706,004</b>	<b>10,082</b>	<b>127,709</b>	<b>137,791</b>	<b>1,744,702</b>

The annexed notes from 1 to 34 form an integral part of these financial statements.

CHIEF EXECUTIVE OFFICER

Chief Financial Officer

Director

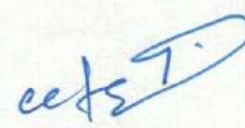
**LSE PROPTECH LIMITED**  
**STATEMENT OF CASH FLOWS**  
**FOR THE YEAR ENDED JUNE 30, 2023**

	2023	2022
Note	Rupees in thousands	
<b>Cash Generated from Operations</b>	26	6,189
Finance cost paid		(79)
Income tax paid		(3,443)
<b>Net Cash Generated from Operating Activities</b>		2,666
<b>Cash Flows from Investing Activities</b>		
Operating fixed assets purchased	(5,037)	-
Additions in capital work in progress	(16,015)	-
Proceeds from disposal of property and equipment	788	-
Net investment in finance lease - rentals	344	-
Long term deposits paid	(75)	-
<b>Net Cash Used in Investing Activities</b>		(19,996)
<b>Cash Flows from Financing Activities</b>		
Receipt from right issue of shares	50,000	-
Funds Received under Demerger Scheme	10,000	-
Building reserve	846	-
<b>Net Cash Generated from Financing Activities</b>		60,846
<b>Net Increase in Cash and Cash Equivalents</b>		43,517
Cash and cash equivalents at the beginning of the year / period		-
<b>Cash and Cash Equivalents at the end of the Year / Period</b>		43,517

The annexed notes from 1 to 34 form an integral part of these financial statements.

  
**Chief Executive Officer**

  
**Chief Financial Officer**

  
**Director**

**LSE PROPTECH 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 PropTech Limited (the Company) was registered on May 11, 2022 under the Companies Act, 2017 (XIX of 2017) as a public unlisted company limited by shares. In May 2023, the Company obtained the listing status under the symbol "LSEPL" at Pakistan Stock Exchange as a result of demerger scheme approved on April 26, 2023 by the Honorable Lahore High Court, accomplished through a reverse merger with Data Textiles Limited.

The Company is domiciled in Pakistan and the principal line of business of the Company is to develop, import, construct and maintain software tailored for efficient real estate management and to provide online / e-commerce marketplace, networked warehouses, maintenance, safety, smart architectural, security and assurance solutions as well as eco-systems for the Internet of Things (IoT) for buildings, shared grids and data centers, and insulated construction methodologies, and to provide digital platform for information, analytics, data for real estate management and to buy, sell, export, import of software, hardware and establishment of incidental infrastructural facilities, subject to requisite permissions from relevant authorities.

The geographical location and address of the Company is as under:

<b>Business Unit</b>	<b>Geographical Location</b>
Head office / Registered Office	19, Khayaban-e-Aiwan-e-Iqbal, Lahore, Pakistan.

**1.2** LSE Ventures Limited holds 29.90% shares of the Company as at the reporting date.

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:

- International Financial Reporting Standards (IFRS), 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

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

These financial statements provide comparative information in respect of the previous year. In addition when there is a retrospective application of an accounting policy, a retrospective restatement, or a reclassification of items in financial statements has been made. During the year, no restatement / reclassification has been made.

**2.2 Basis of measurement**

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

Net investment in finance lease	Note - 7	(stated at Present value)
Certain Property and equipment	Note - 5	(stated at Fair value)
Investment property	Note - 6	(stated at Fair value)

**2.3 Presentation and functional currency**

These financial statements are prepared and presented in Pak Rupees (Rs.) which is the Company's functional and presentation currency. All the figures have been rounded off to the nearest thousand of Rupees, unless otherwise

Note 2, Basis of Preparation - Continued...

**2.4 Use of estimates and judgments**

The preparation of financial statements in conformity with accounting and reporting standards, as applicable in Pakistan, requires management to make judgments, estimates and assumptions that affect the application of policies and reported amounts of assets, liabilities, income and expenses. These estimates and related assumptions are based on historical experience and various other factors that are believed to be reasonable under the circumstances, the results of which form the basis of making judgments about carrying values of assets and liabilities that are not readily apparent from other sources.

These estimates and related assumptions are reviewed on an ongoing basis. Accounting estimates are revised in the period in which such revisions are made. Significant management estimates in these financial statements relate primarily to:

- Useful lives, residual values, depreciation method and possible impairment in property and equipment - Note 3.1 & 5
- Fair value of investment property - Note 3.2 & 6
- Estimation of provisions - Note 3.6
- Estimation of contingent liabilities - Note 3.10 & 18
- Current income tax expense, provision for current tax and recognition of deferred tax - Note 3.7, 11, 16 & 24

However, the management believes that the change in outcome of estimates would not have a material effect on the amounts disclosed in these financial statements.

**2.5 Changes in accounting standards, interpretations and pronouncements**

**2.5.1 Standards, interpretations and amendments to approved accounting standards that are effective in the current year**

The following standards, amendments and interpretations 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.

<b>Standard or Interpretation</b>	<b>Effective Date - Annual Periods</b> Beginning on or After
IAS 37 Provisions, Contingent Liabilities and Contingent Assets (Amendments)	January 1, 2022
IAS 16 Property, Plant and Equipment (Amendments)	January 1, 2022
Annual Improvements to IFRS Standards 2018-2020	January 1, 2022

**2.5.2 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.

<b>Standard or Interpretation</b>	<b>Effective Date - Annual Periods</b> 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
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 is in process to assess the impact of these amendments.

Note 3  
**Significant Accounting Policies**

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Significant accounting policies adopted in the preparation of these financial statements are set out below. These policies have been consistently applied, unless otherwise stated.

**3.1 Property and equipment**

Property and equipment, except freehold land and building on freehold land, are stated at cost less accumulated depreciation and accumulated impairment losses, if any. Freehold land and building on freehold land is stated at revalued amount, being the fair value at the date of their revaluation, less subsequent accumulated impairment losses, if any.

Cost of property and equipment consists of historical cost, borrowing cost pertaining to the construction and erection period and directly attributable costs of bringing the assets to their working condition.

Subsequent costs are included in the asset's carrying amount or recognized as a separate asset, as appropriate, only when it is probable that future economic benefits associated with the item will flow to the Company and cost of the item can be measured reliably. All other day to day maintenance and normal repairs are charged to profit or loss as and when incurred. Gains or losses on disposal of property and equipment are included in profit or loss.

Depreciation on property and equipment, except land, 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 is charged from the month in which the asset is available for use, whereas no depreciation is charged on assets disposed off during the month.

The Company assesses at each reporting date whether there is any indication that property and equipment are impaired. If such indication exists, the carrying amounts of such assets are reviewed to assess whether they are recorded in excess of their recoverable amount. Where carrying amounts exceed the respective recoverable amount, assets are written down to their recoverable amounts and the impairment loss is recognized in the profit or loss. The recoverable amount is the higher of an asset's fair value less cost to sell and value in use. Where an impairment loss is recognized, the depreciation charge is adjusted in future years to allocate the asset's revised carrying amount over its estimated useful life.

An item of property and equipment is de-recognized upon disposal or when no future economic benefits are expected from its use. Disposal of an asset is recognized when significant risk and rewards, incidental to the ownership of an asset, have been transferred to the buyer. The gain or loss on disposal or retirement of property and equipment is represented by the difference between the sale proceeds and the carrying amount of the property and equipment and is recognized as an income or expense in the year of disposal in statement of 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 is stated at cost less any identified impairment loss. All expenditure connected with specific assets incurred during installation and construction period are carried under capital work in progress. Cost may also include borrowing costs, if any. These are transferred to operating fixed assets as and when these are available for use.

Freehold land and buildings on freehold land are revalued every three to five years. Any accumulated depreciation at the date of revaluation is eliminated against the gross carrying amount of the asset, and the net amount is restated to the revalued amount of the asset. Additions, subsequent to revaluation, are stated at cost less accumulated depreciation and any identified impairment loss.

Any revaluation increase arising on the revaluation of land and buildings on freehold land is recognized in other comprehensive income and presented as a separate component of equity as "Surplus on revaluation of property and equipment", except to the extent that it reverses a revaluation decrease for the same asset previously recognized in profit or loss, in which case the increase is credited to profit or loss to the extent of the decrease previously charged. Any decrease in carrying amount arising on the revaluation of land and building on freehold land is charged to profit or loss to the extent that it exceeds the balance, if any, held in the surplus on revaluation of property and equipment relating to a previous revaluation of that asset.

Each year, the incremental depreciation and its related deferred taxation, the difference between depreciation based on revalued carrying amount of the asset and depreciation based on the asset's original cost, is transferred from surplus on revaluation of property and equipment to retained earnings. All transfers from surplus on revaluation of property and equipment are net of applicable deferred taxation. Upon disposal, any revaluation surplus relating to the particular asset being sold is transferred to retained earnings.

*Note 3, Significant Accounting Policies - Continued...*

The depreciation method and useful lives of property and equipment are reviewed by the management, at each financial year-end and these estimates are adjusted or revised if appropriate. The effect of any adjustment to useful lives and methods of these estimates are recognized prospectively or revised as a change in accounting estimate.

**3.2 Investment property**

Investment property, which is property held to earn rentals and/or for capital appreciation, including property under construction for such purposes, is measured initially at its cost, including transaction costs.

Any other investment property (whose fair value cannot be measured reliably) is measured at cost less accumulated depreciation and impairment loss, if any. 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 by an independent valuer.

The effect of any changes in estimate is accounted for on a prospective basis. Further, determining adjustments for any differences in nature, location and condition of the investment property involves significant adjustment.

**3.3 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.

**3.3.1 Financial assets**

All financial assets are recognized at the time when the Company becomes a party to the contractual provisions of the instrument. Regular purchases and sales of financial assets are recognized and derecognized, as applicable, using trade-date accounting or settlement date accounting.

**3.3.1.1 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.

**3.3.1.2 Initial recognition and measurement**

Except for trade receivables, financial assets are initially recognized at fair value plus transaction costs for all financial assets not carried at fair value through profit or loss. Financial assets carried at fair value through profit or loss are initially recognized at fair value and transaction costs are expensed in the profit and loss. Trade receivables are initially measured at the transaction price if these do not contain a significant financing component in accordance with IFRS 15.

**3.3.1.3 Subsequent measurement**

Financial assets carried at amortized cost are subsequently measured using the effective interest method. The amortized cost is reduced by impairment losses, if any. Interest income, foreign exchange gains and losses and impairment are recognized in the statement of 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 in fair value and dividend arising on equity is charged to the profit or loss.

Financial assets at fair value through other comprehensive income are marked to market using the closing market rates and are carried in the statement of financial position at fair value. Net gains and losses arising on changes in fair values of these financial assets are recognized in other comprehensive income. Interest calculated using the effective interest rate method is credited to the statement of profit or loss. Dividends on equity instruments are credited to the statement of profit or loss when the Company's right to receive payments is established.

**3.3.1.4 Derecognition**

Financial assets are derecognized when:

- the contractual rights to receive cash flows from the assets have expired; or

*Note 3, Significant Accounting Policies - Continued...*

- the Company has transferred its rights to receive cash flows from the asset or has assumed an obligation to pay the received cash flows in full without material delay to a third party under a 'pass-through' arrangement; and either:

- a) the Company has transferred substantially all the risks and rewards of the asset; or
- b) the Company has neither transferred nor retained substantially all the risks and rewards of the asset, but has transferred control of the asset.

The difference between the carrying amount and the consideration received is recognized in profit or loss.

If the Company transfers a financial asset in a transfer that qualifies for derecognition in its entirety and retains the right to service the financial asset for a fee, it recognizes either a servicing asset or a servicing liability for that servicing contract.

When the Company has transferred its rights to receive cash flows from an asset or has entered into a pass-through arrangement, it evaluates if, and to what extent, it has retained the risks and rewards of ownership. When it has neither transferred nor retained substantially all of the risks and rewards of the asset, nor transferred control of the asset, the Company continues to recognize the transferred asset to the extent of its continuing involvement. In that case, the Company also recognizes an associated liability which cannot be offset with the related asset. The transferred asset and the associated liability are measured on a basis that reflects the rights and obligations that the Company has retained.

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

If the Company's continuing involvement is in only a part of a financial asset, the Company allocates the previous carrying amount of the financial asset between the part it continues to recognize under continuing involvement, and the part it no longer recognizes on the basis of the relative fair values of those parts on the date of the transfer. The difference between the carrying amount allocated to the part that is no longer recognized and the consideration received for the part no longer recognized is recognized in profit or loss.

**3.3.1.5 Impairment of financial assets**

The Company recognizes an allowance for expected credit losses (ECLs) for all financial assets which are measured at amortized 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 effective interest rate.

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

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.

**3.3.2 Financial liabilities**

**3.3.2.1 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.

The Company does not reclassify any of its financial liabilities.

Financial liabilities are initially recognized at fair value minus transaction costs for all financial liabilities not carried at fair value through profit or loss. Financial liabilities carried at fair value through profit or loss are initially recognized at fair value and transaction costs are credited in the profit and loss.



*Note 3, Significant Accounting Policies - Continued...*

**3.3.2.2 Subsequent measurement**

The Company measures its financial liabilities subsequently at amortized cost using the effective interest rate (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 the statement of profit or loss. Difference between carrying amount and consideration paid is recognized in the statement of profit or loss when the liabilities are derecognized.

**3.3.2.3 Derecognition**

A financial liability is derecognized when the obligation under the liability is discharged or cancelled or expired. Where an existing financial liability is replaced by another from the same lender on substantially different terms, or the terms of an existing liability are substantially modified, such an exchange or modification is treated as a derecognition of the original liability and the recognition of a new liability, and the difference in respective of carrying amounts is recognized in the profit or loss. The difference between the carrying amount of a financial liability extinguished or transferred to another party and the consideration paid, including any non-cash assets transferred or liabilities assumed, is recognized in profit or loss.

**3.3.3 Offsetting of financial assets and liabilities**

Financial assets and liabilities are offset and net amount is reported in the financial statements only when there is a legally enforceable right to set off the recognized amount and the Company intends either to settle on a net basis or to realize the assets and settle the liabilities simultaneously.

**3.4 Inventory**

Inventory represents usable stores and spares and are valued principally on First in First Out Basis (FIFO) at lower of cost and net realizable value except for items in transit, while items considered obsolete if any are carried at nil value. Items in transit are valued at cost comprising invoice value plus other charges paid thereon. Provision is made for obsolete and slow moving stores and spares based on management estimate, while items considered obsolete are carried at nil value.

**3.5 Trade and other receivables**

A receivable represents the Company's right to an amount of consideration that is unconditional. Trade receivables are carried at original invoice amount less expected credit loss based on a review of all outstanding amounts at the year end. Bad debts are written off when identified. Provision for loss allowance on doubtful debts is charged to statement of profit or loss.

**3.6 Provisions**

A provision is recognized in the statement of financial position when the Company has a present legal or constructive obligation as a result of a past event and it is probable that an outflow of resources embodying economic benefits will be required to settle the obligation and a reliable estimate of the amount can be made. Provisions are reviewed at each reporting date and adjusted to reflect the current best estimate. Provisions are not recognized for future operating losses.

**3.7 Taxation**

Income tax comprises current and deferred tax. Income tax is recognized in the statement 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.

**3.7.1 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 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. 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. Super tax, if applicable, on the Company is calculated as per applicable tax rates as per Income Tax Ordinance, 2001.

*Note 3, Significant Accounting Policies - Continued...*

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 in respect of current and prior periods exceeds the amount due for those periods, the excess is recognized as an asset.

The Company offsets current tax assets and current tax liabilities if, and only if, it 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 situations in which applicable tax regulations are subject to interpretation and establishes provisions where appropriate.

**3.7.2 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 the 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.

The Company offsets deferred tax assets and deferred tax liabilities if and only if it has a legally enforceable right to set off current tax assets and current tax liabilities and the deferred tax assets and deferred tax liabilities relate to income taxes levied by the same taxation authority on either the same taxable entity or different taxable entities which intend either to settle current tax liabilities and assets on a net basis, or to realize the assets and settle the liabilities simultaneously, in each future period in which significant amounts of deferred tax liabilities or assets are expected to be settled or recovered.

**3.8 Cash and cash equivalents**

For the purpose of the statement of cash flows, cash and cash equivalents consist of cash in hand and cash at banks which are free of encumbrances.

**3.9 Trade and other payables**

These amounts represent liabilities for goods and services provided to the Company prior to the end of financial year which are unpaid. The amounts are unsecured and are usually paid within short period. Trade and other payables are presented as current liabilities unless payment is not due within 12 months after the reporting period. They are recognized initially at their fair value and subsequently measured at amortized cost using the effective interest method.

Note 3, Significant Accounting Policies - Continued...

**3.10 Contingent liabilities**

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

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 will be required to settle the obligation or the amount of the obligation cannot be measured with sufficient reliability.

**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:

**Level 1**

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.

**Level 2**

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.

**Level 3**

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 the 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 Impairment of non-financial assets**

Assets that are subject to depreciation or amortization are reviewed for impairment whenever events or changes in circumstances indicate that the carrying amount may not be recoverable. An impairment loss is recognized for the amount by which the asset's carrying amount exceeds its recoverable amount. Impairment losses on fixed assets that offset available revaluation surplus are charged against this surplus, all other impairment losses are charged to profit or loss. The recoverable amount is the higher of an asset's fair value less costs of disposal and value in use. For the purposes of assessing impairment, assets are grouped at the lowest levels for which there are separately identifiable cash flows (cash-generating units). Prior impairments of non-financial assets are reviewed for possible reversal at each reporting date. Where impairment loss is recognized, the depreciation / amortization charge is adjusted in future periods to allocate the asset's revised carrying amount, less its residual value, over its remaining useful life. Any reversal of impairment loss of a revalued asset shall be treated as a revaluation increase.

**3.13 Revenue recognition**

Revenue is recognized in accordance by applying the following steps:

- i) Identifying contract with a customer
- ii) Identifying performance obligation in the contract
- iii) Determining transaction price of the contract
- iv) Allocating transaction price to each of the separate performance obligations in the contract
- v) Recognizing the revenue when (or as) the Company satisfies a performance obligation

*Note 3, Significant Accounting Policies - Continued...*

The Company recognizes revenue as follows:

**Room maintenance services / Software services**

Revenue is recognized 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**

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

**Finance lease**

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.

**3.14 Operating Segments**

Operating segments are reported in a manner consistent with the internal reporting provided to the chief operating decision maker. The chief operating decision maker who is responsible for allocating resources and assessing performance of the operating segments, has been identified as the board of directors that made strategic decisions. The management has determined that the company has a single reporting segment, as board of directors use the company's operations as one reportable segment.

**3.15 Related party transactions**

Related parties comprise the parent Company, associated companies / undertakings, directors of the Company and their close relatives and key management personnel of the Company. Transactions in relation to revenue, purchases and services with related parties are made at arm's length prices determined in accordance with the Company's policy except for the allocation of expenses such as utilities, rental and common overheads shared with related parties, which are on actual basis.

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.

**3.16 Dividend distributions**

Dividends to shareholders of the Company and appropriations other than statutory appropriations are recognized as a liability in the period in which these are approved.

**3.17 Earnings per Share**

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



Note 4, Scheme of Demerger - Continued...

**LSE PropTech Limited**

	Before Merger	Transfer from		Merger	After Merger	30-Jun-23
	LPL	LSE FSL	DATM	Adjustment	LPL	LPL
	----- Rupees in thousands -----					
Property and equipment	3,253	1,285,028	128	-	1,288,410	1,301,829
Investment property	-	378,432	-	-	378,432	378,431
Net investment in finance lease	-	4,214	-	-	4,214	4,276
Long term deposits	-	-	-	-	-	75
Inventory	-	2,991	-	-	2,991	2,923
Trade and other receivables	-	9,273	-	-	9,273	39,163
Advances and prepayments	3,768	21,940	-	-	25,708	3,462
Short term investment	43,350	-	-	-	43,350	-
Refund due from Government	(181)	-	1,721	-	1,540	2,285
Cash and bank balances	1,963	10,000	45	-	12,008	43,517
Deposits against vehicles	-	(5,153)	-	-	(5,153)	(5,643)
Deferred tax (asset) / liability	-	(3,422)	-	-	(3,422)	(1,403)
Trade and other payables	(172)	(48,498)	(23,019)	-	(71,688)	(50,746)
Receivable from / payable to group companies	-	(4,000)	-	-	(4,000)	-
Share capital	(50,000)	(850,907)	-	-	(900,907)	(900,907)
Unappropriated profit	-	(155,016)	21,124	-	(133,892)	(127,709)
Profit for the period	(1,980)	43,902	-	-	41,922	-
Revaluation surplus on property and equipment	-	(706,080)	-	-	(706,080)	(706,004)
Building reserve fund	-	(9,236)	-	-	(9,236)	(10,082)
Goodwill arising on demerger	-	26,533	-	-	26,533	26,533
	-	-	-	-	-	-

**DATA TEXTILES LIMITED**

	Before Merger	Transfer to		Merger Effect	After Merger
	LPL	LVL			
	----- 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	-	-
Accumulated loss / (unappropriated profit)	163,587	(21,124)	(142,463)	-	-
	-	-	-	-	-

Note 5  
**Property and Equipment**

		<b>2023</b>	<b>2022</b>
	Note	Rupees in thousands	
Operating fixed assets	5.1	1,280,976	-
Capital work-in-progress	5.2	20,852	-
		<u>1,301,829</u>	<u>-</u>

**Measurement of fair values**

The Company obtains an independent valuation for its freehold land and building (classified as property and equipment) every three to five years. The valuation is conducted by an independent valuer who is approved by Pakistan Banks' Association (PBA). Latest revaluation was carried out by LSE FSL on June 30, 2019.

**Valuation techniques**

***Freehold land***

The valuer determined the fair value of freehold land based on the market comparable approach that reflects transaction prices for similar properties in the area. The key observable inputs under this approach are the price per square feet from current year sales of comparable lots of land in the area (location and size). Different valuation methods and exercises were adopted according to experience, location and other usage of freehold land. Valuer had also considered other relevant factors as well.

***Building on freehold land***

The valuer used a cost approach (i.e. current replacement values) for building on freehold land to arrive at the fair value. Construction specifications were noted for each building and structure and new construction rates were applied according to construction specifications for current replacement values. After determining current replacement values, depreciation was calculated to determine the current assessed market value.

The effect of changes in the observable inputs used in the valuations cannot be determined with certainty; consequently, a qualitative disclosure of sensitivity has not been presented in these financial statements.

**LSE PROPTech LIMITED**

Notes to and forming part of the Financial Statements

Note 5, Property and Equipment - Continued...

Note 5.1

**Operating Fixed Assets**

Particulars	Cost / Revalued Amounts				Accumulated Depreciation				Written Down Value as at June 30, 2023	
	Transfer from LSE FSL	Additions	Disposals	Transfer from CWIP	Balance as at June 30, 2023	Rate	Transfer from LSE FSL	Charge for the Year		Disposals
Rupees in thousands										
<b>Owned assets</b>						%				
Land freehold	1,059,660	-	-	-	1,059,660	-	-	-	-	1,059,660
Buildings on Freehold land	122,386	5,245	-	-	127,631	5%	16,017	5,028	-	21,045
Computer and accessories	34,946	2,046	(4,186)	-	32,806	30%	30,143	1,658	(4,103)	27,698
Furniture and fixture	15,279	2,121	(147)	-	17,253	10%	8,508	798	(84)	9,222
Office equipment	6,631	-	-	-	6,631	20%	6,417	35	-	6,452
Electric fittings and appliances	136,923	3,978	(1,860)	-	139,040	20%	84,755	9,714	(1,474)	92,995
Vehicles	21,521	20,705	(334)	-	41,891	20%	2,140	6,486	(94)	8,532
Elevator	19,969	-	-	-	19,969	20%	14,317	936	-	15,253
Generators	34,206	-	-	-	34,206	10%	19,356	1,369	-	20,725
Arms and security equipment	6,210	505	-	-	6,715	10%	2,531	374	-	2,905
Library books	318	-	-	-	318	25%	317	0	-	317
Leasehold improvements	5,697	-	-	-	5,697	20%	5,697	-	-	5,697
	1,463,745	34,600	(6,528)	-	1,491,818		190,199	26,398	(5,755)	210,842
										1,280,976

Note 5.1.1

**Reconciliation of Transfer of Balance as per note 4**

Balance as per Note 4 as on April 26, 2023	(1,285,028)
CWIP	4,837
Operating fixed assets	(1,280,191)
Cost	29,563
Additions	(6,527)
Disposals	23,036
Depreciation for the period	22,146
Disposal Depreciation	(5,755)
	(16,391)
Balance as on July 31, 2022	(1,273,546)



Note 5, Property and Equipment - Continued...

**5.1.2 Particulars of immovable property (i.e. land and building) in the name of Company are as follows:**

Location / Address	Usage of Immovable property	Total Area (Sq. ft.)	Covered Area (Sq. ft.)
19, Khayaban-e-Aiwan-e-Iqbal, Lahore, Pakistan.	Land and Building	44,213	North Tower: 96,540 Sqft South Tower : 50,132 Sqft

5.1.3 No disposals were made during the year having individual book value exceeding Rs. 500,000 or more.

5.1.4 The disposal in operating fixed assets relates to those assets which were damaged / discarded during the year and were subsequently claimed by the Company under the insurance policy from the insurer i.e. IGI General Insurance Limited.

5.1.5 Had the revaluation of these assets not been made, the carrying value of these assets as at the reporting date would have been as under:

	2023	2022
	Rupees in thousands	
Freehold land	362,013	-
Building on freehold land	91,447	-
	<u>453,460</u>	<u>-</u>

5.1.6 Property and equipment contains fully depreciated assets, having cost of Rs. 6.015 million (2022: Nil) that are still in use as at the reporting date.

5.1.7 Forced sale value and assessed value of these fixed assets as at the date of revaluation (i.e. June 30, 2019) was as under:

	Forced sale value	Assessed sale value
	Rupees in thousands	
Freehold land	900,711	1,059,660
Building on freehold land	90,598	106,586
	<u>991,309</u>	<u>1,166,246</u>

**5.2 Capital work in progress**

	2023	2022
	Rupees in thousands	
Transfer from LSE Financial Service Limited as per Note # 4	4,837	-
Additions during the period	16,015	-
	<u>20,852</u>	<u>-</u>
Transfers during the year	-	-
Closing balance	<u>20,852</u>	<u>-</u>

Note 6

**Investment Property - At Fair Value**

	2023	2022
	Rupees in thousands	
Carrying value	<u>378,431</u>	<u>-</u>

6.1 The fair value of investment property is determined at the end of each year by independent suitably qualified valuer. The fair value of the investment property as at June 30, 2023 and June 30, 2022 were performed by M/s Unicorn International Surveyors, who are independent valuers not related to the Company. M/s Unicorn International Surveyors, have appropriate qualifications and recent experience in the fair value measurement of properties in the relevant locations.

The fair value was determined based on the market comparable approach that reflects recent transaction prices for similar properties/capitalization of net income method, where the market rentals of all lettable units of the properties are assessed by reference to the rentals achieved in the lettable units as well as other lettings of similar properties in the neighborhood. The capitalization rate adopted is made by reference to the yield rates observed by the valuers for similar properties in the locality and adjusted based on the valuers' knowledge of the factors specific to the respective properties.

There has been no change to the valuation technique during the year. In estimating the fair value of the properties, the highest and best use of the properties is their current use.

There are no level 1 and level 3 assets or any transfers between levels 1, 2 and 3 during the year.

Property Type	Location	Area	Independent Valuer	Fair Value	Forced Sale Value
				Rupees in thousands	
Building on land	Lahore	25,018 square feet	M/s Unicorn International	378,431	321,660

Note 7

**Net investment in finance lease**

		<b>2023</b>	<b>2022</b>
	Note	Rupees in thousands	
Transfer from LSE Financial Services (LSE FSL) Limited as per Note # 4		4,309	-
Add: Finance income for the year		311	-
Less: Rental received during the year		(344)	-
Closing balance	7.2	<u>4,276</u>	<u>-</u>

**7.1** 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	342	-
Two to five years	1,368	-
Above five years	21,762	-
	23,472	-
Less: Discounting	(19,196)	-
Closing balance	<u>4,276</u>	<u>-</u>

**7.2** The Company has 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 is used as a discount factor to determine the present value of minimum lease payments.

**7.3 Reconciliation of transfer as per demerger**

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

Note 8

**Long Term Deposits**

		2023	2022
		Rupees in thousands	
Deposits paid to Central Depository Company Limited	8.1	75	-

8.1 This amount has been deposited with Central Depository Company Limited for share registrar services.

Note 9

**Trade and Other Receivables - Considered good**

		2023	2022
		Rupees in thousands	
Receivables from ex-members	9.1	6,800	-
Receivable from related party	9.2	27,108	-
Other receivables:			
- Accrued mark-up		6	-
- Tenant	9.3	5,249	-
		<u>39,163</u>	<u>-</u>

**9.1 Receivables from ex - members**

Considered good		6,800	-
Considered doubtful		19,962	-
Less: Expected Credit Loss	9.1.1	26,761	-
		<u>(19,962)</u>	<u>-</u>
		<u>6,800</u>	<u>-</u>

**9.1.1 Expected Credit Loss**

Transfer from LSE Financial Services Limited		16,346	-
Expected credit loss during the year		3,615	-
Recovery of expected credit loss during the year		-	-
Closing balance		<u>19,962</u>	<u>-</u>

**9.1.2 Age analysis of trade receivables from ex - members**

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 -----							
Ex- members	2023	3,946	1,932	921	5,382	14,580	26,761

9.2 This represents receivable from LSE Ventures Limited against the expenses paid by the Company on behalf of LSE Ventures Limited. The maximum amount due at the end of any month is Rs. 27.108 million (2022 : Nil).

**9.2.1 Age analysis of other 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 -----							
LSE Ventures Limited	2023	27,108					27,108

**9.3 Other receivables from tenants**

Considered good		5,249	-
Considered doubtful		1,460	-
Less: Expected credit loss	9.3.1	6,709	-
		<u>(1,460)</u>	<u>-</u>
		<u>5,249</u>	<u>-</u>

**9.3.1 Allowance for impairment**

Opening balance		-	-
Impairment loss recognised		1,460	-
Reversal of impairment loss during the year		-	-
Closing balance		<u>1,460</u>	<u>-</u>

**9.3.2 Age analysis of other receivables from tenants:**

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 -----							
Other receivables	2023	3,118	536	136	972	487	5,249

Note 10

**Advances and Prepayments**

	<b>2023</b>	<b>2022</b>
	Rupees in thousands	
<b>Unsecured - Considered good</b>		
Advances to employees against expenses	100	-
Advances to employees against salaries	66	-
Advances to employees against vehicles	33	-
Prepayments	3,263	-
	<u>3,462</u>	<u>-</u>

Note 11

**Tax Refunds Due from the Government - Net**

	<b>2023</b>	<b>2022</b>
	Rupees in thousands	
	Note	
Advance income tax	11.1	<u>2,285</u> <u>-</u>
<b>11.1 Income tax</b>		
Income tax deducted at source - net		3,443
Less: Provision of income tax for the year		<u>(1,158)</u>
		<u>2,285</u> <u>-</u>

Note 12

**Cash and Bank Balances**

	<b>2023</b>	<b>2022</b>
	Rupees in thousands	
	Note	
Cash in hand		100
Cash at banks in savings accounts	12.1	<u>43,417</u>
		<u>43,517</u> <u>-</u>

**12.1** These carry mark-up @ 12.25% to 18.50% p.a.

Note 13

**Issued, Subscribed and Paid-up Share Capital**

	<b>2023</b>	<b>2022</b>		<b>2023</b>	<b>2022</b>
				Rupees in thousands	
Number of shares					
5,000,000	-	Ordinary shares of Rs. 10 each issued for cash		50,000	
(5,000,000)	-	Ordinary shares of Rs. 10 each Cancelled as per demerger		(50,000)	
<u>90,090,732</u>	-	Ordinary shares of Rs. 10 each issued other than in cash		<u>900,907</u>	-
<u>90,090,732</u>	-			<u>900,907</u>	<u>-</u>

**13.1** LSE Financial Service Limited has demerged as per Lahore High Court order dated April 26, 2023 under which 26,952,897 shares comprising 29.90% equivalent share of the company has been issued in favor LSE Ventures Limited and remaining 63,137,803 shares comprising 70.10% share of the company have been issued to shareholders of LSE Ventures Limited.

**13.2** 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.

**13.3** Reconciliation of changes in number of shares is as follows:

	<b>2023</b>	<b>2022</b>
	Number of shares	
Opening balance	-	-
Shares issued during the year	95,090,732	-
Shares cancelled during the year	<u>(5,000,000)</u>	-
Closing balance	<u>90,090,732</u>	<u>-</u>

**CAC**

Note 14

**Surplus on Revaluation of Property and Equipment**

	<b>2023</b>	<b>2022</b>
	Rupees in thousands	
Transfer from LSE Financial Service Limited as per Note 4	709,502	-
Incremental depreciation for the year	(107)	-
	709,395	-
<b>Less: Deferred tax</b>		
Transfer from LSE Financial Services Limited as per Note 4	(3,422)	-
Incremental depreciation for the year	31	-
Closing balance	(3,391)	-
	706,004	-
	<u>706,004</u>	<u>-</u>

**14.1** 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.

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

Note 15

**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 16

**Deferred Tax Liability**

		<b>2023</b>	<b>2022</b>
	Note	Rupees in thousands	
Deferred tax liability	16.1	<u>1,403</u>	
<b>16.1 Breakup of deferred tax liability</b>			
<b>Taxable temporary differences</b>			
Accelerated tax depreciation		2,561	-
Surplus on property and equipment		3,391	-
Net investment in finance lease		1,240	-
<b>Deductible temporary differences</b>			
Loss allowance on receivables		(5,789)	-
		<u>1,403</u>	<u>-</u>

**16.2** Deferred tax assets / liabilities on temporary differences are measured at effective rate of 29%.

**16.3 Reconciliation of deferred tax liabilities - Net**

Opening balance	-	-
Transferred from LSE FSL as per demerger scheme	3,422	-
Deferred tax effect charged to profit or loss	(2,019)	-
Deferred tax effect charged to other comprehensive income	-	-
Closing balance	<u>1,403</u>	<u>-</u>

**CM**

Note 17

**Trade and Other Payables**

		2023	2022
	Note	Rupees in thousands	
Trade creditors		22,495	-
Accrued liabilities		11,019	25
Advance rent received from tenants		6,260	-
Advances received from ex - members and companies		5,549	-
Payable to related party	17.1	4,228	-
Retention money - unsecured		1,196	-
		<u>50,746</u>	<u>25</u>

**17.1** This represents payable to LSE Financial Services Limited against the expenses paid on behalf of LSE PropTech Limited.

Note 18

**Contingencies and Commitments**

**18.1 Contingencies**

Certain employees had been reinstated and arrears / back benefits were paid in accordance with Labour Court Order, dated August 13, 2020. However, these employees filed fresh petitions for determination and recovery back of benefits from the Company. Under the circumstances the Company incorporated a certain provision in the financial statements up to June 30, 2022. However, the Company expects a favourable outcome of the case.

**18.2 Commitments**

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

Note 19

**Revenue**

		2023	2022
	Note	Rupees in thousands	
Revenue from Margin Trading System of NCCPL		1,779	-
Investment properties - rental income		47,986	-
<i>Other revenues - inclusive of PRA sales tax</i>			
Room maintenance services		31,720	-
Software services		4,991	-
		36,712	-
Less: PRA sales tax	19.1	(4,613)	-
		32,099	-
		<u>81,863</u>	<u>-</u>

**19.1** The aggregate PRA sales tax amounting to Rs. 4.613 million (2022: Nil) is charged on room maintenance services and software income.

Note 20

**Other Income**

	2023	2022
	Rupees in thousands	
Cash and cash equivalents - profit on saving bank accounts	5,645	-
Finance income on net investment in finance lease	311	-
Advertisement income / parking charges & Misc.	7,913	-
	<u>13,868</u>	<u>-</u>

Note 21

**Administrative and General Expenses**

		2023	2022
		Rupees in thousands	
	Note		
Salaries and benefits	21.1	34,152	-
Information technology related expenses		2,394	-
Insurance		1,128	-
Travelling and conveyance		7,995	-
Printing and stationery		1,087	-
Utilities		2,859	-
Repairs and maintenance		7,734	-
Security expenses		3,633	-
Communication and public relations		5,454	-
Legal and professional charges		3,464	-
Marginal Trading System charges		42	-
Fees and subscription		98	-
Rent, rates and taxes		792	-
Auditors' remuneration	21.2	1,286	25
Board meetings fee		1,688	-
Others		1,542	-
Depreciation		26,445	-
		<u>101,793</u>	<u>25</u>

**21.1** Salaries and benefits include Rs. 1.199 million (2022: Nil) in respect of contribution to provident fund.

**21.2 Auditors' remuneration**

Annual audit fee	683	25
Other assurance services	341	-
Half yearly review	184	-
Agreed upon procedures	79	-
	<u>1,286</u>	<u>25</u>

Note 22

**Other Operating Expenses**

	2023	2022
	Rupees in thousands	
Loss on disposal of property and equipment	15	-
Impairment loss on trade and other receivables - net	3,615	-
	<u>3,631</u>	<u>-</u>

Note 24

**Taxation**

		2023	2022
		Rupees in thousands	
	Note		
Current tax		1,158	-
Deferred tax	24.2	(2,019)	-
		<u>(861)</u>	<u>-</u>

**24.1** 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.

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

Note 25

**Earnings per Share - Basic and Diluted**

	2023	2022
Net profit for the year attributable to ordinary shareholders (Rupees in thousands)	(8,911)	-
Weighted average number of ordinary shares (Number of shares in thousands)	82,439	-
Loss per share - Basic and diluted (Rupees)	(0.11)	-

Note 26

**Cash Generated from Operations**

	2023	2022
	Rupees in thousands	
Loss before tax	(9,772)	(25)
<b>Adjustments</b>		
Depreciation	26,398	-
Return on investments	(5,645)	-
Finance income on net investment in finance lease	(311)	-
Lease rentals	(47,986)	-
Gain on disposal of property and equipment	(15)	-
Impairment loss on trade and other receivables - net	3,615	-
Finance cost	79	-
<b>Loss before working capital changes</b>	(23,864)	-
(Increase) / decrease in current assets:		
- Inventory	(2,923)	-
- Trade and other receivables	(26,761)	-
- Advances, deposits and prepayments	(3,462)	-
	(33,146)	-
Increase / (decrease) in current liabilities:		
- Trade and other payables	18,235	-
- Other liabilities - deposits from employees	490	-
- Advance rent received from tenants	54,246	25
	72,971	25
<b>Cash Generated from Operations</b>	6,189	-



Note 27

**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.

**27.1 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.

	<b>2023</b>	<b>2022</b>
	Rupees in thousands	
<b><u>Floating rate instruments</u></b>		
<b>Financial assets</b>		
Bank balances	43,417	-
<b><u>Fixed rate instruments</u></b>		
<b>Financial assets</b>		
Net investment in finance lease	4,276	-

**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. 0.434 million (2022: Nil), 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 any price risk.

Note 27, Financial Risk Management - Continued...

**27.2 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:

	Note	2023	2022
		Rupees in thousands	
Net investment in finance lease	7	4,276	-
Trade and other receivables	9	39,163	-
Cash and bank balances	12	43,517	-
		<u>86,956</u>	<u>-</u>

The aging of trade debts and related impairment loss as at the reporting date is presented in note 9.

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.

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		
Bank Al-Habib Limited	A1+	AAA	PACRA	43,417	-

Rupees in thousands

**27.3 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:						
Trade and other payables	44,486	44,486	44,486	-	-	-
Contractual maturities of financial liabilities as at June 30, 2022:						
Trade and other payables	25	25	25	-	-	-

Note 27, Financial Risk Management - Continued...

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.

**27.4 Financial instruments by categories**

Fair value through profit or loss	At amortized cost	At fair value through other comprehensive income	Total
----- Rupees in thousands -----			
<b>Financial assets as at June 30, 2023</b>			
Net investment in finance lease	-	4,276	-
Trade and other receivables	-	39,163	-
Cash and bank balances	-	43,517	-
	-	95,626	-
			95,626
<b>Financial liabilities at amortized cost</b>			
		<b>2023</b>	<b>2022</b>
		Rupees in thousands	
Trade and other payable		44,486	25

**27.5 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 28

**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 not calculated as the Company is not geared.

Note 29

**Segment Reporting**

**29.1** Revenue from investment properties represents 98% (2022: Nil) of total revenue of the Company. Therefore, there is one reportable segment as per IFRS-8.

**29.2** The sales percentage by geographic region is as follows:

	<b>2023</b>	<b>2022</b>
	%	%
Pakistan	100.00	0.00

**29.3** There is no individual customer from whom more than 10% of total revenue is received.

**29.4** All non-current assets of the Company as at reporting date are located in Pakistan.

Note 30

**Transactions and Balances with Related Parties**

The related parties of the Company are as follows:

<b>Names of Related Parties</b>	<b>Relationship</b>	<b>Basis of relationship / (percentage shareholding or common directorship)</b>
LSE Ventures Limited	Holding Company	29.90%
Modaraba Al Mali managed by LSE Capital Limited	Associate Company	18.28%
LSE Financial Services Limited	Associate Company	Common directorship
Mr. Habib Ur Rehman Gilani	Chairman/Independent Director	Common directorship
Mr. Aftab Ahmad	Chief Executive Officer	Common directorship
Mr. Ghulam Mustafa	Non-Executive Director	Common directorship
Mr. Khalid Waheed	Non-Executive Director	Common directorship
Ms. Maleeha Humayun Bangash	Non-Executive Director	Common directorship
Mr. Rizwan Ejaz	Independent Director	Common directorship
Mr. Khashif Shabbir	Independent Director	Common directorship
Lahore Stock Exchange Limited - Employees' Provident Fund Trust	Post employment benefit	

Related parties include associated entities, directors and their close family members and other key management personnel. Balances with related parties are disclosed in respective notes. Details of transactions with related parties during the year, other than those which have been disclosed elsewhere in these financial statements, are as follows:

<b>Names of Related Parties</b>		<b>2023</b>	<b>2022</b>
		Rupees in thousands	
LSE Ventures Limited	Shares purchased of the Company	269,529	-
LSE Financial Services Limited	Funds given for investment in MTS	42,000	-
	Interest received on investment in MTS	1,779	-
Modaraba Al Mali	Reimbursement of facilities - receipts	93	-
<b>Balances outstanding as at,</b>			
<b>Trade and Other Receivables</b>			
	Receivable from LSE Ventures Limited	27,108	-
<b>Trade and other payables</b>			
	Payable to LSE Financial Services Limited	4,228	-

Note 31

**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:

	<b>Chief Executive Officer</b>		<b>Directors</b>		<b>Executives</b>		<b>Total</b>	
	<b>2023</b>	<b>2022</b>	<b>2023</b>	<b>2022</b>	<b>2023</b>	<b>2022</b>	<b>2023</b>	<b>2022</b>
	----- Rupees in thousand -----							
Managerial remuneration	2,833	-	-	-	-	-	2,833	-
Company's contribution to the provident fund trust	257	-	-	-	-	-	257	-
Housing and utilities	1,416	-	-	-	-	-	1,416	-
Meeting fees	-	-	1,688	-	-	-	1,688	-
Others	1,542	-	-	-	-	-	1,542	-
	<b>6,048</b>	<b>-</b>	<b>1,688</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>7,736</b>	<b>-</b>
Number of persons	<b>1</b>	<b>-</b>	<b>7</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>8</b>	<b>-</b>

Note 31, Remuneration of Chief Executive Officer, Directors and Executives - Continued...

- 31.1** Chief Executive is provided with the Company's maintained vehicle.
- 31.2** An Executive is defined as an employee, other than the chief executive officer and directors, whose basic salary exceeds Rs. 1.2 million in a financial year.

Note 32  
**Staff Strength**

	<b>2023</b>	<b>2022</b>
Total number of employees at the year end	61	Nil
Average number of employees during the year	51	Nil

Note 33  
**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 34  
**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**

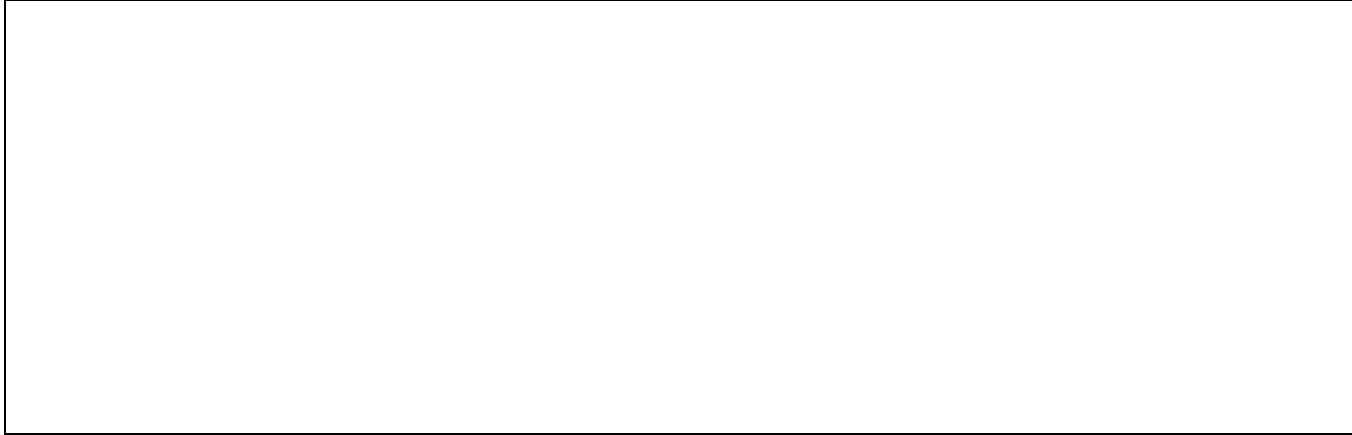
  
**CHIEF FINANCIAL OFFICER**

  
**DIRECTOR**



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