

**Digital CUSTODIAN COMPANY LIMITED  
(FORMERELY MCB FINANCIAL SERVICES LIMITED)  
FINANCIAL STATEMENTS  
FOR THE PERIOD ENDED 30 JUNE, 2021**

**INDEPENDENT AUDITOR'S REPORT****To the Members of Digital Custodian Company Limited (Formerly MCB Financial Services Limited)****Report on the Audit of the Financial Statements****Opinion**

We have audited the annexed financial statements of **Digital Custodian Company Limited (Formerly MCB Financial Services Limited)** (the Company), which comprise the statement of financial position as at June 30, 2020, and the statements profit or loss and other comprehensive income, statement of changes in equity and statement of cash flows for the period from January 01, 2021 to June 30, 2021, and notes to the financial statements, including a summary of significant accounting policies.

In our opinion, the accompanying financial statements present fairly, in all material respects, the financial position of the Company as at June 30, 2020, and its financial performance and its cash flows for the period from January 01, 2021 to June 30, 2021 in accordance with International Financial Reporting Standards (IFRSs).

**Basis for Opinion**

We conducted our audit in accordance with International Standards on Auditing (ISAs). 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 (IESBA Code)*, and we have fulfilled our other ethical responsibilities in accordance with these requirements and the IESBA 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 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 Those Charged with Governance for the Financial Statements**

Management is responsible for the preparation and fair presentation of the financial statements in accordance with IFRSs, 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.

Those charged with governance 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 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, 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 those charged with governance 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.

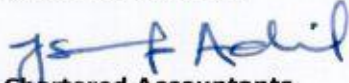
We also provide those charged with governance with a statement that we have complied with relevant ethical requirements regarding independence, and to communicate with them all relationships and other matters that may reasonably be thought to bear on our independence, and where applicable, related safeguards.

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



**Other Matter**

The financial statements for the year ended December 31, 2020 were audited by another firm of Chartered Accountants who have expressed unmodified opinion on the financial statements dated May 07, 2021.



**Chartered Accountants**

**Islamabad**

**Date: October 01, 2021**

**DIGITAL CUSTODIAN COMPANY LIMITED  
(FORMERLY MCB FINANCIAL SERVICES LIMITED)  
STATEMENT OF FINANCIAL POSITION  
AS AT JUNE 30, 2021**

	Note	June 30, 2021 Rupees	December 31, 2020 Rupees
<b>ASSETS</b>			
<b>NON-CURRENT ASSETS</b>			
Property and equipment	6	6,618,698	1,762,356
Intangible assets	7	92,423	99,330
Long term deposits	8	1,207,000	1,087,000
Deferred tax	9	184,723	425,840
		<u>8,102,844</u>	<u>3,374,526</u>
<b>CURRENT ASSETS</b>			
Trade debts	10	4,111,258	4,932,995
Investments	11	87,088,258	86,544,893
Deposits, prepayments and other receivables	12	1,671,183	1,131,667
Advance income tax - net	13	3,045,379	2,987,682
Cash and bank balances	14	2,423,460	4,489,370
		<u>98,339,538</u>	<u>100,086,607</u>
<b>TOTAL ASSETS</b>		<u><u>106,442,382</u></u>	<u><u>103,461,133</u></u>
<b>EQUITY AND LIABILITIES</b>			
<b>SHARE CAPITAL AND RESERVES</b>			
<b>Authorized share capital</b>			
50,000,000 (Dec 2020: 50,000,000) Ordinary shares of Rupees 10 each		500,000,000	500,000,000
Issued, subscribed and paid up share capital	15	50,000,000	27,500,120
Revenue reserves - unappropriated profit		52,797,074	73,584,545
<b>TOTAL EQUITY</b>		<u>102,797,074</u>	<u>101,084,665</u>
<b>CURRENT LIABILITIES</b>			
Accrued and other liabilities	16	3,645,308	2,376,468
<b>TOTAL LIABILITIES</b>		<u>3,645,308</u>	<u>2,376,468</u>
<b>TOTAL EQUITY AND LIABILITIES</b>		<u><u>106,442,382</u></u>	<u><u>103,461,133</u></u>
<b>CONTINGENCIES AND COMMITMENTS</b>			
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The annexed notes from 1 to 31 form an integral part of these financial statements.

  
DIRECTOR

  
DIRECTOR

DIGITAL CUSTODIAN COMPANY LIMITED  
(FORMERLY MCB FINANCIAL SERVICES LIMITED)  
STATEMENT OF PROFIT OR LOSS  
FOR THE PERIOD FROM JANUARY 01, 2021 TO JUNE 30, 2021

	Note	From January 01, 2021 to June 30, 2021 Rupees	From January 01, 2020 to December 31, 2020 Rupees
OPERATING INCOME	18	24,009,215	38,206,535
OPERATING AND ADMINISTRATIVE EXPENSES	19	(22,453,560)	(33,558,869)
OPERATING PROFIT		<u>1,555,655</u>	<u>4,647,666</u>
FAIR VALUE GAIN / (LOSS) ON INVESTMENTS CLASSIFIED AT FAIR VALUE THROUGH PROFIT OR LOSS	11	71,717	(35,976)
OTHER EXPENSES	20	-	(7,003)
OTHER INCOME	21	2,929,159	7,690,943
PROFIT BEFORE TAXATION		<u>4,556,531</u>	<u>12,295,630</u>
TAXATION	22	(2,844,122)	(4,164,815)
PROFIT AFTER TAXATION		<u><u>1,712,409</u></u>	<u><u>8,130,815</u></u>
			<b>Restated</b>
EARNINGS PER SHARE - BASIC AND DILUTED	23	<u><u>0.34</u></u>	<u><u>1.63</u></u>

The annexed notes from 1 to 31 form an integral part of these financial statements.

  
DIRECTOR

  
DIRECTOR

DIGITAL CUSTODIAN COMPANY LIMITED  
 (FORMERLY MCB FINANCIAL SERVICES LIMITED)  
 STATEMENT OF COMPREHENSIVE INCOME  
 FOR THE PERIOD FROM JANUARY 01, 2021 TO JUNE 30, 2021

	From January 01, 2021 to June 30, 2021 Rupees	From January 01, 2020 to December 31, 2020 Rupees
<b>PROFIT AFTER TAXATION</b>	1,712,409	8,130,815
<b>OTHER COMPREHENSIVE INCOME</b>		
Items that will not be reclassified to profit or loss	-	-
Items that may be reclassified subsequently to profit or loss	-	-
Other comprehensive income for the year	-	-
<b>TOTAL COMPREHENSIVE INCOME</b>	<u>1,712,409</u>	<u>8,130,815</u>

The annexed notes from 1 to 31 form an integral part of these financial statements.

  
 DIRECTOR

  
 DIRECTOR

DIGITAL CUSTODIAN COMPANY LIMITED  
(FORMERLY MCB FINANCIAL SERVICES LIMITED)  
STATEMENT OF CHANGES IN EQUITY  
FOR THE PERIOD FROM JANUARY 01, 2021 TO JUNE 30, 2021

	Share capital	Revenue reserves unappropriated profit	Total
	Rupees	Rupees	Rupees
<b>BALANCE AS AT DECEMBER 31, 2019</b>	27,500,120	65,453,730	92,953,850
<b>TOTAL COMPREHENSIVE INCOME FOR THE YEAR</b>			
Profit for the year	-	8,130,815	8,130,815
Other comprehensive income	-	-	-
	-	8,130,815	8,130,815
<b>BALANCE AS AT DECEMBER 31, 2020</b>	<u>27,500,120</u>	<u>73,584,545</u>	<u>101,084,665</u>
<b>TOTAL COMPREHENSIVE INCOME FOR THE PERIOD</b>			
Profit for the period	-	1,712,409	1,712,409
Other comprehensive income	-	-	-
Bonus shares issued during the period	22,499,880	(22,499,880)	-
	22,499,880	(20,787,471)	1,712,409
<b>BALANCE AS AT JUNE 30, 2021</b>	<u><u>50,000,000</u></u>	<u><u>52,797,074</u></u>	<u><u>102,797,074</u></u>

The annexed notes from 1 to 31 form an integral part of these financial statements.

  
DIRECTOR

  
DIRECTOR



DIGITAL CUSTODIAN COMPANY LIMITED  
(FORMERLY MCB FINANCIAL SERVICES LIMITED)  
STATEMENT OF CASH FLOWS  
FOR THE PERIOD FROM JANUARY 01, 2021 TO JUNE 30, 2021

From January 01,  
2021 to June  
30, 2021  
Rupees

From January 01,  
2020 to December  
31, 2020  
Rupees

**CASH FLOWS FROM OPERATING ACTIVITIES**

Profit before taxation	4,556,531	12,295,630
<b>Adjustments for non cash items:</b>		
Depreciation	1,105,091	1,485,771
Amortization	6,907	13,815
Gain on disposal of property and equipment	-	(5,999)
Dividend income	(2,904,585)	(7,612,790)
Capital (gain) / loss on redemption of investments	(2,753)	7,003
Fair value (gain) / loss on investments through profit or loss	(71,717)	35,976
<b>Cash flows before working capital changes</b>	2,689,474	6,219,406

**WORKING CAPITAL CHANGES**

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

Trade debts	821,737	(918,505)
Deposits, prepayments and other receivables	(539,516)	(635,081)
	282,221	(1,553,586)

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

Accrued and other liabilities	1,268,840	(1,579,951)
<b>Effect on cash flows due to working capital changes</b>	1,551,061	(3,133,537)
	4,240,535	3,085,869

Income tax paid

	(2,225,012)	(3,382,724)
<b>Net cash generated from / (used in) operating activities</b>	2,015,523	(296,855)

**CASH FLOWS FROM INVESTING ACTIVITIES**

Property and equipment purchased during the year	(5,961,433)	(576,780)
Proceeds on disposal of property and equipment	-	5,999
Proceeds on redemption of investments	2,000,000	2,500,000
Long term deposits	(120,000)	-
<b>Net cash flow (used in) / generated from investing activities</b>	(4,081,433)	1,929,219

**CASH FLOWS FROM FINANCING ACTIVITIES**

<b>NET (DECREASE) / INCREASE IN CASH AND CASH EQUIVALENTS</b>	(2,065,910)	1,632,364
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**CASH AND CASH EQUIVALENTS AT THE BEGINNING OF THE PERIOD**

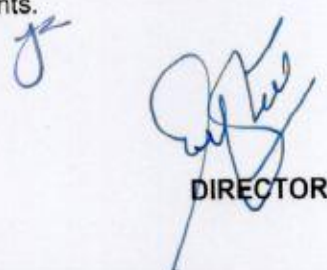
4,489,370	2,857,006
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**CASH AND CASH EQUIVALENTS AT THE END OF THE PERIOD**

2,423,460	4,489,370
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The annexed notes from 1 to 31 form an integral part of these financial statements.

  
DIRECTOR

  
DIRECTOR

**DIGITAL CUSTODIAN COMPANY LIMITED  
(FORMERLY MCB FINANCIAL SERVICES LIMITED)  
NOTES TO THE FINANCIAL STATEMENTS  
FOR THE PERIOD FROM JANUARY 31, 2021 TO JUNE 30, 2021**

**1 THE COMPANY AND ITS OPERATIONS**

Digital Custodian Company Limited (Formerly MCB Financial Services Limited) ("the Company") was incorporated on February 12, 1992 under the Companies Ordinance, 1984 (now, the Companies Act, 2017) as a private limited company. The Company converted its status from Private Limited Company to Unlisted Public Limited Company on June 19, 2009.

The principal objects of the Company are 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 fund etc.

**2 SIGNIFICANTS EVENTS DURING THE PERIOD**

- 2.1** During the year, the Company has approved the alteration of Memorandum of Association and Article of Association by changing the name of Company and registered address through special resolution passed in the meeting held on November 19, 2020 which was subsequently ratified by SECP on December 16, 2020.

MCB Bank Limited was the holding company which ceased to exist on transfer of 10% shareholding to ISE Towers Reit Management Company Limited (ISE) and 90% to Infotech (Pvt) Ltd (Info Tech) as of November 20, 2020 with effective from October 31, 2020. By virtue of majority directors on Board of DCCL as per Co-Purchase Agreement between ISE and co-purchaser Info Tech, the ISE Towers Reit Management Company Limited has been categorized as a parent company.

The geographical location and registered office address of the Company is ISE Towers, 55-B, Jinnah Avenue (Blue Area), Islamabad.

- 2.2** The Company is observing developments related to Covid-19 and evaluating the extent to which this may affect Company's operations in the short and long term. With high level of uncertainty surrounding the situation and potential additional initiatives by authorities, it is very difficult to predict the full financial impact that said situation may have on the Company. However, the management believes that the Company will be able to address the challenges posed by Covid-19 through proactive cost control measures and parent support, where required. Based on this, management concludes that going concern assumption of the Company is appropriate.

**3 BASIS OF PREPARATION**

**3.1 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) 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.

The Company has been acquired by ISE during the year. In order to align the financial years of the Company with its Parent Company, the Company has submitted application for change in reporting period from calendar year to year ending 30th June. Said application is pending for approval. To meet the reporting requirements of the Parent Company, these financial statements are presented for the 6 months period from January 01, 2021 to June 30, 2021. Based on last audited financial statements, the comparative period has been presented for the 12 months period from January 01, 2020 to December 31, 2020. Accordingly, these are not entirely comparable.

### 3.2 Accounting convention

These financial statements have been prepared under the historical cost convention except that certain financial instruments are included at their fair values in accordance with the recognition / measurement criteria mentioned in the relevant international accounting standards applicable to such instruments. Accrual basis of accounting has been used except for cash flow information.

### 3.3 Significant accounting estimates and judgments

The preparation of financial statements in conformity with the 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 expectation 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 judgments were exercised in application of accounting policies are as follow:

- Useful lives, patterns of economic benefits - Property and equipment and intangible assets	Note 6.1 & 7
- Impairment of financial assets and non- financial assets	Note 5.3(C)
- Allowance for expected credit losses	Note 5.4
- Taxation	Note 5.6
- Staff retirement benefits	Note 5.7
- Provision	Note 5.8

3.4 The estimates and underlying assumptions are reviewed on an ongoing basis. Revision to accounting estimates are recognized in the period in which the estimates are revised, if the revision affect only that period, or in the period of the revision and future periods, if the revision affects both current and future periods.

## 4 NEW ACCOUNTING STANDARDS/AMENDMENTS AND IFRS INTERPRETATIONS

### 4.1 New accounting standards, amendments and IFRS interpretations that are effective for the year ended June 30, 2021

The following standards, amendments and interpretations are effective for the year ended June 30, 2021. 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.

	Effective from Accounting period beginning on or after
Amendment to IFRS 16 'Leases' - Covid-19 related rent concessions	June 01, 2020
Amendments to the conceptual framework for financial reporting, including amendments to references to the conceptual framework in IFRS	January 01, 2020
Amendments to IFRS 3 'Business Combinations' - Definition of a business	January 01, 2020
Amendments to IAS 1 'Presentation of Financial Statements' and IAS 8 'Accounting Policies, Changes in Accounting Estimates and Errors' - Definition of material	January 01, 2020

**Effective from Accounting  
period beginning on or after**

Amendments to IFRS 9 'Financial Instruments', IAS 39 'Financial Instruments: Recognition and Measurement' and IFRS 7 'Financial Instruments: Disclosures' - Interest rate benchmark reform

January 01, 2020

Certain annual improvements have also been made to a number of IFRSs.

**4.2 New accounting standards, amendments and IFRS interpretations that are not yet effective**

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

**Effective from Accounting  
period beginning on or after**

Interest Rate Benchmark Reform – Phase 2 (Amendments to IFRS 9, IAS 39, IFRS 7, IFRS 4 and IFRS 16)

January 01, 2021

Amendment to IFRS 16 'Leases' - Covid-19 related rent concessions extended beyond June 30, 2021

April 01, 2021

Amendments to IFRS 3 'Business Combinations' - Reference to the conceptual framework

January 01, 2022

Amendments to IAS 16 'Property, Plant and Equipment' - Proceeds before intended use

January 01, 2022

Amendments to IAS 37 'Provisions, Contingent Liabilities and Contingent Assets' - Onerous Contracts — cost of fulfilling a contract

January 01, 2022

Amendments to IAS 1 'Presentation of Financial Statements' - Classification of liabilities as current or non-current

January 01, 2023

Amendments to IAS 1 'Presentation of Financial Statements' - Disclosure of accounting policies

January 01, 2023

Amendments to IAS 8 'Accounting Policies, Changes in Accounting Estimates and Errors' - Definition of accounting estimates

January 01, 2023

Amendments to 'IAS 12 Income Taxes' - deferred tax related to assets and liabilities arising from a single transaction.

January 01, 2023

Certain annual improvements have also been made to a number of IFRSs.

Other than the aforesaid standards, interpretations and amendments, the International Accounting Standards Board (IASB) has also issued the following standards which have not been adopted locally by the Securities and Exchange Commission of Pakistan:

- IFRS 1 – First Time Adoption of International Financial Reporting Standards
- IFRS 17 – Insurance Contracts

## **5 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES**

### **5.1 Functional and presentation currency**

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

### **5.1 Property and equipment**

Property and equipment are stated at cost less accumulated depreciation and recognized accumulated impairment, if any. Cost of property and equipment consists of historical cost, borrowing cost pertaining to erection / construction period of qualifying assets and other directly attributable costs of bringing the asset to 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 benefit associated with the item will flow to the Company and the cost of the item can be measured reliably. All other repair and maintenance costs are charged to statement of profit or loss during the period in which they are incurred.

#### **Depreciation**

Depreciation on additions is charged from the month the assets are available for use while no depreciation is charged from the month in which the assets are disposed off. Depreciation is charged to statement of profit or loss applying the straight line method at the rates given in note 6. The residual values and useful lives are reviewed by the management, at each financial period-end and adjusted if impact on depreciation is significant.

#### **De-recognition**

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

### **5.2 Intangible assets - computer software**

An intangible asset is recognized if it is probable that the future economic benefits that are attributable to the asset will flow to the Company and that the cost of such asset can be measured reliably.

Generally, costs associated with developing or maintaining computer software programmes are recognized as an expense as incurred. However, costs that are directly associated with identifiable software and have probable economic benefits exceeding one period are capitalized. Direct costs include the purchase cost of software and related overhead cost. Intangible assets acquired separately are measured on initial recognition at cost. Following initial recognition, intangible assets are carried at cost less accumulated amortization and recognized accumulated impairment losses, if any, thereon.

Expenditure which enhances or extends the performance of computer software beyond its original specification and useful life is recognized as a capital improvement and added to the original cost of the software.

Intangible asset is amortized from the month when such asset is available for use on straight-line basis over its useful economic life at the rate specified in note 7 and the resulting amortization is charged to statement of profit or loss.

### 5.3 Financial instruments

Financial instruments carried on the statement of financial position include long term deposit, trade debts, investments, other receivables, cash and bank balances and accrued and other liabilities etc.

#### a) Financial assets

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

##### i- Financial assets at amortized cost

Financial assets at amortized cost are held within a business model whose objective is to hold financial assets in order to collect contractual cash flows and the contractual terms of the financial asset give rise on specified dates to cash flows that are solely payments of principal and interest on the principal amount outstanding.

##### ii- Financial assets at fair value through other comprehensive income

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

##### iii- Financial assets at fair value through profit or loss

Financial assets at fair value through profit or loss are those financial assets which are either designated in this category or not classified in any of the other categories.

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 investments are recognized at trade date i.e. the date on which the Company commits to purchase or sell the asset.

Financial assets which are not carried at fair value through profit or loss are initially recognized at fair value plus transaction costs. Financial assets carried at fair value through profit or loss are initially recognized at fair value and transaction costs are expensed in the statement of profit or loss.

Gains and losses arising on financial assets at amortized cost and financial assets at fair value through profit or loss are recognized in the statement of profit or loss. Interest calculated under effective interest method, dividend, impairment and foreign exchange gains and losses on financial assets at fair value through other comprehensive income are also recognized in the statement of profit or loss. Gains and losses from changes in fair value of financial assets at fair value through other comprehensive income are recognized in other comprehensive income and are reclassified to statement of profit or loss on derecognition or reclassification.

Financial assets are derecognized when the rights to receive cash flows from the assets have expired or have been transferred and the Company has transferred substantially all risks and rewards of ownership.

The Company assesses on a forward looking basis the expected credit losses associated with its financial assets carried at amortized cost and fair value through other comprehensive income. The impairment methodology applied depends on whether there has been a significant increase in credit risk. For trade receivables, the Company applies the simplified approach, which requires expected lifetime losses to be recognized from initial recognition of the receivables.

#### b) Financial liabilities

Financial liabilities are recognized at the time when the Company becomes a party to the contractual provisions of the instrument. Financial liabilities at amortized costs are initially measured at fair value minus transaction costs. Financial liabilities at fair value through profit or loss are initially recognized at fair value and transaction costs are expensed in the statement of profit or loss.

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

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

#### **c) Impairment**

##### **Financial assets**

A financial asset is considered to be impaired if objective evidence indicates that one or more events had a negative effect on the estimated future cash flow of that asset.

An impairment loss in respect of a financial asset measured at amortized cost and at fair value other comprehensive income is calculated on basis of "expected credit losses" model.

Individually significant financial assets are tested for impairment on an individual basis. The remaining financial assets are assessed collectively in groups that share similar credit risk characteristics.

##### **Non-financial assets**

The carrying amounts of the Company's non-financial assets are reviewed at each reporting date to determine whether there is any indication of impairment. If such indication exists, the recoverable amount of such asset is estimated. An impairment loss is recognized wherever the carrying amount of the asset exceeds its recoverable amount. Impairment losses are recognized in statement of profit or loss. A previously recognized impairment loss is reversed only if there has been a change in the estimates used to determine the asset's recoverable amount since the last impairment loss was recognized. If that is the case, the carrying amount of the asset is increased to its recoverable amount. That increased amount cannot exceed the carrying amount that would have been determined, net of depreciation, had no impairment loss been recognized for the asset in prior years. Such reversal is recognized in statement of profit or loss.

#### **d) De-recognition**

##### **i. Financial assets**

The Company derecognizes a financial asset when the contractual rights to the cash flows from the 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 it neither transfers nor retains substantially all of the risks and rewards of ownership and does not retain control over the transferred asset. Any interest in such derecognized financial assets that is created or retained by the Company is recognized as a separate asset or liability.

##### **ii. Financial liabilities**

The Company derecognizes a financial liability (or a part of financial liability) from its statement of financial position when the obligation specified in the contract is discharged or cancelled or expires.

#### **e) Offsetting of financial instruments**

Financial assets and financial liabilities are set off and the net amount is reported in the financial statements when there is a legal enforceable right to set off and the Company intends either to settle on a net basis or to realize the assets and to settle the liabilities simultaneously.

### **5.4 Trade debts and other receivables**

Trade debts 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.

The Company has applied the simplified approach for measuring expected credit losses, which uses a lifetime expected loss allowance. To measure the expected credit losses, trade receivables have been grouped based on days overdue.

Other receivables are recognized at amortized cost, less any allowance for expected credit losses.

#### **5.5 Trade and other payables**

Trade and other payables are stated at cost, which is fair value of consideration to be paid in future for goods and services received.

#### **5.6 Taxation**

##### **Current**

Provision for current taxation is based on taxable income at the current rates of taxation after taking into consideration available tax credits and rebates, if any. The charge for the current tax also includes adjustments where considered necessary, relating to prior years which arise from assessments framed / finalized during the period.

##### **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 the assets and liabilities in the financial statements and the corresponding tax base. Deferred tax liabilities are recognized for all taxable temporary differences. The Company recognizes deferred tax asset on all deductible temporary differences to the extent that it is probable that future taxable profits will be available against which these deductible temporary differences, unused tax losses and tax credits can be utilized.

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 in the statement of profit or loss, except where deferred tax arises on the items credited or charged to comprehensive income or directly to the equity, in which case it is adjusted in statement of comprehensive income or statement of changes in equity.

#### **5.7 Staff retirement benefits**

The Company operates provident Company scheme covering all permanent employees. Contributions @ 8.33% per month are made both by the Company and employees to the Company.

#### **5.8 Provisions**

Provisions are recognized when the Company has a 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 obligations and a reliable estimate of the amount can be made. Provisions are reviewed at each reporting date to reflect current best estimate.

#### **5.9 Revenue recognition**

Revenue and income from different sources is recognized as under:

- Revenue from trusteeship and custodian business is recognized when the COMPANY satisfies A performance obligation by rendering promised services as per respective agreements.
- Dividend income is recognized when the Company's right to receive dividend is established.
- profit on bank Balances is accounted for on time proportion basis.

#### **5.10 Related party transactions and transfer pricing**

Transactions and contracts with the related parties are carried out at an arm's length price determined in accordance with comparable uncontrolled price method.



### **5.11 Dividend and transfer of reserves**

Dividend and transfers among reserves declared after reporting date are treated as post statement of financial position non-adjusting events hence do not qualify for recognition in these financial statements. These transfers are, therefore, recorded in the next period's financial statements.

### **5.12 Share capital**

Ordinary shares are classified as equity.

### **5.13 Earnings per share**

The Company presents basic and diluted earnings per share (EPS). Basic EPS is calculated by dividing the profit or loss, as the case may be, attributable to ordinary shareholders of the Company by the weighted average number of ordinary shares outstanding during the period. Diluted EPS is determined by adjusting the profit attributable to ordinary shareholders and the weighted average number of ordinary shares outstanding for the effects of all dilutive potential ordinary shares, if any. The Company does not account for the effect of potential ordinary shares while calculating dilutive loss per share in accordance with the requirements of the IAS 33 'Earnings per Share'.

**6 PROPERTY AND EQUIPMENT**

	Note	June 30, 2021 Rupees	December 31, 2020 Rupees
Fixed assets	6.1	5,618,698	1,762,356
Capital work in progress		1,000,000	-
		<b>6,618,698</b>	<b>1,762,356</b>

**6.1 Fixed assets**

	Computers	Furniture	Equipments	Vehicles	Total
			--		
<b>Cost</b>					
Balance as at January 1, 2020	2,485,789	2,862,629	3,842,576	2,810,000	12,000,994
Additions during the year	448,030	-	128,750	-	576,780
Disposal during the year	(628,107)	(67,864)	(281,303)	-	(977,274)
Balance as at December 31, 2020	<u>2,305,712</u>	<u>2,794,765</u>	<u>3,690,023</u>	<u>2,810,000</u>	<u>11,600,500</u>
<b>Balance as at January 1, 2021</b>	<b>2,305,712</b>	<b>2,794,765</b>	<b>3,690,023</b>	<b>2,810,000</b>	<b>11,600,500</b>
<b>Additions during the period</b>	<b>2,467,250</b>	<b>2,029,183</b>	<b>465,000</b>	<b>-</b>	<b>4,961,433</b>
<b>Balance as at June 30, 2021</b>	<b><u>4,772,962</u></b>	<b><u>4,823,948</u></b>	<b><u>4,155,023</u></b>	<b><u>2,810,000</u></b>	<b><u>16,561,933</u></b>
<b>Accumulated depreciation</b>					
Balance as at January 1, 2020	2,156,313	1,836,424	2,526,911	2,809,999	9,329,647
Charge for the year	293,278	540,642	651,851	-	1,485,771
Disposal during the year	(628,107)	(67,864)	(281,303)	-	(977,274)
Balance as at December 31, 2020	<u>1,821,484</u>	<u>2,309,202</u>	<u>2,897,459</u>	<u>2,809,999</u>	<u>9,838,144</u>
<b>Balance as at January 1, 2021</b>	<b>1,821,484</b>	<b>2,309,202</b>	<b>2,897,459</b>	<b>2,809,999</b>	<b>9,838,144</b>
<b>Charge for the period</b>	<b>344,277</b>	<b>405,602</b>	<b>355,211</b>	<b>1</b>	<b>1,105,091</b>
<b>Balance as at June 30, 2021</b>	<b><u>2,165,761</u></b>	<b><u>2,714,804</u></b>	<b><u>3,252,670</u></b>	<b><u>2,810,000</u></b>	<b><u>10,943,235</u></b>
Carrying value as at December 31, 2020	<u>484,228</u>	<u>485,563</u>	<u>792,564</u>	<u>1</u>	<u>1,762,356</u>
<b>Carrying value as at June 30, 2021</b>	<b><u>2,607,201</u></b>	<b><u>2,109,144</u></b>	<b><u>902,353</u></b>	<b><u>-</u></b>	<b><u>5,618,698</u></b>
<b>Depreciation rate per annum</b>	<b>25%</b>	<b>10% - 20%</b>	<b>20% - 33.33%</b>	<b>20%</b>	

7 INTANGIBLE ASSETS

June 30, 2021			
Accounting software	Operational software	Total	
Rupees	Rupees	Rupees	
<b>As at January 1, 2021</b>			
Cost	143,136	40,000	183,136
Accumulated amortization	(72,807)	(10,999)	(83,806)
<b>Net book value</b>	<b>70,329</b>	<b>29,001</b>	<b>99,330</b>

**As at June 30, 2021**

Opening net book value	70,329	29,001	99,330
Amortization	(4,907)	(2,000)	(6,907)
<b>Closing net book value</b>	<b>65,422</b>	<b>27,001</b>	<b>92,423</b>

**As at June 30, 2021**

Cost	143,136	40,000	183,136
Accumulated amortization	(77,714)	(12,999)	(90,713)
<b>Net book value</b>	<b>65,422</b>	<b>27,001</b>	<b>92,423</b>

December 31, 2020		
Accounting software	Operational software	Total
Rupees	Rupees	Rupees

**As at January 1, 2020**

Cost	143,136	40,000	183,136
Accumulated amortization	(62,992)	(6,999)	(69,991)
<b>Net book value</b>	<b>80,144</b>	<b>33,001</b>	<b>113,145</b>

**Year ended December 31, 2020**

Opening net book value	80,144	33,001	113,145
Amortization	(9,815)	(4,000)	(13,815)
<b>Closing net book value</b>	<b>70,329</b>	<b>29,001</b>	<b>99,330</b>

**As at December 31, 2020**

Cost	143,136	40,000	183,136
Accumulated amortization	(72,807)	(10,999)	(83,806)
<b>Net book value</b>	<b>70,329</b>	<b>29,001</b>	<b>99,330</b>

Amortization rate per annum

10%

10%

8 LONG TERM DEPOSITS

Central Depository Company of Pakistan Limited  
 Yaqoob Trading Company  
 ISE Towers REIT Management Company Limited

Note

8.1

June 30,  
2021  
Rupees

December 31,  
2020  
Rupees

100,000

100,000

987,000

987,000

120,000

-

**1,207,000**

**1,087,000**

8.1 This represents security deposit paid to the landlord against rented property.

9	DEFERRED TAXATION	Note	June 30, 2021 Rupees	December 31, 2020 Rupees
	<b>Deferred tax liability comprises of:</b>			
	<b>Deductible temporary differences on account of</b>			
	Depreciation on property and equipment		184,070	424,535
	Amortization of intangible assets		653	1,305
			<u>184,723</u>	<u>425,840</u>
10	<b>TRADE DEBTS - CONSIDERED GOOD &amp; UNSECURED</b>			
	It represents amount due from other than related parties which is past due but not impaired. These relate to a number of independent customers from whom there is no recent history of default. The ageing analysis of these trade debts is as follows:			
			June 30, 2021 Rupees	December 31, 2020 Rupees
	Not yet due		-	-
	Upto 1 month		3,469,815	2,911,291
	1 to 6 months		613,186	1,749,678
	More than 6 months		28,257	272,026
			<u>4,111,258</u>	<u>4,932,995</u>
11	<b>INVESTMENTS</b>			
	<b>At fair value through profit or loss</b>			
	Cash Management Optimizer Fund - units 862,616.2279 (2020: 857,935.9735 )	11.1	<u>87,088,258</u>	<u>86,544,893</u>
11.1	<b>Cash Management Optimizer Fund</b>	Note	June 30, 2021 Rupees	December 31, 2020 Rupees
	Opening balance		86,544,893	82,617,000
	Dividend reinvested during the year - units 24479.3921 (2020: 64245.7691)		2,468,895	6,470,870
	Redemption during the year - units 19799.1377 (2020: 24840.4498)		(1,997,247)	(2,507,003)
	Unrealized gain / (loss) on fair value of investments		71,717	(35,974)
			<u>87,088,258</u>	<u>86,544,893</u>
12	<b>DEPOSITS, PREPAYMENTS AND OTHER RECEIVABLES</b>			
	Security deposits		5,000	5,000
	Prepayments		1,427,637	945,103
	Other receivables - considered good & unsecured		238,546	181,564
			<u>1,671,183</u>	<u>1,131,667</u>
13	<b>ADVANCE INCOME TAX - NET</b>			
	Balance refundable at the beginning of the period/year		2,987,682	2,845,998
	Tax deducted at source		2,225,013	4,524,642
	Provision for taxation		(2,167,316)	(4,382,958)
	Balance refundable at the end of the period/year		<u>3,045,379</u>	<u>2,987,682</u>

		June 30, 2021 Rupees	December 31, 2020 Rupees
<b>14 CASH AND BANK BALANCES</b>			
Cash in hand		47,416	8,811
Cash at bank			
- Current account		2,373,099	1,399,400
- Savings account	14.1	2,945	3,081,159
		<u>2,423,460</u>	<u>4,489,370</u>

14.1 This carries profit on savings account at the rate 5.5% to 8% (Dec 2020: 5.5% to 9.5% ) per annum.

## 15 ISSUED, SUBSCRIBED AND PAID UP SHARE CAPITAL

### 15.1 Authorized share capital

June 30, 2021 Number of shares	December 31, 2020 Number of shares	Note	June 30, 2021 ----- Rupees -----	December 31, 2020 ----- Rupees -----
<u>50,000,000</u>	<u>50,000,000</u>	Shares of Rupees 10 each	<u>500,000,000</u>	<u>500,000,000</u>

### 15.2 Issued, subscribed and paid up capital

June 30, 2021 Number of shares	December 31, 2020 Number of shares		June 30, 2021 ----- Rupees -----	December 31, 2020 ----- Rupees -----
<u>5,000,000</u>	<u>2,750,012</u>	Ordinary shares of Rupees 10 each fully paid in cash	<u>50,000,000</u>	<u>27,500,120</u>
		15.4		

### 15.3 The shareholding structure of the Company is as under:

	2021 Number	2020 Number
InfoTech (Private) Limited	4,499,990	2,475,000
ISE Towers REIT Management Company Limited	500,000	275,000
Others	10	12
	<u>5,000,000</u>	<u>2,750,012</u>

15.4 The Board of Directors in its meeting held on January 18, 2021 approved issuance of bonus shares in ratio of eighty two shares for every hundred shares held (i.e. 82%) amounting to Rs. 22.499 million.

	June 30, 2021 Rupees	December 31, 2020 Rupees
<b>16 ACCRUED AND OTHER LIABILITIES</b>		
Accrued liabilities	3,241,083	2,070,187
Audit fee payable	154,000	-
Sindh sales tax payable	250,225	306,281
	<u>3,645,308</u>	<u>2,376,468</u>

## 17 CONTINGENCIES AND COMMITMENTS

### 17.1 Contingencies

There were no contingencies as at the reporting date (2020: Nil).

### 17.2 Commitments

Company's commitments for capital expenditure are Rs. 3.2 million (2020: Nil).

		From January 01, 2021 to June 30, 2021 Rupees	From January 01, 2020 to December 31, 2020 Rupees
<b>18 OPERATING INCOME</b>	<b>Note</b>		
Trusteeship business	18.2	18,989,931	27,922,609
Custodial business	18.3	5,019,284	10,283,926
		<u>24,009,215</u>	<u>38,206,535</u>

18.1 Sindh sales tax on revenue charged during the period amounted to Rs. 3,153,898 (Dec 2020: Rupees 5,210,230).

18.2 During the period, the Company provided trusteeship services to 34 mutual funds (Dec 2020: 32). The remuneration has been received from these funds at different rates in accordance with respective agreements.

18.3 During the period, the Company provided custodial services to 56 (Dec 2020: 58) clients. Custodial fee has been charged as per agreements with such clients.

		From January 01, 2021 to June 30, 2021 Rupees	From January 01, 2020 to December 31, 2020 Rupees
<b>19 OPERATING AND ADMINISTRATIVE EXPENSES</b>	<b>Note</b>		
Salaries, allowances and other benefits	19.1	14,082,942	22,811,603
Director's fee		1,050,000	-
Electricity expenses		246,665	619,840
Telephone expenses		158,751	252,851
Legal and professional charges		388,000	410,000
Fees and subscription		370,450	331,106
Rent, rates and taxes		1,486,931	2,596,591
Entertainment		427,015	518,855
Printing and stationery		106,051	162,044
Travelling and conveyance		13,390	148,400
Repairs and maintenance		411,476	588,313
Insurance		654,641	883,268
Auditors' remuneration	19.2	154,000	540,000
Custody charges		64,440	128,360
SECP fee	19.3	1,014,792	1,330,094
Depreciation	6	1,105,091	1,485,771
Amortization	7	6,907	13,815
Computer and technical support expenses		516,328	690,913
Miscellaneous expenses		195,690	47,045
		<u>22,453,560</u>	<u>33,558,869</u>

19.1 This includes an amount of Rs. 429,325 (2020: Rs.763,657) in respect of contribution towards staff provident fund.

#### 19.2 Auditors' remuneration

Audit fee	140,000	100,000
System audit fee	-	100,000
Audit of staff provident fund	-	25,000
Special audit fee	-	285,000
Other certification	-	25,000
Out of pocket expenses	14,000	5,000
	<u>154,000</u>	<u>540,000</u>

- 19.3 SECP fee has been calculated under clause 41(P) of Non-Banking Finance Companies and Notified Entities Regulations, 2008 as annual fees to the Commission at the rate of 0.005 percent of average annual net assets of Open End Scheme under its trusteeship and same is payable within three months of the close of financial year.

	Note	From January 01, 2021 to June 30, 2021 Rupees	From January 01, 2020 to December 31, 2020 Rupees
<b>20 OTHER EXPENSES</b>			
Capital loss on redemption of investments		-	7,003
<b>21 OTHER INCOME</b>			
<b>From financial assets</b>			
Dividend income		2,904,585	7,612,790
Profit on savings account		21,821	72,154
Capital gain on redemption of investments		2,753	-
<b>From non-financial assets</b>			
Gain on disposal of property and equipment		-	5,999
		<u>2,929,159</u>	<u>7,690,943</u>
<b>22 PROVISION FOR TAXATION</b>			
Current - for the year		2,167,316	4,402,944
- for prior year		-	(19,986)
Tax on Dividend		435,689	-
Deferred		241,117	(218,143)
		<u>2,844,122</u>	<u>4,164,815</u>
<b>22.1 Reconciliation of tax expense:</b>			
Profit before tax		<u>4,556,531</u>	<u>12,295,630</u>
Tax rate		29%	29%
Tax on profit		1,321,394	3,565,733
Prior year		-	(19,986)
Effect of decrease in tax rate		-	-
Effect of unrealized fair value loss / (gain)		(20,799)	10,433
Effect of tax on capital loss		-	2,031
Effect of tax on dividend income		(406,642)	(1,065,791)
Impact of minimum tax		1,950,169	1,701,124
Other computational adjustments		-	(28,729)
Tax charge for the current year		<u>2,844,122</u>	<u>4,164,815</u>

23 EARNINGS PER SHARE - BASIC AND DILUTED	From January 01, 2021 to June 30, 2021	From January 01, 2020 to December 31, 2020 Restated
There is no dilutive effect on the basic earnings per share which is based on:		
Profit after taxation (Rupees)	1,712,409	8,130,815
Weighted average number of ordinary shares (Number)	5,000,000	5,000,000
Earnings per share (Rupees)	0.34	1.63

#### 24 REMUNERATION OF CHIEF EXECUTIVE OFFICER AND EXECUTIVE

The aggregate amount charged in the financial statements for the remuneration, including all benefits, to the Chief Executive Officer and executive are as follows:

	Chief Executive Officer		Executive	
	From January 01, 2021 to June 30, 2021 Rupees	From January 01, 2020 to December 31, 2020 Rupees	From January 01, 2021 to June 30, 2021 Rupees	From January 01, 2020 to December 31, 2020 Rupees
Managerial remuneration	1,610,430	2,928,061	610,812	1,269,203
Special pay	80,778	161,556	35,532	125,064
Retirements benefits	134,149	243,911	-	105,722
House rent allowance	724,692	1,317,626	274,866	571,139
Utilities	161,046	292,810	61,080	126,922
Medical	18,000	36,000	15,000	36,000
Bonus	-	1,259,929	-	430,899
Cost of Petrol	101,046	-	52,716	-
	<u>2,830,141</u>	<u>6,239,893</u>	<u>1,050,006</u>	<u>2,664,949</u>
Number of persons	<u>1</u>	<u>1</u>	<u>1</u>	<u>1</u>

- 24.1 The Chief Executive Officer is provided with free use of Company maintained car and mobile phone in accordance with the terms of employment. Total fee charged as remuneration of directors for attending meetings is amounted to Rs. 525,000 as disclosed in note 19 to the financial statements.

#### 25 RELATED PARTIES TRANSACTION

- 25.1 Related parties comprise of group companies (the parent company and fellow subsidiaries), key management personnel of the Company and directors and their close family members, major shareholders of the Company and staff provident fund. Transaction with related parties are on arm's length basis. Remuneration and benefits to executives of the Company are in accordance with the terms of the employment while contribution to the provident fund is in accordance with staff service rules. Remuneration of the chief executive officer is disclosed in note 22 to the financial statements. The balances with related parties are disclosed in respective notes. The transactions with related parties are as follows:



From January 01, 2021 to June 30, 2021 Rupees	From January 01, December 31, 2020 Rupees
--------------------------------------------------------	----------------------------------------------------

i. **Name and relationship with the Company Nature of transaction**

**Holding Company**

InfoTech (Private) Limited		-	-
ISE Towers REIT Management Company Limited	Advance Deposit for DCCL Office premises in Islamabad	120,000	-
ISE Towers REIT Management Company Limited	DCCL Office Rent in Islamabad	210,000	-

**26 STAFF PROVIDENT FUND**

The following information is based on audited financial statements of the provident fund for the years ended 30 June 2020 and 30 June 2021:

	June 30, 2021 Rupees	December 31, 2020 Rupees
Size of the fund - total assets	1,480,896	3,283,218
Cost of investments	1,480,896	3,283,218
Percentage of investments made	100%	100%
Fair value of investments	1,480,896	3,283,218

	2021	2020	2021	2020
	-----Percentage-----		-----Rupees-----	
Term deposits receipts (TDRs)	-	-	-	-
Bank balances	100%	100%	1,480,896	3,283,218
	<u>100%</u>	<u>100%</u>	<u>1,480,896</u>	<u>3,283,218</u>

**26.1** The above investments and placement of funds in special bank account has been made in accordance with the provisions of section 218 of Companies Act, 2017 and the rules formulated for this purpose.

**27 Financial risk management**

**27.1 Financial risk factors**

The Company's activities expose it to a variety of financial risks: market risk (including, price risk and cash flow and fair value interest rate risk), credit risk and liquidity risk. The Company's overall risk management programme focuses on the unpredictability of financial markets and seeks to minimize potential adverse effects on the financial performance.

Risk management is carried out 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.

**(a) Market risk**

**(i) 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. Currency risk arises mainly from future commercial transactions or receivables and payables that exist due to transactions in foreign currencies. The company is not exposed to currency risk because the company has not entered in to any transaction in foreign currency.

**(ii) Other 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 the individual financial instrument or its issuer, or factors affecting all similar financial instrument traded in the market. The Company is not exposed to commodity price risk as well as market price risk as the Company has no investment in such instruments.

**(iii) Interest rate risk**

This represents 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 has no long-term interest-bearing assets at reporting date. The Company's interest rate risk arises from its bank balances. Financial instruments at variable rate expose the Company to cash flow interest rate risk. Financial instruments with fixed interest rate expose to the Company to fair value interest rate risk. At the reporting date, the interest rate profile of the Company's interest bearing financial instrument was:

	June 30, 2021 Rupees	December 31, 2020 Rupees
<b>Floating rate instrument:</b>		
Bank balances - savings accounts	<u>2,945</u>	<u>3,081,159</u>

There were no fixed interest rate bearing financial instruments as at the reporting date.

**Cash flow sensitivity analysis for variable rate instruments:**

If interest rates at the year end date, fluctuates by 1% higher / lower with all other variables held constant, profit before taxation for the period/year would have been Rs. 29 (2020: Rs. 30,812) lower / higher, mainly as a result of higher / lower interest income on floating rate financial instruments. This analysis is prepared assuming the amounts of financial instruments outstanding at reporting date were outstanding for the whole year.

**(b) Credit risk**

Credit risk represents the risk that one party to a financial instrument will cause a financial loss for the other party by failing to discharge an obligation. The carrying amount of financial assets represents the maximum credit exposure. The maximum exposure to credit risk at the reporting date was as follows.

	June 30, 2021 Rupees	December 31, 2020 Rupees
Long term deposits	1,207,000	1,087,000
Trade debts	4,111,258	4,932,995
Investments	87,088,258	86,544,893
Deposits and other receivables	243,546	186,564
Bank balances	2,376,044	4,480,559
	<u>95,026,106</u>	<u>97,232,011</u>

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

Counterparty	Rating		Rating agency		
	Short term	Long Term			
MCB Bank Limited	A1+	AAA	PACRA	2,376,044	4,480,559
MCB Cash Management	-	AA+(f)	PACRA	87,088,258	86,544,893
				<u>89,464,302</u>	<u>91,025,452</u>

Due to the Company's long standing business relationships with the above counterparties and after giving due consideration to its strong financial standing, management does not expect non-performance by the counter party on its obligations to the Company. Accordingly the credit risk is minimal.

### (c) Liquidity risk

Liquidity risk is the risk that an entity will encounter difficulty in meeting obligations associated with financial liabilities.

The Company manages liquidity risk by maintaining sufficient cash. At June 30, 2021 the Company had Rs. 2.423 million (2020: Rs. 4.489 million) of cash and bank balances. Further, the Company also has strong financial support from its holding company. Based on the above, management believes the liquidity risk to be low.

### Contractual maturities of financial liabilities:

	Accrued and other payables June 30, 2021 Rupees	December 31, 2020 Rupees
Carrying amount	<u>3,645,308</u>	<u>2,376,468</u>
Contractual cash flows:		
6 month or less	3,645,308	2,376,468
More than 6 months	-	-
	<u>3,645,308</u>	<u>2,376,468</u>

(d) **Recognized Fair Value measurement - Financial Assets**

(i) **Fair value hierarchy**

Judgments and estimates are made in determining the fair values of the financial instruments that are recognized and measured at fair value in these financial statements. To provide an indication about the reliability of the inputs used in determining fair value, the Company has classified its financial instruments into the following three levels. An explanation of each level follows underneath the table:

<b>Recurring fair value measurements</b>	<b>Level 1</b>	<b>Level 2</b>	<b>Level 3</b>	<b>Total</b>
	<b>Rupees</b>	<b>Rupees</b>	<b>Rupees</b>	<b>Rupees</b>
<b>Financial asset as at 30 June 2021</b>				
Fair value through profit and loss	<b>87,088,258</b>	-	-	<b>87,088,258</b>
<b>Financial asset as at 31 December 2020</b>				
Fair value through profit and loss	<b>86,544,893</b>	-	-	<b>86,544,893</b>

Level 1: The fair value of financial instruments traded in active markets (such as publicly traded derivatives, and trading and available for sale securities) is based on quoted market prices at the end of the reporting date. The quoted market price used for financial assets held by the Company is the current bid price. These instruments are included in level 1.

Level 2: The fair value of financial instruments that are not traded in an active market (for example, over-the-counter derivatives) is determined using valuation techniques which maximize the use of observable market data and rely as little as possible on entity-specific estimates. If all significant inputs required to fair value an instrument are observable, the instrument is included in level 2.

Level 3: If one or more of the significant inputs is not based on observable market data, the financial instrument is classified under level 3. The carrying amount less impairment provision of trade receivables and payables are assumed to approximate their fair values. The fair value of financial liabilities for disclosure purposes is estimated by discounting the future contractual cash flows at the current market interest rate that is available to the Company for similar financial instruments.

(ii) **Valuation techniques used to determine fair values**

Valuation technique used to value financial instruments includes the use of quoted market prices.

(e) **Recognized fair value measurements - Non-Financial Assets**

There were no any non-financial assets as at June 30, 2021 (2020: Nil) for the recognized fair value measurement.

**27.2 Fair values of financial assets and liabilities**

The carrying values of all financial assets and liabilities reflected in financial statements approximate their fair values.

27.3 Financial instruments by categories

As at June 30, 2021

Assets as per statement of financial position

	Amortized cost Rupees	Investment at fair value through profit or loss Rupees	Total Rupees
Long term deposits	1,207,000	-	1,207,000
Investments	-	87,088,258	87,088,258
Trade debts	4,111,258	-	4,111,258
Deposit and other receivables	243,546	-	243,546
Cash and bank balances	2,423,460	-	2,423,460
	<u>7,985,264</u>	<u>87,088,258</u>	<u>95,073,522</u>

Financial liabilities as per statement of financial position

Accrued and other liabilities

Amortized cost Rupees
<u>3,645,308</u>

As at December 31, 2020

Financial assets as per statement of financial position

	Amortized cost Rupees	Investment at fair value through profit or loss Rupees	Total Rupees
Long term deposits	1,087,000	-	1,087,000
Investments	-	86,544,893	86,544,893
Trade debts	4,932,995	-	4,932,995
Deposit and other receivables	186,564	-	186,564
Cash and bank balances	4,489,370	-	4,489,370
	<u>10,695,929</u>	<u>86,544,893</u>	<u>97,240,822</u>

Financial liabilities as per statement of financial position

Accrued and other liabilities

Amortized cost Rupees
<u>2,376,468</u>

28 CAPITAL RISK MANAGEMENT POLICIES AND PROCEDURES

The Company's objective when managing the capital are:

- to safeguard its ability to continue as a going concern so that it can continue to provide return to shareholders and benefits other stakeholders; and
- to maintain a strong capital base to support the sustained development of its business.

The Company manages its capital structure by monitoring return on net assets and to maintain 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 and other means commensurating to the circumstances.

	June 30, 2021	December 31, 2020
	-----Number-----	
<b>29 NUMBER OF EMPLOYEES</b>		
The number of employees during the period / year were as follows:		
At period / year end	<u>35</u>	<u>16</u>
Average during the period / year	<u>26</u>	<u>16</u>

**30 AUTHORIZATION FOR ISSUE**

These financial statements were approved and authorized for issue on October 03, 2021 by the Board of Directors of the Company.

**31 GENERAL**

No significant reclassification or rearrangement of the corresponding figures have been made during the period in these financial statements.

Figures have been rounded off to nearest Rupee unless otherwise stated.

  
**DIRECTOR**

*je*

  
**DIRECTOR**