

**INVESTMENT MANAGERS SECURITIES (PRIVATE) LIMITED
FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 2022**

DIRECTORS' REPORT

On behalf of the Board of Directors of the Company, I am pleased to present our report together with the audited financial statement of the Company for the year June 30, 2022.

Performance Overview

The following depicts the Company's performance in the current year.

	Rupees
Operating revenue	6,006,758
Operating expenses	(18,323,887)
Operating loss	(12,317,130)
Other income	14,033,795
Profit before taxation	1,716,665
Taxation	(1,146,528)
Profit after taxation	570,137

Earnings per share

Earnings per share for the year ended 30th June 2022 was Rs. **0.03**

Capital Market Review & Outlook

Pakistan's equities market performance remained extremely volatile during the year under review influenced by various domestic and exogenous factors which badly effected the profitability of the company and eventually PSX Index closed at 41,540 as at June 30, 2022. Moreover, higher inflation and interest rates are likely to keep the equities market under pressure during next year.

Dividend:

The Directors do not recommended any dividend during the year due to cash flow requirement during next financial year.

External Auditors

The retiring auditors, M/s. Nasir Javaid Maqsood Imran., Chartered Accountants, being eligible, have offered themselves for reappointment

Dated:

Director

Chief Executive

INVESTMENT MANAGERS SECURITIES (PRIVATE) LIMITED
STATEMENT OF FINANCIAL POSITION
AS AT JUNE 30, 2022

	Note	Rupees 2022	Rupees 2021
ASSETS			
NON-CURRENT ASSETS			
Property & equipment	4	3,450,844	3,987,053
Intangible assets	5	2,500,000	2,500,000
Long term advances & deposits	6	7,016,000	5,706,000
		12,966,844	12,193,053
CURRENT ASSETS			
Trade receivables	7	25,961,575	16,238,295
Short term investment	8	16,398,209	35,761,881
Advances, deposits & other receivables	9	48,795,428	56,734,653
Cash & bank balances	10	14,243,494	25,946,601
		105,398,707	134,681,430
TOTAL ASSETS		118,365,551	146,874,483
EQUITY AND LIABILITIES			
CAPITAL AND RESERVES			
Authorized Capital			
30,000,000 (2021: 30,000,000) ordinary shares of Rs. 10/- each		300,000,000	300,000,000
Issued, subscribed and paid-up capital	11	200,004,000	200,004,000
Reserves		(95,931,989)	(83,441,302)
		104,072,011	116,562,698
LIABILITIES			
CURRENT LIABILITIES			
Trade payables		9,160,750	19,987,826
Accrued expenses & other liabilities	12	5,132,789	10,323,959
		14,293,539	30,311,785
CONTINGENCIES AND COMMITMENTS	13	-	-
TOTAL EQUITY AND LIABILITIES		118,365,551	146,874,483

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

Chief Executive

Director

INVESTMENT MANAGERS SECURITIES (PRIVATE) LIMITED
STATEMENT OF PROFIT OR LOSS
FOR THE YEAR ENDED JUNE 30, 2022

	Note	Rupees 2022	Rupees 2021
REVENUE			
Operating revenue	14	11,895,252	16,433,603
Capital gain on sale of securities		414,354	129,117
Unrealised (loss) / gain on remeasurement of investment at fair value - through profit or loss		(6,302,848)	6,475,031
		6,006,758	23,037,751
Administrative expenses	15	(18,309,749)	(27,284,018)
Finance cost	16	(14,138)	(15,042)
		(18,323,887)	(27,299,060)
Operating loss		(12,317,130)	(4,261,309)
Other income	17	14,033,795	5,923,217
Profit before taxation		1,716,665	1,661,908
Taxation	18	(1,146,528)	(1,809,298)
Profit / (loss) after taxation		570,137	(147,390)
Profit / (loss) per share - basic and diluted	19	0.03	(0.01)

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

Chief Executive

Director

INVESTMENT MANAGERS SECURITIES (PRIVATE) LIMITED
STATEMENT OF COMPREHENSIVE INCOME
FOR THE YEAR ENDED JUNE 30, 2022

Note	Rupees 2022	Rupees 2021
Profit / (loss) after taxation	570,137	(147,390)
<u>Other comprehensive (loss) / income for the year</u>		
Items that will not be reclassified to statement of profit or loss subsequently		
Unrealised (loss) / gain on remeasurement of investment - At fair value - through other comprehensive income	(13,060,823)	13,417,617
Total comprehensive (loss) / income for the year	(12,490,686)	13,270,227

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

Chief Executive

Director

INVESTMENT MANAGERS SECURITIES (PRIVATE) LIMITED
STATEMENT OF CASH FLOWS
FOR THE YEAR ENDED JUNE 30, 2022

Note	Rupees 2022	Rupees 2021
CASH FLOWS FROM OPERATING ACTIVITIES		
Profit before taxation	1,716,665	1,661,908
Add / (less) : Items not involved in movement of fund:		
Depreciation	625,211	722,258
Capital gain on sale of securities	(414,354)	(129,117)
Unrealised (gain) / loss on remeasurement of investment at fair value - through profit or loss	6,302,848	(6,475,031)
Finance costs	14,138	15,042
	6,527,844	(5,866,848)
Cash generated from / (used in) operating activities before working capital changes	8,244,508	(4,204,939)
Net change in working capital	(a) (17,639,677)	(28,902,402)
	(9,395,168)	(33,107,342)
Finance costs paid	(14,138)	(15,042)
Taxes paid	(894,801)	13,640,719
Net cash used in operating activities	(10,304,108)	(19,481,665)
CASH FLOWS FROM INVESTING ACTIVITIES		
Acquisition of property and equipment	(89,000)	(3,173,000)
Long term advances & deposits	(1,310,000)	-
Net cash used in investing activities	(1,399,000)	(3,173,000)
Net decrease in cash and cash equivalents	(11,703,108)	(22,654,665)
Cash and cash equivalent at beginning of the year	25,946,601	48,601,266
Cash and cash equivalent at end of the year	10 14,243,494	25,946,601
<u>(a) Statement of change in working capital</u>		
(Increase) / decrease in current assets		
Trade receivables	(9,723,280)	(13,755,411)
Short term investment	414,354	129,118
Advances, deposits & other receivables	7,687,498	(30,449,664)
	(1,621,428)	(44,075,957)
Increase / (decrease) in current liabilities		
Trade payables	(10,827,076)	7,369,308
Accrued expenses & other liabilities	(5,191,173)	7,804,247
	(16,018,249)	15,173,555
Net change in working capital	(17,639,677)	(28,902,402)

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

Chief Executive

Director

INVESTMENT MANAGERS SECURITIES (PRIVATE) LIMITED
STATEMENT OF CHANGES IN EQUITY
FOR THE YEAR ENDED JUNE 30, 2022

	<i>Reserves</i>				Total
	Issued, subscribed & paid up capital	Unappropriated loss	Unrealised gain on remeasurement of investment at fair value- through other comprehensive income	Sub Total	
	<i>Rupees</i>	<i>Rupees</i>	<i>Rupees</i>	<i>Rupees</i>	
Balance as at June 30, 2020	200,004,000	(96,603,411)	(108,119)	(96,711,529)	103,292,471
Loss for the year	-	(147,390)	-	(147,390)	-
Gain on remeasurement of investment at fair value - through other comprehensive income	-	-	13,417,617	13,417,617	13,417,617
Balance as at June 30, 2021	200,004,000	(96,750,801)	13,309,498	(83,441,302)	116,562,698
Profit for the year	-	570,137	-	570,137	570,137
Loss on remeasurement of investment at fair value - through other comprehensive income	-	-	(13,060,823)	(13,060,823)	(13,060,823)
Balance as at June 30, 2022	200,004,000	(96,180,664)	248,675	(95,931,989)	104,072,011

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

Chief Executive

Director

INVESTMENT MANAGERS SECURITIES (PRIVATE) LIMITED
NOTES TO THE ACCOUNTS

1 CORPORATE AND GENERAL INFORMATION

1.1 Legal status and operations

Investment Managers Securities (Private) Limited is a private limited company incorporated under the Companies Ordinance, 1984 on August 31, 2006. The registered office situated at Suite # 308, 3rd Floor, Continental Trade Centre, Block-8, Clifton, Karachi. The Company is a Trading Right Entitlement Certificate Holder of the Pakistan Stock Exchange Limited and is engaged in the business of Stock brokerage and investment.

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 such International Financial Reporting Standards (IFRS Standards) issued by the International Accounting Standards Board (IASB) as are notified under the Companies Act, 2017 (the Act), 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. Preparation of financial statements also include disclosure required by Securities Brokers (Licensing and Operations) Regulations, 2016.

2.2 Basis of measurement

These financial statements have been prepared under the historical cost convention, except for derivatives and investments. Statement of cash flow has been presented on cash basis.

2.3 Functional and presentation currency

Items included in these financial statements are measured using the currency of the primary economic environment in which the Company operates. These financial statements are presented in Pakistani Rupee, which is the Company's functional and presentation currency.

2.4 Use of estimates and judgments

The preparation of financial statements in conformity with approved financial reporting standards, as applicable in Pakistan, requires management to make judgments, estimates and assumptions that affect the application of policies and the reported amounts of assets, liabilities, income and expenses.

The estimates and associated 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 the 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. Revisions 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 the revision and future periods if the revision affects both current and future periods.

INVESTMENT MANAGERS SECURITIES (PRIVATE) LIMITED
NOTES TO THE ACCOUNTS

3 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

3.1 Property and equipment

Items of property, plant and equipment are stated at historical cost less accumulated depreciation and impairment losses, if any. Historical cost includes expenditure that is directly attributable to the acquisition of the asset including borrowing costs.

Where major components of an item of property, plant and equipment have different useful lives, they are accounted for as separate items of property, plant and equipment.

Subsequent costs are included in the carrying amount as appropriate, only when it is probable that future economic benefits associated with the item will flow to the Company and the cost of the item can be measured reliably. The carrying amount of the replaced part is derecognized. All other repairs and maintenance are charged to the profit and loss account during the year in which they are incurred.

Disposal of an item of property, plant and equipment is recognized when significant risks and rewards incidental to ownership have been transferred. Gains and losses on disposal are determined by comparing the proceeds with the carrying amount and are recognized within 'Other operating expenses/income in the profit and loss account.

Depreciation is charged to profit and loss account applying the reducing balance method. The residual values, useful lives and depreciation methods are reviewed and adjusted, if appropriate, at each reporting date.

Depreciation on additions is charged from the month in which the assets become available for use, while no depreciation is charged in the month of disposal.

3.2 Intangible assets

Intangible assets having definite useful life are stated at cost less accumulated amortization and impairment losses, if any however, Intangible assets having indefinite life are stated at cost less impairment losses, if any.

Subsequent cost is capitalized only when it increases the future economic benefits embodied in the specific assets to which it relates. All other expenditure is expensed as incurred.

Amortization is charged to the statement of profit or loss using reducing balance method over the estimated useful lives of intangible assets unless such lives are indefinite. Amortization on additions to intangible assets is charged from the month in which an asset is acquired or capitalized while no amortization is charged in the month in which the asset is disposed off.

All intangible assets with an indefinite useful life are systematically tested for impairment at each reporting date. Where the carrying amount of an asset exceeds its estimated recoverable amount it is written down immediately to its recoverable amount. The carrying amount of other intangible assets are reviewed at each reporting date to determine whether there is any indication of impairment. If any such indication exist than the assets recoverable amount is estimated. The recoverable amount is the greater of its value and fair value less cost to sell.

INVESTMENT MANAGERS SECURITIES (PRIVATE) LIMITED
NOTES TO THE ACCOUNTS

3.2.1 Trading Right Entitlement Certificate

This is stated at cost less impairment, if any. The carrying amount is reviewed at each balance sheet date to assess whether it is in excess of its recoverable amount, and where the carrying value exceeds estimated recoverable amount, it is written down to its estimated recoverable amount.

3.2.2 Pakistan Mercantile Exchange - Membership card

Membership card represents corporate membership of Pakistan Mercantile Exchange with indefinite useful life. This is stated at cost less impairment, if any. The carrying amount is reviewed at each balance sheet date to assess whether this is in excess of its recoverable amount, and where the carrying value exceeds estimated recoverable amount, this is written down to its estimated recoverable amount.

3.2.3 Computer software

Expenditure incurred to acquire identifiable computer software and having probable economic benefits exceeding the cost beyond one year, is recognized as an intangible asset. Such expenditure includes the purchase cost of software (license fee) and related overhead cost.

Costs associated with maintaining computer software programs are recognized as an expense when incurred.

Computer software and license costs are stated at cost less accumulated amortization and any identified impairment loss and amortized through reducing balance method.

3.3 Investment property

Property that is held for long-term rental yields or for capital appreciation or for both, but not for sale in the ordinary course of business, use in the supply of services or for administrative purposes, is classified as investment property. Investment property is initially measured at its cost, including related transaction costs and borrowing costs, if any.

Subsequent expenditure is capitalized to the asset's carrying amount only when it is probable that future economic benefits associated with the expenditure will flow to the Company and the cost of the item can be measured reliably. All other repairs and maintenance costs are expenses when incurred.

3.4 Financial Instruments

3.4.1 Initial Measurement of financial assets

The Company classifies its financial assets in to following three categories:

- fair value through other comprehensive income (FVOCI)
- fair value through profit or loss (FVTPL), and
- measured at amortized cost.

A financial asset is initially measured at fair value plus, for an item not at FVTPL, transaction costs that are directly attributable to its applicable.

INVESTMENT MANAGERS SECURITIES (PRIVATE) LIMITED
NOTES TO THE ACCOUNTS

Subsequent Measurement

Debt Investments 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 the statement of profit or loss. Other net gains and losses are recognized in other comprehensive income. On de-recognition, gains and losses accumulated in other comprehensive income are reclassified the statement of profit or loss account.
Equity Investments at FVOCI	These assets are subsequently measured at fair value. Dividends are recognized as income in the statement of profit or loss unless the dividend clearly represents a recovery of part of the cost of the investment. Other net gains and losses are recognized in other comprehensive income and are never reclassified to the statement of profit or loss account.
Financial assets at FVTPL	These assets are subsequently measured at fair value. Net gains and losses, including any interest / markup or dividend income, are recognized in statement profit or loss account.
Financial assets measured at amortized cost	These assets are subsequently measured at authorized cost using the effective interest method. The amortized cost is reduced by impairment losses. Interest / markup income, foreign exchange gains and losses and impairment are recognized in the statement of profit or loss account.

3.4.2 Financial liabilities

Financial liabilities are classified as measured at amortized cost or 'At Fair Value - Through Profit or Loss' (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 the statement of profit or loss.

Other financial liabilities are subsequently measured at amortized cost using the effective interest method. Interest expense and foreign exchange gains and losses are recognized in the statement of profit or loss. Any gain or loss on de-recognition is also recognized in the statement of profit or loss.

Financial liabilities are derecognized when the contractual obligations are discharged or cancelled or have expired or when the financial liability's cash flows have been substantially modified.

3.5 Impairment

3.5.1 Financial assets

The Company recognises loss allowances for Expected Credit Losses (ECLs) in respect of financial assets measured at amortised cost.

The Company measures loss allowances at an amount equal to lifetime ECLs, except for the following, which are measured at 12-month ECLs:

INVESTMENT MANAGERS SECURITIES (PRIVATE) LIMITED
NOTES TO THE ACCOUNTS

- debt securities that are determined to have low credit risk at the reporting date; and
- other debt securities and bank balance for which credit risk (i.e. the risk of default occurring over the expected life of the financial instrument) has not increased significantly since initial recognition.

Loss allowances for trade receivables are always measured at an amount equal to lifetime ECLs.

When determining whether the credit risk of a financial asset has increased significantly since initial recognition and when estimating ECLs, the Company considers reasonable and supportable information that is relevant and available without undue cost or effort. This includes both quantitative and qualitative information and analysis, based on the Company's historical experience and informed credit assessment and including forward-looking information.

The Company assumes that the credit risk on a financial assets has increased significantly if it is more than past due for a reasonable period of time. Lifetime ECLs are the ECLs that result from all possible default events over the expected life of a financial instrument. 12-month ECLs are the portion of ECLs that result from default events that are possible within the 12 months after the reporting date (or a shorter period if the expected life of the instrument is less than 12 months). The maximum period considered when estimating ECLs is the maximum contractual period over which the Company is exposed to credit risk.

Loss allowances for financial assets measured at amortised cost are deducted from the gross carrying amount of the assets.

The gross carrying amount of a financial asset is written off when the Company has no reasonable expectations of recovering of a financial asset in its entirety or a portion thereof. The Company individually makes an assessment with respect to the timing and amount of write-off based on whether there is a reasonable expectation of recovery. The Company expects no significant recovery from the amount written off. However, financial assets that are written off could still be subject to enforcement activities in order to comply with the Company's procedures for recovery of amounts due.

3.5.2 Impairment of non-financial assets

The carrying amount of the Company's non-financial assets are reviewed at each reporting date to determine whether there is any objective evidence that an assets or group of assets may be impaired. If any such evidence exists, the asset's or group of assets' recoverable amount is estimated. An impairment loss is recognized whenever the carrying amount of an asset exceeds its recoverable amount. Recoverable amount is the higher of value in use and fair value less cost to sell. Impairment losses are recognized to the statement of profit or loss.

3.6 Derecognition

3.6.1 Financial assets

The Company derecognises financial assets only when the contractual rights to cash flows from the financial assets expire or when it transfer the financial assets and substantially all the associated risks and reward of ownership to another entity. On derecognition of financial assets measured at amortized cost, the difference between the assets carrying value and the sum of the consideration received and receivable recognised in statement of profit or loss. In addition, on derecognition of an investment in a debt instrument classified as at FVTOCI, the cumulative gain or loss previously accumulated in the investments revaluation reserve reclassified to statement of profit or loss. In contrast, on derecognition of an investment in equity instrument which the Company has elected on initial recognition to measure at FVTOCI, the cumulative gain or loss previously accumulated in the investments revaluation reserve is not reclassified to statement of profit or loss, but is transferred to statement of changes in equity.

INVESTMENT MANAGERS SECURITIES (PRIVATE) LIMITED
NOTES TO THE ACCOUNTS

3.6.2 Financial liabilities

The Company derecognises financial liabilities only when its obligations under the financial liabilities are discharged, cancelled or expired. The difference between the carrying amount of the financial liabilities derecognised and the consideration paid and payable, including any non-cash assets transferred or liabilities assumed, is recognised in statement of profit or loss.

3.7 Investments

Investment in shares of listed companies are classified as "At Fair Value - Through Profit or Loss" and is initially measured at cost and subsequently is measured at fair value determined using the market value at each reporting date. Dividends are recognized as income in the statement of profit or loss unless the dividend clearly represents a recovery of part of the cost of the investment. Net gains and losses are recognized in statement profit or loss.

3.8 Settlement date accounting

All purchases and sales of securities that require delivery within the time frame established by regulation or market convention such as 'T+2' purchases and sales are recognized at the settlement date. Trade date is the date on which the Company commits to purchase or sale an asset.

3.9 Off-setting of financial assets and financial liabilities

Financial assets and liabilities are offset and the net amount is reported in the financial statements if, and only if, there is a legally enforceable right to offset the recognized amounts and there is an intention either to settle on a net basis or to realize the assets and settle the liabilities simultaneously.

3.10 Trade debts and other receivables

Trade debts and other receivables are recognized at fair value and subsequently measured at amortized cost. A provision for impairment in trade debts and other receivables is made when there is objective evidence that the Company will not be able to collect all amounts due according to original terms of receivables. Trade debts and other receivables considered irrecoverable are written off. Actual credit loss experience over past years is used to base the calculation of expected credit loss (ECL) Trade Receivables in respect of securities sold on behalf of client are recorded at settlement date of transaction.

3.11 Fiduciary assets

Assets held in trust or in a fiduciary capacity by the company are not treated as assets of the Company and accordingly are not included in these financial statements.

3.12 Cash and cash equivalents

Cash and cash equivalents in the statement of cash flows includes cash in hand, balance with banks, other short-term highly liquid investments with original maturities of three months or less, and bank overdrafts / short term borrowings. Bank overdrafts are shown within borrowings in current liabilities on the balance sheet.

3.13 Share capital

Ordinary shares are classified as equity and recognized at their face value. Incremental costs directly attributable to the issue of new shares or options are shown in equity as a deduction, net of tax, from the proceeds.

3.14 Proposed dividend and transfer between reserves

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

INVESTMENT MANAGERS SECURITIES (PRIVATE) LIMITED
NOTES TO THE ACCOUNTS

3.15 Trade and other payables

Trade and other payables are recognized initially at fair value plus directly attributable cost, if any, and subsequently measured at amortized cost using the effective interest method. Trade payables in respect of securities purchased are recorded at settlement date of transaction.

These are classified as current liabilities if payment is due within one year or less (or in the normal operating cycle of the business if longer). If not, they are presented as non-current liabilities.

3.16 Taxation

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

i) Current

The current income tax charge is based on the taxable income for the year calculated on the basis of the tax laws enacted or substantively enacted at the balance sheet date, and any adjustment to tax payable in respect of previous years.

ii) Deferred

Deferred tax is provided using the balance sheet liability method, providing for temporary differences between the carrying amount of assets and liabilities for financial reporting purposes and the amounts used for taxation purposes. The amount of deferred tax provided is based on the expected manner of realization or settlement of the carrying amount of assets and liabilities, using the enacted or substantively enacted rates that are expected to apply to the period when the differences reverse based on tax rates that have been enacted at the reporting date.

Deferred tax liabilities are recognized for all taxable temporary differences. A deferred tax asset is recognized for all deductible differences, carry forward of unused tax credits and unused tax losses to the extent that it is probable that future taxable profits will be available against which the asset can be utilized. Deferred tax asset is reduced to the extent that it is no longer probable that the related tax benefits will be realized.

3.17 Provisions

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

3.18 Foreign currency transactions and translation

Monetary assets and liabilities in foreign currencies are translated into Pakistan Rupees at the rates of exchange prevailing at the balance sheet date. Transactions in foreign currencies are translated into functional currency using the rates of exchange prevailing at the dates of the transactions. Foreign exchange gains and losses resulting from the settlement of such transactions and from the translation at year end exchange rates of monetary assets and liabilities denominated in foreign currencies are recognized in the profit and loss account.

INVESTMENT MANAGERS SECURITIES (PRIVATE) LIMITED
NOTES TO THE ACCOUNTS

3.19 Revenue recognition

Revenue is recognized to the extent that it is probable that the economic benefits will flow to the Company and the amount of revenue can be measured reliably. Revenue is measured at the fair value of the consideration received or receivable, net of any direct expenses. Revenue is recognized on the following basis:

- Brokerage, consultancy, advisory fee and commission etc. are recognized as and when such services are provided.
- Income from bank deposits, reverse repo and margin deposits is recognized at effective yield on time proportion basis.
- Dividend income is recorded when the right to receive the dividend is established.
- Gains / (losses) arising on sale of investments are included in the profit and loss account in the period in which they arise.
- Unrealized capital gains / (losses) arising from mark to market of investments classified as 'financial assets at fair value through profit or loss - held for trading' are included in profit and loss account for the period in which they arise.
- Rental income from investment properties is recognized on accrual basis.
- Other/miscellaneous income is recognized on receipt basis.
- Income on financial assets (including margin financing) is recognised on time proportionate basis taking into account effective / agreed rate of the instrument.
- Unrealised gains / (losses) arising from mark to market of investments classified as 'available for sale' are taken directly to other comprehensive income.
- Gains / (losses) arising on revaluation of derivatives to fair value are taken to profit and loss account under other income / other expenses.

3.20 Operating and administrative expenses

These expenses are recognized in statement of profit or loss upon utilization of the services or as incurred except for specifically stated in the financial statements.

3.21 Mark-up bearing borrowings and borrowing costs

Mark-up bearing borrowings are recognized initially at fair value, less attributable transaction costs. Subsequent to initial recognition, mark-up bearing borrowings are stated at amortized cost with any difference between cost and redemption value being recognised in the statement of profit or loss over the period of the borrowings on an effective

Borrowing costs are recognised as an expense in the period in which these are incurred, except to the extent that they are directly attributable to the acquisition or construction of a qualifying asset (i.e. an asset that necessarily takes a substantial period of time to get ready for its intended use or sale) in which case these are capitalised as part of cost of

3.22 Earnings per share

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

INVESTMENT MANAGERS SECURITIES (PRIVATE) LIMITED
NOTES TO THE ACCOUNTS

4 PROPERTY AND EQUIPMENT

	Office equipments	Computer equipments	Furniture & fixtures	Total
	<i>(Rupees)</i>	<i>(Rupees)</i>	<i>(Rupees)</i>	<i>(Rupees)</i>
<u>Net carrying value basis</u>				
Year ended June 30, 2022				
Opening net book value (NBV)	304,394	74,021	3,608,639	3,987,055
Additions (at cost)	71,000	18,000	-	89,000
Disposals (at NBV)	-	-	-	-
Depreciation charge	(56,309)	(27,606)	(541,296)	(625,211)
Closing net book value (NBV)	319,085	64,415	3,067,343	3,450,844
<u>Gross carrying value basis</u>				
As at June 30, 2022				
Cost	1,189,315	1,167,306	6,432,375	8,788,996
Accumulated depreciation	(870,230)	(1,102,891)	(3,365,032)	(5,338,153)
Net book value (NBV)	319,085	64,415	3,067,343	3,450,844
<u>Net carrying value basis</u>				
Year ended June 30, 2021				
Opening net book value (NBV)	352,608	58,745	1,124,957	1,536,311
Additions (at cost)	5,500	47,000	3,120,500	3,173,000
Disposals (at NBV)	-	-	-	-
Depreciation charge	(53,716)	(31,723)	(636,819)	(722,258)
Closing net book value (NBV)	304,392	74,022	3,608,638	3,987,053
<u>Gross carrying value basis</u>				
As at June 30, 2021				
Cost	1,118,315	1,149,306	6,432,375	8,699,996
Accumulated depreciation	(813,921)	(1,075,285)	(2,823,736)	(4,712,944)
Net book value (NBV)	304,394	74,021	3,608,639	3,987,053
Depreciation rates (%)	15	30	15	

INVESTMENT MANAGERS SECURITIES (PRIVATE) LIMITED
NOTES TO THE ACCOUNTS

Notes	Rupees 2022	Rupees 2021
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5 INTANGIBLE ASSET

Trading Right Entitlement Certificate - Pakistan Stock Exchange Limited	5.1	<u>2,500,000</u>	<u>2,500,000</u>
-------------------------------------------------------------------------	-----	------------------	------------------

5.1 This represents Trading Right Entitlement Certificate (TREC) received from Pakistan Stock Exchange Limited (PSX) in accordance with the requirements of the Stock Exchanges (Corporatization, Demutualization and Integration) Act, 2012. TREC has been recognized at cost less accumulated impairment losses.

6 LONG TERM DEPOSITS

Pakistan Stock Exchange Limited		-	100,000
National Clearing Company of Pakistan Limited		1,400,000	1,400,000
Central Depository Company of Pakistan Limited		100,000	100,000
Other deposits		16,000	6,000
Base minimum Capital		5,500,000	4,100,000
		<u>7,016,000</u>	<u>5,706,000</u>

7 TRADE RECEIVABLES

Considered good		37,250,967	35,300,243
Considered doubtful		-	-
		<u>37,250,967</u>	<u>35,300,243</u>
Allowance for expected credit loss	7.1	(12,041,547)	(20,760,595)
		<u>25,209,420</u>	<u>14,539,648</u>
From clearing house		752,155	1,698,647
		<u>25,961,575</u>	<u>16,238,295</u>

7.1 Allowance for expected credit loss

Opening balance		20,760,595	18,161,176
Reversal / allowance for expected credit loss	7.1.1	(8,719,048)	2,599,419
Closing balance		<u>12,041,547</u>	<u>20,760,595</u>

7.1.1 Aging analysis

Upto 90 days		7,273,399	23,040,644
More than 90 but upto 180 days		9,699,109	55,459
More than 180 but upto 360 days		8,236,912	-
More than 360 days		12,041,547	12,204,140
		<u>37,250,967</u>	<u>35,300,243</u>

INVESTMENT MANAGERS SECURITIES (PRIVATE) LIMITED
NOTES TO THE ACCOUNTS

7.2 Due from related parties which are not impaired and their maximum amount outstanding at any time during the year calculated with reference to month end balances are as follows:

Name of related party	Amount due		Maximum amount outstanding at any time during the year	
	2022	2021	2022	2021
	-----Rupees-----			
Osama Abdul Ghani	1,153,823	651,862	1,153,823	3,542,428
Altaf	11,411,315	11,411,315	11,411,315	11,411,315
Abdul Qadir	1,217,016	8,696,582	8,696,582	18,887,386
Kanwal Bano	19,688,806	10,818,620	19,688,806	12,997,845
	33,470,960	20,167,064	29,539,211	35,427,660

7.2.1 Aging analysis - related party

Name of related party	1 - 90 days	91 - 180 days	181 - 360 days	More than 360 days	Total gross amount due
	-----Rupees-----				
Osama Abdul Ghani	1,153,823	-	-	-	1,153,823
Altaf	-	-	-	11,411,315	11,411,315
Abdul Qadir	1,217,016	-	-	-	1,217,016
Kanwal Bano	1,888,695	9,644,162	8,155,949	-	19,688,806
	4,259,534	9,644,162	8,155,949	11,411,315	33,470,960

7.3 Total value of securities pertaining to clients held in the Central Depository Company **227,875,794** **356,287,528**

7.4 Value of pledge securities of clients with National Clearing Company of Pakistan Ltd **18,240,000** **69,265,200**

7.5 Value of pledge securities of clients with Financial institutions - -

7.6 *The securities are valued using market rate at the year end*

7.7 Allowance for expected credit loss is calculated on the basis of aging analysis more than 360 days and unsecured balances which ever is higher.

INVESTMENT MANAGERS SECURITIES (PRIVATE) LIMITED
NOTES TO THE ACCOUNTS

Notes	Rupees 2022	Rupees 2021
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8 SHORT TERM INVESTMENT

Investments at fair values through profit & loss

Shares of Pakistan Stock Exchange Limited	11,640,443	5,165,412
Unrealised gain / (loss) on remeasurement of investment at fair value - through profit or loss	(6,302,848)	6,475,031

Market value

8.1	5,337,595	11,640,443
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Investments at fair values through other comprehensive income

Shares of Pakistan Stock Exchange Limited	24,121,438	10,703,821
Unrealised gain / (loss) on remeasurement of investment	(13,060,823)	13,417,617

Market value

11,060,615	24,121,438
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GRAND TOTAL

16,398,209	35,761,881
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8.1 Shares having market value of **Rs. 16,398,290/-** /- (**2021: 35,761,881/-**) are pledged as security with PSX and NCCPL for the purpose of base minimum capital and exposure requirements.

9 ADVANCES, DEPOSITS AND OTHER RECEIVABLES

Exposure deposit	44,800,000	52,840,000
Income tax refundable	3,359,596	3,611,323
Dividend receivable	272,502	-
Advance to staff	363,330	283,330

48,795,428	56,734,653
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9.1 This represents deposit with National Clearing Company of Pakistan Limited against the exposure margin in respect of trade in future and ready market.

10 CASH AND BANK BALANCES

Cash in hand	10,000	10,000
Cash at Bank		
<i>in savings accounts</i>	-	-
<i>in current accounts</i>	14,233,494	25,936,601
10.1	14,243,494	25,946,601

INVESTMENT MANAGERS SECURITIES (PRIVATE) LIMITED
NOTES TO THE ACCOUNTS

Notes	Rupees 2022	Rupees 2021
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10.1 The return on these balances is 6% to 11% (2021: 6.5% to 12%) per annum on daily product basis.

10.2 Bank balance pertains to:

Clients	9,647,457	20,175,822
Brokerage House	4,586,037	5,760,779
	14,233,494	25,936,601

11 ISSUED, SUBSCRIBED AND PAID UP CAPITAL

Number of shares				
2022	2021			
11,000,400	11,000,400	Ordinary shares of Rs. 10 each fully paid in cash	110,004,000	110,004,000
9,000,000	9,000,000	Ordinary shares of Rs. 10 each issued for consideration other than in cash.	90,000,000	90,000,000
20,000,400	20,000,400		200,004,000	200,004,000

11.1 The shareholders are entitled to receive all distributions to them including dividend 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.

12 ACCRUED EXPENSES & OTHER LIABILITIES

Accrued expenses	15,745	6,777
Other liabilities	53,427	541,633
Payable to dealers	4,400,000	8,360,000
Withholding tax payable	601,068	1,139,999
SST payable	62,549	275,550
	5,132,789	10,323,959

13 CONTINGENCIES AND COMMITMENTS

13.1 There are no contingencies and commitments as at June 30, 2022 (June 30, 2021: nil)

14 OPERATING REVENUE

Brokerage Commission including sales tax on services	13,079,367	18,438,349
Less: Sales tax on services	(1,504,706)	(2,004,746)
Net brokerage commission excluding sales tax on services	11,574,661	16,433,603
Dividend income	320,591	-
	11,895,252	16,433,603

14.1 Brokerage Income - net of sales tax

Equity brokerage

- Institutional clients	6,325,083	8,878,607
- Retail clients	5,249,578	7,554,996
	11,574,661	16,433,603

INVESTMENT MANAGERS SECURITIES (PRIVATE) LIMITED
NOTES TO THE ACCOUNTS

	Notes	Rupees 2022	Rupees 2021
15 ADMINISTRATIVE EXPENSES			
Directors' remuneration	15.1	2,400,000	2,400,000
Salaries, wages and other benefits		2,195,000	3,044,600
Rent, rates and taxes		390,000	330,000
Repair and maintenance		780,636	869,264
Telephone and communication charges		207,319	205,179
Service and transaction charges		3,347,030	4,370,311
Utility charges		468,573	337,148
Computer, software and I.T.expenses		550,200	614,610
Entertainment		602,335	690,930
Dealers' expenses & benefits		5,269,796	9,921,247
Legal and professional		225,191	17,500
Fees and subscriptions		381,050	122,539
Postage and courier		4,450	2,660
Printing and stationery		92,010	93,265
Vehicle running and travelling		168,020	211,220
Generator expenses		42,035	41,663
Auditors' remuneration	15.2	340,000	290,000
Allowance for expected credit loss		-	2,599,419
Depreciation		625,211	722,258
Other expenses		220,893	400,205
		18,309,749	27,284,018

15.1 Remuneration of Chief Executive and Director

	2022			2021		
	Chief Executive	Directors	Executive	Chief Executive	Directors	Executive
Managerial remuneration	-	2,400,000	-	-	2,400,000	-
Medical allowance	-	-	-	-	-	-
Fees	-	-	-	-	-	-
Bonus	-	-	-	-	-	-
Housing and utilities	-	-	-	-	-	-
	-	2,400,000	-	-	2,400,000	-
Number of persons (including those who worked part of the year)	1	3	1	1	3	1

15.2 Auditors' remuneration

Audit services			
Annual audit fee		150,000	120,000
Certifications		90,000	70,000
		240,000	190,000
Non-audit services			
Other services		100,000	100,000
		100,000	100,000
		340,000	290,000

16 FINANCE COST

Bank charges	14,138	15,042
	14,138	15,042

INVESTMENT MANAGERS SECURITIES (PRIVATE) LIMITED
NOTES TO THE ACCOUNTS

Notes	Rupees 2022	Rupees 2021
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17 OTHER INCOME

From financial assets

Profit on exposure deposit
Profit on savings accounts
IPO commission

2,519,221	1,712,324
1,227,793	1,383,762
7,903	-
3,754,917	3,096,085

From non-financial assets

Cost recoveries
Reversal of expected credit loss

1,559,830	2,827,132
8,719,048	-
10,278,878	2,827,132
14,033,795	5,923,217

18 TAXATION

Current
Prior

454,051	335,352
692,477	1,473,946
1,146,528	1,809,298

18.1 Relationship between income tax expense and accounting profit

Profit before taxation

1,716,665 **1,661,908**

Tax at the applicable tax rate of 29% (2021: 29%)
Tax effect of income taxed at lower tax rates
Effect of minimum tax
Tax effect of prior year
Tax effect of exempt income
Tax effect of non deductible expenses
Others

497,833	481,953
(130,269)	(37,444)
379,004	904,622
692,477	1,473,946
(7,426,452)	-
7,133,935	863,980
-	(1,877,759)
1,146,528	1,809,298

18.2 The income tax returns of the Company have been filed up to tax year 2021 under the Universal Self Assessment Scheme. This scheme provides that the return filed is deemed to be an assessment order. The returns may be selected for audit within five years. The Income Tax Commissioner may amend assessment if any objection is raised during audit.

19 EARNINGS / (LOSS) PER SHARE - BASIC & DILUTED

19.1 Basic earnings / (loss) per share

Profit / (loss) after taxation
Number of shares issued up to the end of the year

570,137 (147,390)
20,000,400 20,000,400

0.03 **(0.01)**

19.2 Diluted earnings per share

There is no dilutive effect on the basic earnings per share of the Company, since there are no convertible instruments in issue as at June 30, 2022 which would have any effect on the earnings per share if the option to convert is exercised.

INVESTMENT MANAGERS SECURITIES (PRIVATE) LIMITED
NOTES TO THE ACCOUNTS

20 FINANCIAL INSTRUMENTS AND RELATED DISCLOSURES

20.1 Financial Instruments by category

20.1.1 Financial Assets

2022			
At fair value through profit or loss	At fair value through other comprehensive income	At amortised cost	Total
Long term loans, advances & deposits	-	7,016,000	7,016,000
Trade debts - unsecured	-	25,961,575	25,961,575
Short term investment	5,337,595	11,060,615	16,398,209
Advances, deposits & other receivables	-	45,435,832	45,435,832
Cash and bank balances	-	14,243,494	14,243,494
	5,337,595	11,060,615	92,656,901
		92,656,901	109,055,110

2021			
At fair value through profit or loss	At fair value through other comprehensive income	At amortised cost	Total
Long term loans, advances & deposits	-	5,706,000	5,706,000
Trade debts - unsecured	-	16,238,295	16,238,295
Short term investment	11,640,443	24,121,438	35,761,881
Advances, deposits & other receivables	-	53,123,330	53,123,330
Cash and bank balances	-	25,946,601	25,946,601
	11,640,443	24,121,438	101,014,226
		101,014,226	136,776,107

20.1.2 Financial Liabilities

2022		
Amortised cost	At fair value through profit or loss	Total
Trade payables	9,160,750	9,160,750
Accrued expenses & other liabilities	5,132,789	5,132,789
	14,293,539	14,293,539

2021		
Amortised cost	At fair value through profit or loss	Total
Trade payables	19,987,826	19,987,826
Accrued expenses & other liabilities	10,323,959	10,323,959
	30,311,785	30,311,785

INVESTMENT MANAGERS SECURITIES (PRIVATE) LIMITED
NOTES TO THE ACCOUNTS

21 Financial Risk Management

The Board of Directors of the Company has overall responsibility for the establishment and oversight of the Company's risk management framework. The Company has exposure to the following risks from its use of financial instruments:

- Market Risk
- Liquidity Risk
- Credit Risk
- Operational Risk

21.1 Market risk

Market risk is the risk that the fair value or future cash flows of financial instruments will fluctuate due to changes in market variables such as interest rates, foreign exchange rates and equity prices.

(i) Interest rate risk

Interest rate risk is the risk that the value of the financial instrument will fluctuate due to changes in the market interest rates. The Company is not exposed to such.

(ii) Foreign currency risk

Foreign currency risk is the risk that the fair value or future cash flows of a financial instruments will fluctuate because of changes in foreign exchange rates. The Company does not have any financial instruments in foreign currencies and hence is not exposed to such risk.

(iii) Equity price risk

Equity price risk is the risk of volatility in share price resulting from their dependence on market sentiments, speculative activities, supply and demand for shares and liquidity in the market. Management of the Company estimates that a 10% increase in the overall equity prices in the market with all other factors remaining constant would increase the Company's profit by **Rs. 1,639,821/-** and a 10% decrease would result in a decrease in the Company's profit by the same amount. However, in practice, the actual results may differ from the sensitivity analysis.

21.2 Liquidity risk

Liquidity risk is the risk that the Company will encounter difficulty in meeting its financial obligations associated with its financial liabilities that are settled by delivering cash or another financial assets. Liquidity risk arises because of the possibility that the Company could be required to pay its liabilities earlier than expected or difficulty in raising funds to meet commitments associated with financial liabilities as they fall due. Prudent liquidity risk management implies maintaining sufficient cash and marketable securities, the availability of funding to an adequate amount of committed credit facilities and the ability to close out market options due to the dynamic nature of the business. The Company's treasury aims at maintaining flexibility in funding by keeping committed credit lines available. The following are the contractual maturities of financial liabilities.

	2022					
	Carrying amount	Contractual cash flows	Six month or less	Six to twelve months	One to two years	Two to five years
	----- (Rupees) -----					
Financial liabilities						
Trade payables	9,160,750	9,160,750	9,160,750	-	-	-
Accrued expenses & other liabilities	5,132,789	5,132,789	5,132,789	-	-	-
	14,293,539	14,293,539	14,293,539	-	-	-

INVESTMENT MANAGERS SECURITIES (PRIVATE) LIMITED
NOTES TO THE ACCOUNTS

2021

Carrying amount	Contractual cash flows	Six month or less	Six to twelve months	One to two years	Two to five years
----- (Rupees) -----					
Financial liabilities					
Trade payables	19,987,826	19,987,826	19,987,826	-	
Accrued expenses & other liabilities	10,323,959	10,323,959	10,323,959	-	-
	30,311,785	30,311,785	30,311,785	-	-

21.3 Credit risk

Credit risk is the risk that one party to a financial instrument will fail to discharge an obligation and cause the other party to incur a financial loss, without taking into account the fair value of any collateral. Credit risk arises from the inability of the issuers of the instruments, the relevant financial institutions or counter parties in case of placements or other arrangements to fulfill their obligations.

Exposure to credit risk

Credit risk of the Company arises principally from the trade debts, short term investments, loans and advances, deposits and other receivables. The carrying amount of financial assets represents the maximum credit exposure. To reduce the exposure to credit risk, the Company has developed its own risk management policies and guidelines whereby clients are provided trading limits according to their worth and proper margins are collected and maintained from the clients. The management continuously monitors the credit exposure towards the clients and makes provision against those balances considered doubtful of recovery.

The Company's policy is to enter into financial contracts in accordance with the internal risk management policies and investment and operational guidelines approved by the Board of Directors. In addition, credit risk is also minimised due to the fact that the Company invests only in high quality financial assets, majority of which have been rated by a reputable rating agency. All transactions are settled / paid for upon delivery. Except for provision made against the trade receivables amounting to Rs. 18,161,176/-, the Company does not expect to incur material credit losses on its financial assets. The maximum exposure to credit risk at the reporting date is follows:

	Rupees 2022	Rupees 2021
Long term loans, advances & deposits	7,016,000	5,706,000
Trade debts - unsecured	25,961,575	16,238,295
Short term investments	16,398,209	35,761,881
Advances, deposits & other receivables	45,435,832	53,123,330
Cash and bank balances	14,243,494	25,946,601
	109,055,110	136,776,107

Concentration of credit risk

Concentration of credit risk exists when changes in economic or industry factors similarly affect groups of counterparties whose aggregate exposure is significant in relation to the Company's total 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.

Trade receivables

The aging of trade receivables and related movement in Expected Credit Loss has been disclosed in note 7 of these financial statements.

Bank balances

The Company limits its exposure to credit risk by investing in liquid securities and maintaining bank accounts only with counter-parties that have stable credit rating. Given these high credit ratings, management does not expect that any counter party will fail to meet their obligations.

INVESTMENT MANAGERS SECURITIES (PRIVATE) LIMITED
NOTES TO THE ACCOUNTS

The bank balances along with the credit ratings are tabulated below:

	Rupees 2022	Rupees 2021
A1+	14,233,494	25,936,601
	14,233,494	25,936,601

21.4 Operational risk

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

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

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

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

21.5 Fair value of financial instruments

The carrying values of all financial assets and liabilities reflected in these financial statements approximate to their fair value. The Company measures fair values using the following fair value hierarchy that reflects the significance of the inputs used in making the measurements:

Level 1 : Fair value measurements using quoted prices (unadjusted) in active markets for identical assets or liabilities.

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

Fair value of the financial assets that are traded in active markets are based on quoted market prices or dealer prices quotations.

The table below analyses financial instruments measured at fair value at the end of the reporting period by the level in the fair value hierarchy into which the fair value measurement is categorised:

INVESTMENT MANAGERS SECURITIES (PRIVATE) LIMITED
NOTES TO THE ACCOUNTS

Financial assets

	2022			
	Level 1	Level 2	Level 3	Total
<i>At fair value through profit and loss</i>				
Listed securities	5,337,595	-	-	5,337,595
	5,337,595	-	-	5,337,595
<i>At fair value - through other comprehensive income</i>				
Investment in shares of Pakistan Stock Exchange Limited	11,060,615	-	-	11,060,615
	11,060,615	-	-	11,060,615
	2021			
	Level 1	Level 2	Level 3	Total
<i>At fair value through profit and loss</i>				
Listed securities	11,640,443	-	-	11,640,443
	11,640,443	-	-	11,640,443
<i>At fair value - through other comprehensive income</i>				
Investment in shares of Pakistan Stock Exchange Limited	24,121,438	-	-	24,121,438
	24,121,438	-	-	24,121,438

21.6 Capital management

The primary objective of the Company's capital management is to maintain healthy capital ratios, strong credit rating and optimal capital structure in order to ensure ample availability of finance for its existing operations, for maximizing shareholder's value, for tapping potential investment opportunities and to reduce cost of capital.

The Company manages its capital structure and makes adjustment to it, in light of changes in economic conditions. In order to maintain or adjust the capital structure, the Company may adjust the amount of dividends paid to shareholders or issue new shares.

The Company finances its operations through equity, borrowing and management of its working capital with a view to maintain an appropriate mix between various sources of finance to minimise risk.

22 OPERATING SEGMENT

These financial statements have been prepared on the basis of a single reportable segment as the Company's asset allocation decisions are based on a single and integrated business strategy.

All non current assets of the Company as at 30 June 2022 are located in Pakistan.

INVESTMENT MANAGERS SECURITIES (PRIVATE) LIMITED
NOTES TO THE ACCOUNTS

23 RELATED PARTY TRANSACTIONS

Related parties comprise of group companies (the parent company, fellow subsidiaries and the 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.

Following are the related parties with whom the Company had entered into transactions or have arrangement/ agreement in place:

Transactions for the year

Name and relation with related party	Percentage shareholding	Nature of Transaction	2022	2021
Osama Abdul Ghani	5.00%	Brokerage commission earned	710,727	1,607,182
		Commission paid	342,000	613,636
Abdul Qadir	45.00%	Commission paid	1,908,000	4,193,182
Kanwal Bano (Altaf Yousuf's spouse)	-	Brokerage commission earned	1,115	-
Wasim Hyder	25%	Commission paid	1,610,000	2,954,545
Altaf Yousuf	25%	Commission paid	540,000	1,738,636

Balances at year end

Name and relation with related party	Percentage shareholding	Nature of Transaction	2022	2021
Osama Abdul Ghani	5.00%	Receivable / Payable against trading	1,153,823	651,862
Abdul Qadir	45.00%	Receivable / Payable against trading	1,217,016	8,696,582
Kanwal Bano (Altaf Yousuf's spouse)	-	Receivable against trading	19,688,806	10,818,620

24 NUMBER OF EMPLOYEES

	2022	2021
Total employees of the Company at the year end	<u>3</u>	<u>5</u>
Average employees of the Company during the year	<u>4</u>	<u>5</u>

INVESTMENT MANAGERS SECURITIES (PRIVATE) LIMITED
NOTES TO THE ACCOUNTS

25 PATTERN OF SHAREHOLDING

Name of shareholders	2022	2021	2022	2021
	Number of Shares		Percentage of Holding	
Osama Abdul Ghani	1,000,000	1,000,000	5.000%	5.000%
Altaf Yousuf	5,000,200	5,000,200	25.000%	25.000%
Abdul Qadir	9,000,100	9,000,100	45.000%	45.000%
Wasim Hyder	5,000,100	5,000,100	25.000%	25.000%
	20,000,400	20,000,400	100%	100%

During the year there were no changes in shareholdings above 5%

26 CAPITAL ADEQUACY LEVEL

Total Assets		June 30, 2022
		118,365,551
Less: Total Liabilities		(14,293,539)
Less: Revaluation Reserves (Created upon revaluation of Fixed Assets)		-
Capital Adequacy Level	26.1	104,072,011

26.1 While determining the value of the total assets of the TREC Holder, notional value of the TRE certificate held by the company as at June 30, 2021, as determined by Pakistan Stock Exchange has been considered.

27 LIQUID CAPITAL BALANCE

Liquid Capital Balance of the Company, as at June 30, 2022, in accordance with the Third Schedule of the Securities Brokers (Licensing and Operations) Regulations, 2016 is **Rs. 40,522,116/-**. The Statement of Liquid Capital is enclosed as Annexure A-I.

28 AUTHORIZATION FOR ISSUE

These financial statements were approved by the Company's board of directors and authorised for issue on _____.

29 GENERAL

29.1 Figures have been re-arranged and re-classified wherever necessary, for the purpose of better presentation. No major reclassifications were made in these financial statements.

29.2 Figures have been rounded off to the nearest rupee.

Chief Executive

Director

INVESTMENT MANAGERS SECURITIES (PRIVATE) LIMITED
Statement of Liquid Capital (Annexure I)
As on June 30, 2022

S. No.	Head of Account	Value in Pak Rupees	Hair Cut / Adjustments	Net Adjusted Value
1. Assets				
1.1	Property & Equipment	3,450,844	(3,450,844)	-
1.2	Intangible Assets	2,500,000	(2,500,000)	-
1.3	Investment in Govt. Securities (150,000*99)			
	Investment in Debt. Securities			
	If listed than:			
	i. 5% of the balance sheet value in the case of tenure upto 1 year.			
	ii. 7.5% of the balance sheet value, in the case of tenure from 1-3 years.			
1.4	iii. 10% of the balance sheet value, in the case of tenure of more than 3 years.			
	If unlisted than:			
	i. 10% of the balance sheet value in the case of tenure upto 1 year.			
	ii. 12.5% of the balance sheet value, in the case of tenure from 1-3 years.			
	iii. 15% of the balance sheet value, in the case of tenure of more than 3 years.			
	Investment in Equity Securities			
	i. If listed 15% or VaR of each securities on the cutoff date as computed by the Securities Exchange for respective securities whichever is higher.	-	-	-
	ii. If unlisted, 100% of carrying value.	-	-	-
1.5	iii. Subscription money against Investment in IPO/offer for Sale: Amount paid as subscription money provided that shares have not been allotted or are not included in the investments of securities broker.	-	-	-
	iv. 100% Haircut shall be applied to Value of Investment in any asset including shares of listed securities that are in Block, Freeze or Pledge status as on reporting date. (July 19, 2017) Provided that 100% haircut shall not be applied in case of investment in those securities which are Pledged in favor of Stock Exchange / Clearing House against Margin Financing requirements or pledged in favor of Banks against Short Term financing	-	-	-
1.6	Investment in subsidiaries			
	Investment in associated companies/undertaking			
1.7	i. If listed 20% or VaR of each securities as computed by the Securities Exchange for respective securities whichever is higher.			
	ii. If unlisted, 100% of net value.			
1.8	Statutory or regulatory deposits/basic deposits with the exchanges, clearing house or central depository or any other entity.	7,016,000	(7,016,000)	-
1.9	Margin deposits with exchange and clearing house.	44,800,000	-	44,800,000
1.10	Deposit with authorized intermediary against borrowed securities under SLB.			
1.11	Other deposits and prepayments	-	-	-
1.12	Accrued interest, profit or mark-up on amounts placed with financial institutions or debt securities etc.(Nil)			
	100% in respect of markup accrued on loans to directors, subsidiaries and other related parties			
1.13	Dividends receivables.			
1.14	Amounts receivable against Repo financing. Amount paid as purchaser under the REPO agreement. (Securities purchased under repo arrangement shall not be included in the investments.)			
1.15	i. Short Term Loan To Employees: Loans are Secured and Due for repayment within 12 months	363,330	(363,330)	-
	ii. Receivables other than trade receivables	-	-	-
	Receivables from clearing house or securities exchange(s)			
1.16	100% value of claims other than those on account of entitlements against trading of securities in all markets including MtM gains.	-		-
	claims on account of entitlements against trading of securities in all markets including MtM gains.	752,155	-	752,155
	Receivables from customers			

	i. In case receivables are against margin financing, the aggregate if (i) value of securities held in the blocked account after applying VAR based Haircut, (ii) cash deposited as collateral by the financee (iii) market value of any securities deposited as collateral after applying VaR based haircut. <i>i. Lower of net balance sheet value or value determined through adjustments.</i>	-	-	-
	ii. In case receivables are against margin trading, 5% of the net balance sheet value. ii. Net amount after deducting haircut	-	-	-
1.17	iii. In case receivables are against securities borrowings under SLB, the amount paid to NCCPL as collateral upon entering into contract, iii. Net amount after deducting haircut			
	iv. In case of other trade receivables not more than 5 days overdue, 0% of the net balance sheet value. iv. Balance sheet value	2,179,902	-	2,179,902
	v. In case of other trade receivables are overdue, or 5 days or more, the aggregate of (i) the market value of securities purchased for customers and held in sub-accounts after applying VAR based haircuts, (ii) cash deposited as collateral by the respective customer and (iii) the market value of securities held as collateral after applying VaR based haircuts. <i>v. Lower of net balance sheet value or value determined through adjustments</i>	1,600,105	(1,009,314)	590,791
	<i>vi. 100% haircut in the case of amount receivable form related parties.</i>	33,470,960	(33,470,960)	-
1.18	Cash and Bank balances			
	I. Bank Balance-proprietary accounts	4,586,037	-	4,586,037
	ii. Bank balance-customer accounts	9,647,457	-	9,647,457
	iii. Cash in hand	10,000	-	10,000
	Total cash and bank balances	14,243,494		14,243,494
1	Total Assets	110,376,790		62,566,342
2. Liabilities				
2.1	Trade Payables			
	i. Payable to exchanges and clearing house	-		-
	ii. Payable against leveraged market products			
	iii. Payable to customers	9,160,750	-	9,160,750
2.2	Current Liabilities			
	i. Statutory and regulatory dues			
	ii. Accruals and other payables	5,132,789	-	5,132,789
	iii. Short-term borrowings	-		-
	iv. Current portion of subordinated loans			
	v. Current portion of long term liabilities			
	vi. Deferred Liabilities	-		-
	vii. Provision for bad debts			
	viii. Provision for taxation			
	ix. Other liabilities as per accounting principles and included in the financial statements	-		-
	Non-Current Liabilities			
	i. Long-Term financing			
	a. Long-Term financing obtained from financial institution: Long term portion of financing obtained from a financial institution including amount due against finance lease			
	b. Other long-term financing			
	ii. Staff retirement benefits	-	-	-

2.3	<p>iii. Advance against shares for Increase in Capital of Securities broker: 100% haircut may be allowed in respect of advance against shares if:</p> <p>a. The existing authorized share capital allows the proposed enhanced share capital</p> <p>b. Board of Directors of the company has approved the increase in capital</p> <p>c. Relevant Regulatory approvals have been obtained</p> <p>d. There is no unreasonable delay in issue of shares against advance and all regulatory requirements relating to the increase in paid up capital have been completed.</p> <p>e. Auditor is satisfied that such advance is against the increase of capital.</p>			
	iv. Other liabilities as per accounting principles and included in the financial statements			
	Subordinated Loans			
2.4	<p>i. 100% of Subordinated loans which fulfill the conditions specified by SECP are allowed to be deducted: The Schedule III provides that 100% haircut will be allowed against subordinated Loans which fulfill the conditions specified by SECP. In this regard, following conditions are specified:</p> <p>a. Loan agreement must be executed on stamp paper and must clearly reflect the amount to be repaid after 12 months of reporting period</p> <p>b. No haircut will be allowed against short term portion which is repayable within next 12 months.</p> <p>c. In case of early repayment of loan, adjustment shall be made to the Liquid Capital and revised Liquid Capital statement must be submitted to exchange.</p>	-	-	-
	ii. Subordinated loans which do not fulfill the conditions specified by SECP			
2	Total Liabilities	14,293,539		14,293,539

3. Ranking Liabilities Relating to :

	Concentration in Margin Financing			
3.1	The amount calculated client-to- client basis by which any amount receivable from any of the financees exceed 10% of the aggregate of amounts receivable from total financees.	-	-	-
	Concentration in securities lending and borrowing			
3.2	The amount by which the aggregate of: (i) Amount deposited by the borrower with NCCPL (ii) Cash margins paid and (iii) The market value of securities pledged as margins exceed the 110% of the market value of shares borrowed			
	Net underwriting Commitments			
3.3	<p>(a) in the case of right issue : if the market value of securities is less than or equal to the subscription price; the aggregate of: (i) the 50% of Haircut multiplied by the underwriting commitments and (ii) the value by which the underwriting commitments exceeds the market price of the securities. In the case of rights issue where the market price of securities is greater than the subscription price, 5% of the Haircut multiplied by the net underwriting</p>			
	(b) in any other case : 12.5% of the net underwriting commitments			
	Negative equity of subsidiary			
3.4	The amount by which the total assets of the subsidiary (excluding any amount due from the subsidiary) exceed the total liabilities of the subsidiary			
	Foreign exchange agreements and foreign currency positions			
3.5	5% of the net position in foreign currency.Net position in foreign currency means the difference of total assets denominated in foreign currency less total liabilities denominated in foreign currency			
3.6	Amount Payable under REPO			
	Repo adjustment			

3.7	<p>In the case of financier/purchaser the total amount receivable under Repo less the 110% of the market value of underlying securites.</p> <p>In the case of financee/seller the market value of underlying securities after applying haircut less the total amount received ,less value of any securites deposited as collateral by the purchaser after applying haircut less any cash deposited by the purchaser.</p>			
Concentrated proprietary positions				
3.8	If the market value of any security is between 25% and 51% of the total proprietary positions then 5% of the value of such security .If the market of a security exceeds 51% of the proprietary position,then 10% of the value of such security	-	-	-
Opening Positions in futures and options				
3.9	i. In case of customer positions, the total margin requirements in respect of open postions less the amount of cash deposited by the customer and the value of securites held as collateral/ pledged with securities exchange after applyiong VaR haircuts	7,750,687	-	7,750,687
	ii. In case of proprietary positions , the total margin requirements in respect of open positions to the extent not already met	-	-	-
Short sell positions				
3.10	i. Incase of customer positions, the market value of shares sold short in ready market on behalf of customers after increasing the same with the VaR based haircuts less the cash deposited by the customer as collateral and the value of securities held as collateral after applying VAR based Haircuts			
	ii. Incase of proprietary positions, the market value of shares sold short in ready market and not yet settled increased by the amount of VAR based haircut less the value of securities pledged as collateral after applying haircuts.			
3	Total Ranking Liabilites	7,750,687	-	7,750,687
	Liquid Capital	88,332,564	-	40,522,116

Nasir Javaid Maqsood Imran
Chartered Accountants

Client : Investment Managers Securities (Private) Limited
Period : For the Period of July 01, 2021 to June 30, 2022

Purpose: To verify that the Income tax expense is recorded correctly
Source: General Ledger, Financial Statements, Tax certificates
Nature: Recalculation
Timing: Within 3 months of Balance sheet date.

HEAD OF ACCOUNTS	TOTAL	NTR	FTR
PERCENTAGE OF TOTAL INCOME		95.83%	4.17%
COMMISSION	11,574,661	11,574,661	-
CAPITAL GAIN ON DISPOSAL OF SHARES OF LISTED COMPANIES	414,354	-	414,354
DIVIDEND INCOME	320,591	-	320,591
IPO COMMISSION	7,903	7,903	-
RECOVERIES	1,559,830	1,559,830	-
PROFIT ON BANK ACCOUNTS	1,227,793	1,227,793	-
PROFIT ON EXPOSURE DEPOSIT	2,519,221	2,519,221	-
	17,624,353	16,889,408	734,945

OPERATING EXPENSES AND FINANCE COST	18,323,887		
LESS: ACCOUNTING DEPRECIATION	(625,211)		
LESS: ALLOWANCE FOR EXPECTED CREDIT LOSS	-		
LESS: DONATION	-		
ADD: TAX DEPRECIATION	625,211		
ADD: INITIAL ALLOWANCE ON ADDITION	-		
TAXABLE EXPENSES	18,323,887	18,323,887	-
TAXABLE INCOME		(1,434,479)	734,945

INCOME FROM PROPERTY

RENT INCOME	-		
LESS: 1/5th OF RENT FOR REPAIRS	-		
NORMAL TAXABLE INCOME (INCOME FROM BUSINESS + INCOME FROM PROPERTY)		(1,434,479)	

CALCULATION OF TAX LIABILITY

	TAXABLE AMOUNT		TAX AMOUNT
MINIMUM TAX PAYABLE @1.5%	9,704,119	1.25%	121,301

TAX ON BROKERAGE COMMISSION RECEIVED FROM INSTITUTIONS - MTR

TAXABLE INCOME ATTRIBUTABLE TO COMMISSION EARNED FROM INSTITUTIONS (W1)	-		
AVERAGE RATE OF TAX (W2)	0%		
MINIMUM TAX OF 12% ON COMMISSION RECEIVED FROM INSTITUTIONS	3,438,275	412,593	257,702
DIFFERENCE OF MINIMUM TAX CHARGEABLE			-
TAX ON CAPITAL GAIN ON DISPOSAL OF SHARES OF LISTED COMPANIES	-		26,958
TAX ON DIVIDEND INCOME	320,591		48,089
TAX CHARGEABLE BEFORE ADJUSTMENT OF TAX CREDITS			454,051
LESS: TAX CREDIT FOR CHARITABLE DONATIONS u/s. 61			-
TAX CHARGEABLE AFTER ADJUSTMENT OF TAX CREDITS		A	454,051

LESS: TAX DEDUCTED AT SOURCE

ADVANCE TAX PAID ON TELEPHONE BILLS			-
TAX WITHHELD ON DIVIDEND INCOME			48,089
TAX WITHHELD ON CAPITAL GAIN ON DISPOSAL OF SECURITIES			26,958
ADVANCE TAX PAID ON ELECTRICITY BILLS			-
ADVANCE TAX PAID ON INTERNET			-
TAX WITHHELD ON PROFIT ON EXPOSURE DEPOSIT			377,884
TAX WITHHELD ON PROFIT ON BANK ACCOUNTS			184,169
TAX WITHHELD ON COMMISSION FROM INSTITUTIONS			257,702
		B	894,802

INCOME TAX PAYABLE		A-B	(440,751)
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