LSE FINANCIAL SERVICES LIMITED

FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 2017

KRESTON
HYDER BHIMJI & CO
CHARTERED ACCOUNTANTS

Amin Building,
65-The Mall, Lahore.
Phone: 042-37352661, 37321043
Fax: 042-37248113
Email: krestonhb@gmail.com

AUDITORS' REPORT TO THE MEMBERS

We have audited the annexed balance sheet of **LSE Financial Services Limited** as at June 30, 2017 and the related profit and loss account, statement of comprehensive income, cash flow statement and statement of changes in equity together with the notes forming part thereof, for the year then ended and we state that we have obtained all the information and explanations which, to the best of our knowledge and belief, were necessary for the purpose of our audit.

It is the responsibility of the company's management to establish and maintain a system of internal control, and prepare and present the above said statements in conformity with the approved accounting standards and the requirements of the repealed Companies Ordinance 1984. Our responsibility is to express an opinion on these statements based on our audit.

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

a) in our opinion, proper books of account have been kept by the company as required by the repealed Companies Ordinance, 1984;

b) in our opinion:

   i. the balance sheet and profit and loss account together with the notes thereon have been drawn up in conformity with the repealed Companies Ordinance, 1984, and are in agreement with the books of account and further in accordance with accounting policies consistently applied;
   ii. the expenditure incurred during the year was for the purpose of the company's business; and
   iii. the business conducted, investments made and the expenditure incurred during the year were in accordance with the objects of the company.

c) in our opinion and to the best of our information and according to the explanations given to us, the balance sheet, profit and loss account, statement of comprehensive income, cash flow statement and statement of changes in equity together with the notes forming part thereof conform with approved accounting standards as applicable in Pakistan, and give the information required by the repealed Companies Ordinance, 1984, in the manner so required and respectively give a true and fair view of the state of the company's affairs as at June 30, 2017 and of the profit, its comprehensive income, its cash flows and changes in equity for the year then ended; and

d) in our opinion, Zakat deductible at source under the Zakat and Ushr Ordinance, 1980 (XVIII of 1980) was deducted by the Company and deposited in the Central Zakat Fund established under section 7 of that Ordinance.

The financial statements of the company for the year ended June 30, 2016 were audited by the outgoing auditors' Messrs AF Ferguoson and Co., Chartered Accountants, Lahore, whose audit report dated October 06, 2016 expressed unqualified opinion.

Kreston Hyder Bhimji & Co

Lahore: 05 OCT 2017

KRESTON HYDER BHIMJI & CO.
CHARTERED ACCOUNTANTS
Engagement Partner - Shabir Ahmad, FCA

LSE FINANCIAL SERVICES LIMITED

BALANCE SHEET AS ON JUNE 30, 2017

	Note	2017	2016
		(Rupees in '000s)	
ASSETS			
NON-CURRENT ASSETS			
Property and equipment	5	1,714,309	1,626,624
Intangible assets	6	145	456
Long term investments	7	712,457	600,165
Long term deposits	8	1,762	2,105
		2,428,673	2,229,350
CURRENT ASSETS			
Stores		668	1,956
Trade receivables	9	13,867	10,657
Loans and advances	10	13,706	15,926
Short term deposits		11,310	3,935
Other receivables	11	12,428	23,489
Short term investments	12	475,367	486,800
Tax refunds due from the Government	13	41,031	37,282
Cash and bank balances	14	56,945	86,851
		625,322	666,896
Assets from discontinued operations/held for sale	28	-	3,256
		3,053,995	2,899,502
EQUITY AND LIABILITIES			
CAPITAL AND RESERVES			
Authorised capital 200,000,000 (2016: 200,000,000) ordinary shares of Rs. 10 each		2,000,000	2,000,000
Issued, subscribed and paid-up capital 128,284,200 (2016: 128,284,200) ordinary shares of Rs 10 each	15	1,282,842	1,282,842
Unappropriated profit		289,595	204,402
		1,572,437	1,487,244
Surplus on revaluation of property and equipment	16	773,364	776,324
NON-CURRENT LIABILITIES			
Long term liabilities	17	281,319	221,995
Long term finances	18	200,000	200,000
Deferred taxation	19	76,876	58,460
		558,195	480,455
CURRENT LIABILITIES			
Trade and other payables	20	114,844	122,811
Current portion of long term deposits	17	15,424	7,935
		130,268	130,746
Liabilities from discontinued operations/held for sale	28	19,731	24,733
CONTINGENCIES AND COMMITMENTS	21		
		3,053,995	2,899,502

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

Managing Director | Director | Director

LSE FINANCIAL SERVICES LIMITED
PROFIT AND LOSS ACCOUNT FOR THE YEAR ENDED JUNE 30, 2017

	Note	2017	2016
		(Rupees in '000s)	
Continuing Operations			
Income from Marginal Trading System (MTS)		7,770	-
Rental income	22	51,000	45,214
Profit on bank deposits and investments	23	27,244	43,766
Software revenue		1,208	1,055
Other income	24	23,716	20,129
		110,938	110,164
Administrative expenses	25	(71,431)	(58,154)
Other charges	26	-	(13,537)
Profit from operations		39,507	38,473
Finance cost		(124)	(120)
Share of profit of associates - net of tax	7	147,896	88,296
Profit before tax from continuing operations		187,279	126,649
Taxation	27	(37,354)	(59,705)
Profit after tax from continuing operations		149,925	66,944
Discontinued operations			
(Loss) / profit after tax from discontinued operations	28	(539)	12,227
Profit for the year		149,386	79,171

		Note	2017	2016
Earnings per share		29		
-Continuing operations	**Rupees**		1.17	0.52
-Discontinued operations	**Rupees**		(0.00)	0.10
			1.17	0.62

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

15.DP824

Farid Malik

Managing Director | **Director** | **Director**

LSE FINANCIAL SERVICES LIMITED
STATEMENT OF COMPREHENSIVE INCOME FOR THE YEAR ENDED JUNE 30, 2017

	Note	2017	2016
		(Rupees in '000s)	
Profit for the year		**149,386**	79,171
Items that are or may be subsequently reclassified to profit or loss:			
Fair value gain on 'available for sale' investments - net of tax		-	(1,105)
Reversal of related deferred tax		-	(520)
Share of the comprehensive income of equity-accounted investees in respect of gain on revaluation of 'available for sale' investments - net of tax	7	(3,011)	(5,263)
		(3,011)	(6,888)
		146,375	72,283
Total comprehensive income for the year arises from :			
Continuing Operations		146,914	60,056
Discontinued Operations		(539)	12,227
		146,375	72,283

15.P82

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

Farid Malik

Managing Director

Director

Director

LSE FINANCIAL SERVICES LIMITED

STATEMENT OF CASH FLOW FOR THE YEAR ENDED JUNE 30, 2017

	Note	2017	2016
		(Rupees in '000s)	
Cash flows from operating activities			
Profit before tax		187,279	142,753
Adjustments for:			
Depreciation		15,254	12,080
Amortisation of intangibles		311	316
Share of profit from associates		(147,896)	(88,296)
Provision for earned leaves		-	407
Profit on bank deposits and investments		(35,014)	(42,958)
Lease rentals		(51,000)	(23,125)
Gain / (loss) on disposal of property and equipment		(62)	436
Employees welfare fund		195	427
Provision for LFA		750	-
Provision for receivable member		-	2,135
Write off of advance paid to Facilities Management Company Limited		-	13,537
Finance cost		124	120
Loss before working capital changes		(217,338)	(124,921)
(Decrease) / increase in working capital	30	(13,711)	32,855
		(43,770)	50,687
(Payments) / receipts in respect of:			
Members Deposit		119,777	(8,880)
Retention money		(1,620)	3,351
Loans to executives - net		-	12,682
		118,157	7,153
Net cash generated from operations		74,387	57,840
Employees welfare fund		(195)	(1,250)
Earned leaves paid		-	(1,952)
LFA Paid		(529)	-
Gratuity Paid		-	(5,630)
Finance cost paid		(13,558)	(15,357)
Taxes paid		(22,687)	(24,057)
Net cash generated from operating activities		37,418	9,594
Cash flows from investing activities			
Fixed capital expenditure		(88,488)	(127,409)
Proceeds from sale of property and equipment		2,875	3,880
Long term investment matured during the year		-	81,624
Long term investment made during the year		-	(131,835)
Short term investment matured during the year		202,303	-
Short term investment made during the year		(190,870)	(47,176)
Profit received on bank deposits		33,594	44,365
Dividend received		32,593	73,952
Net cash used in investing activities		(7,993)	(102,599)
Cash flows from financing activities			
Dividend paid		(59,331)	(89,473)
Net cash used in financing activities		(59,331)	(89,473)
Net decrease in cash and cash equivalents		(29,906)	(182,478)
Cash and cash equivalents at the beginning of the year		86,851	269,329
Cash and cash equivalents at the end of the year	14	56,945	86,851

15.11.8w

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

Farid Malik

Managing Director

Director

Director

LSE FINANCIAL SERVICES LIMITED

STATEMENT OF CHANGES IN EQUITY FOR THE YEAR ENDED JUNE 30, 2017

	Share capital	Capital Reserve	Un-appropriated profit	Total
		(Rupees in '000s)		
Balance as at June 30, 2015	1,282,842	(1,565)	227,837	1,509,114
Profit for the year	-	-	79,171	79,171
Other comprehensive income	-	(6,888)	-	(6,888)
Total comprehensive income for the year	-	(6,888)	79,171	72,283
Transferred from surplus on revaluation of property and equipment - net of deferred tax	-	-	2,060	2,060
Cash dividend paid (Rs.0.75 per share)	-	-	(96,213)	(96,213)
Balance as at June 30, 2016	1,282,842	(8,453)	212,855	1,487,244
Profit for the year	-	-	149,386	149,386
Other comprehensive income	-	(3,011)		(3,011)
Total comprehensive income for the year		(3,011)	149,386	146,375
Transferred from surplus on revaluation of property and equipment - net of deferred tax	-	-	2,960	2,960
Cash dividend paid (Rs.0.50 per share)	-	-	(64,142)	(64,142)
Balance as at June 30, 2017	**1,282,842**	**(11,464)**	**301,059**	**1,572,437**

K.B

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

Farid Malik		
Managing Director	Director	Director

1 **Legal status and nature of business**

Lahore Stock Exchange Limited ("the Company") was incorporated under the Companies Act, 1913 (now the Companies Ordinance, 1984) on October 05, 1970 as a Company limited by guarantee. The Company was re-registered as a public Company limited by shares under "Stock Exchange (Corporatization, Demutualization and Integration) Act, 2012 on August 27, 2012. The registered office of the Company is situated at 19, Khayaban-e-Aiwan-e-Iqbal, Lahore, Pakistan. Securities and Exchange Commission of Pakistan ("the Commission") vide its notification dated August 25, 2015 directed integration of the stock exchanges in the country. Consequent to the approved scheme of integration of stock exchanges, the Company ceased its stock exchange operations and was granted a license by the Commission on January 11, 2016 to operate as a Non-Banking Finance Company (NBFC) under the name LSE Financial Services Limited.

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

1.1 **Discontinuing Operations**

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

Consequent to the discontinued stock exchange operations of the Company, the relevant assets and liabilities relating to such operations have been classified as discontinued operations in accordance with IFRS 5 - 'Non current assets held for sale and discontinued operations and have been disclosed in note 28 to these financial statements, and the profit and loss account and respective notes have been represented accordingly.

2 **Basis of preparation**

2.1 These financial statements have been prepared in accordance with the approved accounting standards as applicable in Pakistan. Approved accounting standards comprise of such International Financial Reporting Standards (IFRS) issued by the International Accounting Standards Board (IASB) as are notified under the Companies Ordinance, 1984, provisions of and directives issued under the Companies Ordinance, 1984. Wherever the requirements of the Companies Ordinance, 1984 or directives issued by Securities and Exchange Commission of Pakistan (SECP) differ with the requirements of IFRS, the requirements of the Companies Ordinance, 1984 or the said directives shall prevail.

During the year the Companies Act, 2017 (the Act) has been promulgated through notification in official Gazette and hence Companies Ordinance 1984 stands repealed; however the Securities and Exchange Commission of Pakistan (SECP) vide its circular no. 17 /2017 date 20th July 2017 has notified that the Companies whose financial year ends on or before June 30, 2017 shall prepare their financial statements in accordance with the provisions of repealed Companies Ordinance 1984. Hence these financial statements have been prepared accordingly.

The management of the Company is confident that it will be able to meet its obligations and carry on business without any curtailment based on the grounds that the Company will be able to achieve satisfactory level of profitability in the future based on the plans drawn up by the management for this purpose, which include income arising from rentals and investments. Consequently, these financial statements have been prepared under the historical cost convention as explained in note 3.

2.2 **Changes in accounting standards, interpretations and pronouncements and its impact on these financial statements**

Amendments to approved accounting standards effective during the year ended June 30, 2017

There were certain new amendments to the approved accounting standards which became effective during the year ended June 30, 2017 but are considered not to be relevant or have any significant effect on the Company's financial reporting and are, therefore, not disclosed in these financial statements.

Standards and amendments to approved accounting standards that are effective for the Company's accounting periods beginning on or after July 1, 2017:

There are certain new standards and amendments to the approved accounting standards that will become effective for the Company's annual accounting periods beginning on or after July 1, 2017. However, these amendments will not have a significant impact on the financial reporting of the Company and, therefore, have not been disclosed in these financial statements. Further, the new standards are yet to be adopted by the SECP. In addition to the foregoing, the Companies Act 2017 which is not effective on these financial statements, has added certain disclosure requirements which will be applicable in future.

3 Basis of measurement

These financial statements have been prepared under the historical cost convention except for land in property and equipment which is stated at fair value.

The Company's significant accounting policies are stated in note 4. Not all of these significant policies require the management to make difficult, subjective or complex judgements or estimates. The following is intended to provide an understanding of the policies the management considers critical because of their complexity, judgement or estimation involved in their application and their impact on these financial statements. Estimates and judgements are continually evaluated and are based on historical experience, including expectations of future events that are believed to be reasonable under the circumstances. These judgements involve assumptions or estimates in respect of future events and the actual results may differ from these estimates. The areas involving a higher degree of judgements or complexity or areas where assumptions and estimates are significant to the financial statements are as follows:

3.1 Provision for taxation

The Company takes into account the current income tax law and the decisions taken by appellate authorities. Instances where the Company's view differs from the view taken by the income tax department at the assessment stage and where the Company considers that its views on items of material nature is in accordance with law, the amounts are shown as contingent liabilities.

3.2 Useful life and residual values of property and equipment

The Company reviews the useful lives of property and equipment on a regular basis. Any change in estimates in future years might affect the carrying amounts of the respective items of property and equipment with a corresponding affect on the depreciation charge and impairment.

3.3 Provision for advances and other receivables

The Company reviews recoverability of its trade debts, advances and other receivables on annual basis to assess amount of bad debts and provision there against. In particular, judgment by management is required in the estimation of the amount and timing of future cash flows when determining the level of provision required.

3.4 Contingencies

The assessment of the contingencies inherently involves the exercise of significant judgment as the outcome of the future events cannot be predicted with certainty. The Company, based on the availability of the latest information, estimates the value of contingent assets and liabilities which may differ on the occurrence / non-occurrence of the uncertain future events not wholly within the control of the Company.

4 Significant accounting policies

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

4.1 Taxation

Current

Provision of current tax is based on the taxable income for the year determined in accordance with the prevailing law for taxation of income. The charge for current tax is calculated using prevailing tax rates or tax rates expected to apply to the profit for the year if enacted. The charge for current tax also includes adjustments, where considered necessary, to provision for tax made in previous years arising from assessments framed during the year for such years.

Deferred

Deferred tax is accounted for using the balance sheet liability method in respect of all temporary differences arising from differences between the carrying amount of assets and liabilities in the financial statements and the corresponding tax bases used in the computation of the taxable profit.

Deferred tax liabilities are generally recognized for all taxable temporary differences and deferred tax assets are recognized to the extent that it is probable that taxable profits will be available against which 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 balance sheet date. Deferred tax is charged or credited in the income statement, except in the case of items credited or charged to equity in which case it is included in equity.

15-7-Bzi

4.2 Property and equipment

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

Depreciation on all property and equipment is charged to profit and loss account on the reducing balance method so as to write off the depreciable amount of an asset over the economic useful life using the annual rates mentioned in note 5.1 after taking their residual values into account.

The assets' residual values and estimated useful lives are reviewed at each financial year end and adjusted if impact on depreciation is significant. The Company's estimate of the residual value of its property and equipment as at June 30, 2017 has not required any adjustment.

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

Surplus on revaluation is credited to the surplus on revaluation of property and equipment account. Revaluation is carried out with sufficient regularity to ensure that the carrying amount of assets does not differ materially from the fair value.

The Company assesses at each balance sheet date whether there is any indication that property and equipment may be impaired. If such indication exists, the carrying amounts of such assets are reviewed to assess whether they are recorded in excess of their recoverable amount. Where carrying values exceed the respective recoverable amount, assets are written down to their recoverable amounts and the resulting impairment loss is recognized in income. The recoverable amount is the higher of an asset's fair value less costs to sell and value in use. Where an impairment loss is recognized, the depreciation charge is adjusted in the future periods to allocate the asset's revised carrying amount over its estimated useful life.

The gain or loss on disposal or retirement of an asset, represented by difference between the sale proceeds and the carrying amount of the asset is recognized as income or expense.

4.3 Capital work-in-progress (CWIP)

Capital work-in-progress is stated at cost including, where relevant, related financing costs less identified impairment losses, if any.

4.4 Intangible assets

Expenditure incurred to acquire computer software are capitalized as intangible assets and stated at cost less accumulated amortization and any identified impairment loss. Intangible assets are amortized using the straight line method so as to write off the depreciable amount of an asset over its estimated useful life at the annual rates mentioned in note 6.

Amortisation on additions to intangible assets is charged from the month in which an asset is acquired or capitalized while no amortization is charged for the month in which the asset is disposed off.

The Company assesses at each balance sheet date whether there is any indication that intangible asset may be impaired. If such indication exists, the carrying amount of such assets are reviewed to assess whether they are recorded in excess of their recoverable amount. Where carrying values exceed the respective recoverable amount, assets are written down to their recoverable amounts and the resulting impairment loss is recognized in income. The recoverable amount is the higher of an asset's fair value less costs to sell and value in use. Where an impairment loss is recognized, the amortization charge is adjusted in the future periods to allocate the asset's revised carrying amount over its estimated useful life.

4.5 Stores and spares

Usable stores and spares are valued principally on first in first out basis, while items considered obsolete are carried at nil value.

4.6 Financial instruments

Financial assets

The Company classifies its financial assets in the following categories: at fair value through profit or loss, loans and receivables, available for sale and held to maturity. The classification depends on the purpose for which the financial assets were acquired. Management determines the classification of its financial assets at the time of initial recognition.

Financial assets at fair value through profit or loss

Financial assets at fair value through profit or loss are financial assets held for trading and financial assets designated upon initial recognition as at fair value through profit or loss. A financial asset is classified as held for trading if acquired principally for the purpose of selling in the short term. Assets in this category are classified as current assets.

Loans and receivables

Loans and receivables are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market. They are included in current assets, except for maturities greater than twelve months after the balance sheet date, which are classified as non-current assets. Loans and receivables comprise advances, deposits and other receivables and cash and cash equivalents in the balance sheet.

Available for sale financial assets

Available-for-sale financial assets are non-derivatives that are either designated in this category or not classified in any of the other categories. They are included in non-current assets unless management intends to dispose of the investments within twelve months from the balance sheet date.

Held to maturity

Financial assets with fixed or determinable payments and fixed maturity, where management has the intention and ability to hold till maturity are classified as held to maturity and are stated at amortized cost.

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 on trade date – the date on which the Company commits to purchase or sell the asset. Financial assets are initially recognized at fair value plus transaction costs for all financial assets not carried at fair value through profit and loss account. Financial assets carried at fair value through profit and loss account are initially recognized at fair value and transaction costs are expensed in the profit and loss account. 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 the risks and rewards of ownership. Available-for-sale financial assets and financial assets at fair value through profit or loss are subsequently carried at fair value. Loans and receivables and held to maturity investments are carried at amortized cost using the effective interest rate method.

Gains or losses arising from changes in the fair value of the 'financial assets at fair value through profit or loss' category are presented in the profit and loss account in the period in which they arise. Dividend income from financial assets at fair value through profit or loss is recognized in the profit and loss account as part of other income when the Company's right to receive payments is established.

Changes in the fair value of securities classified as 'available-for-sale' are recognized in equity. When securities classified as available-for-sale are sold or impaired, the accumulated fair value adjustments recognized in equity are included in the profit and loss account as gains and losses from investment securities. Interest on available-for-sale securities calculated using the effective interest method is recognized in the profit and loss account. Dividends on available-for-sale equity instruments are recognized in the profit and loss account when the Company's right to receive payments is established.

The fair values of quoted investments are based on current prices. If the market for a financial asset is not active (and for unlisted securities), the Company determines the fair value of financial assets using valuation techniques based on assumptions that are dependent on market conditions existing at balance sheet date.

Financial liabilities

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

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 or modification is treated as a de recognition of the original liability and the recognition of a new liability and the difference in respective carrying amounts is recognized in the profit and loss account.

4.7 Offsetting of financial assets and liabilities

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

K.M.S20

4.8 Long term loans and deposits

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

4.9 Trade receivables

Trade receivables are carried at original invoice amount less an estimate made for doubtful debts based on a review of all outstanding amounts at the year end. Bad debts are written off when identified.

4.10 Cash and cash equivalents

Cash and cash equivalents are carried in the balance sheet at cost. For the purpose of cash flow statement, cash and cash equivalents comprise cash in hand, demand deposits, other short term highly liquid investments that are readily convertible to known amounts of cash and which are subject to an insignificant risk of change in value and finances under mark-up arrangements. In the balance sheet, finances under mark-up arrangements are included in current liabilities.

4.11 Borrowings

Borrowings are recognized initially at fair value, net of transaction costs incurred. Borrowings are subsequently stated at amortized cost, any difference between the proceeds (net of transaction costs) and the redemption value is recognized in the profit and loss account over the period of the borrowings using the effective interest method. Finance costs are accounted for on an accrual basis and are reported under accrued finance costs to the extent of the amount remaining unpaid.

Borrowings are classified as current liabilities unless the Company has an unconditional right to defer settlement of the liability for at least twelve months after the balance sheet date.

4.12 Trade and other payables

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

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

4.13 Functional and presentation currency

Items included in the financial statements of the Company are measured using the currency of the primary economic environment in which the Company operates (the functional currency). The financial statements are presented in Pak Rupees (PKR), which is the Company's functional and presentation currency.

4.14 Transactions and balances

Foreign currency transactions are translated into PKR using the exchange rates prevailing at the date of the transaction. 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.

4.15 Borrowing costs

Mark-up, interest and other charges on borrowings are capitalized up to the date of commissioning of the related property and equipment, acquired out of the proceeds of such borrowings. All other mark-up, interest and other charges are charged to income.

4.16 Non-current assets held for sale / discontinued operations

Non-current assets are classified as held for sale / disposal if their carrying amount is to be recovered principally through a sale transaction rather than through continuing use. These assets are available for sale in their present condition subject only to terms that are usual and customary for sales of such assets and their sale is highly probable.

K. Bsen

The Company measures its non-current assets classified as held for sale / disposal at the lower of carrying amount and fair value less costs to sell. Costs to sell signify the incremental costs directly attributable to the disposal of an asset, excluding finance costs and income tax expense.

4.17 Revenue recognition

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

- Income in respect of trading by members in ready and future counter was recognized when the transaction takes place as per trade date accounting practices. Income from this head has been discontinued.

- Rental income, facilities and equipment fee, non-operating facilities income and membership fee are recognized on accrual basis while other fees are recognized when received.

- Investments purchased at premium or discount, are amortized through the profit and loss account using the effective interest rate method.

- Income from investment in Marginal Trading System (MTS) is recognized on an accrual basis.

- Income from investments and bank accounts is recognized on an accrual basis.

- Dividend income is recognized when the Company's right to receive payment is established.

- For revenue arising from the rendering of services relating to software sales (provided that all of the criteria mentioned above are met) revenue is recognized by reference to the stage of completion of the transaction at the Balance sheet date.

4.18 Dividend

Dividend distribution to the Company's shareholders is recognized as a liability in the period in which the dividends are approved.

		2017	2016
5 Property and equipment		**(Rupees in '000s)**	
Property and equipment	5.1	**1,233,517**	1,244,395
Capital work-in-progress	5.2	**480,792**	382,229
		1,714,309	1,626,624

Freehold land and building have been carried at revalued amounts determined by professional valuers (level 3 measurement under IFRS-13 'Fair Value Measurements'). The valuation is conducted by an independent valuer Unit -3 Consultants. who is approved by Pakistan Banks' Association (PBA) in any amount category. Fresh valuation exercises were carried out as on December 30, 2015 (Previous was done on June 21, 2012). The valuation experts used a market based approach to arrive at the fair value of the Company's properties. The basis used for revaluation were as follows:

Freehold land

Fair market value of freehold land was assessed through inquiries to real estate agents and property dealers in near vicinity of freehold land. Different valuation methods and exercises were adopted according to experience, location and other usage of freehold land. Valuer had also considered all relevant factors as well.

Building

Construction specifications were noted for each building and structure and new construction rates are applied according to construction specifications for current replacement values. After determining current replacement values, depreciation was calculated to determine the current assessed market value.

The effect of changes in the unobservable inputs used in the valuations cannot be determined with certainty, accordingly a qualitative disclosure of sensitivity has not been presented in these financial statements.

5.1 OPERATING FIXED ASSETS - TANGIBLE

	COST / REVALUED AMOUNT								ACCUMULATED DEPRECIATION							Book Value
	Balance as at 01-07-2016	Additions	Assets related to discontinued operations	Deletion	Transfer from CWIP	Revaluation Surplus	Adjustment	Balance as at 30-06-2017	Rate	Balance as at 01-07-2016	For the Year	Assets related to discontinued operations	Deletion	Adjustment	Balance as at 30-06-2017	as at 30-06-2017
Owned assets																
Land freehold	1,058,590	-	-	-	-	-	-	1,058,590	-	-	-	-	-	-	-	1,058,590
Building on freehold land	131,987	-	-	-	2,129	-	-	134,116	5%	2,780	6,549	-	-	-	9,329	124,787
Computer and accessories	66,471	15	-	-	-	-	-	66,486	30%	60,616	1,779	-	-	-	62,395	4,091
Furniture and fixture	14,105	-	-	(171)	-	-	-	13,934	10%	6,575	752	-	(153)	-	7,174	6,760
Office equipment	7,385	63	-	(133)	-	-	-	7,315	20%	6,190	240	-	(55)	-	6,375	940
Electric fittings and appliances	32,815	124	-	-	-	-	-	32,939	20%	20,204	2,522	-	-	-	22,726	10,213
Vehicles	2,076	2,141	-	-	-	-	-	4,217	20%	1,559	459	-	-	-	2,018	2,199
Elevator	5,168	-	-	-	-	-	-	5,168	20%	4,880	58	-	-	-	4,938	230
Generator	34,750	-	-	-	-	-	-	34,750	10%	6,815	2,826	-	-	-	9,641	25,109
Arms and security equipments	2,873	-	-	-	-	-	-	2,873	10%	2,216	66	-	-	-	2,282	591
Library books	318	-	-	-	-	-	-	318	25%	307	3	-	-	-	310	8
Leasehold improvements	5,697	-	-	-	-	-	-	5,697	20%	5,697	-	-	-	-	5,697	-
Rupees in '000s - 2017	1,362,234	2,343	-	(304)	2,129	-	-	1,366,402		117,839	15,254	-	(208)	-	132,885	1,233,517

	COST / REVALUED AMOUNT								ACCUMULATED DEPRECIATION							Book Value
	Balance as at 01-07-2015	Additions	Assets related to discontinued operations	Deletion	Transfer from CWIP	Revaluation Surplus	Adjustment	Balance as at 30-06-2016	Rate	Balance as at 01-07-2015	For the Year	Assets related to discontinued operations	Deletion	Adjustment	Balance as at 30-06-2016	as at 30-06-2016
Owned Assets																
Land freehold	382,716	-	-	-	-	675,874	-	1,058,590	-	-	-		-	-	-	1,058,590
Building on freehold land	98,257	8,185	-	-	-	62,207	(36,662)	131,987	5%	36,662	2,780		-	(36,662)	2,780	129,207
Computer and accessories	79,069	2,154	(8,710)	(6,042)	-	-	-	66,471	30%	67,481	3,938	(5,453)	(5,350)	-	60,616	5,855
Furniture and fixture	14,026	2,980	-	(2,901)	-	-	-	14,105	10%	8,699	751		(2,875)	-	6,575	7,530
Office equipment	7,463	132	-	(210)	-	-	-	7,385	20%	5,909	311		(30)	-	6,190	1,195
Electric fittings and appliances	23,530	9,314	-	(29)	-	-	-	32,815	20%	17,763	2,470		(29)	-	20,204	12,611
Vehicles	7,974	-	-	(5,898)	-	-	-	2,076	20%	3,227	812		(2,480)	-	1,559	517
Elevator	5,168	-	-	-	-	-	-	5,168	20%	4,808	72		-	-	4,880	288
Generator	10,609	24,141	-	-	-	-	-	34,750	10%	5,946	869		-	-	6,815	27,935
Arms and security equipments	2,873	-	-	-	-	-	-	2,873	10%	2,143	73		-	-	2,216	657
Library books	318	-	-	-	-	-	-	318	25%	303	4		-	-	307	11
Leasehold improvements	5,697	-	-	-	-	-	-	5,697	20%	5,697	-		-	-	5,697	-
Rupees in '000s - 2016	637,700	46,905	(8,710)	(15,080)	-	738,081	(36,662)	1,362,234		158,638	12,080	(5,453)	(10,764)	(36,662)	117,839	1,244,395

15.11.20

5.2 Capital work in progress

	Note	Opening Balance	Additions	Transfer to operating fixed assets / adjustments	Closing Balance
			(Rupees in '000s)		
Civil work - buildings	5.2.1	351,475	129,375	(2,129)	**478,721**
Advances for capital expenditure - buildings	5.2.2	30,754	28,874	(57,557)	**2,071**
		382,229	158,249	(59,686)	**480,792**

Borrowing cost amounting to Rs. 14.547 million (2016: Rs. 15.237 million) has been capitalized during the year as a part of cost of building. Borrowing cost capitalized related to borrowings specifically obtained for this purpose is mentioned in Note 19.

		Note	2017	2016
			(Rupees in '000s)	
5.2.1	**Civil works**			
	Civil works		**486,419**	359,173
	Less: provision against civil works		**7,698**	7,698
			478,721	351,475
5.2.2	**Advances**			
	- Considered good		**2,071**	30,754
	- Considered doubtful		**277**	277
			2,348	31,031
	Less: Provision for doubtful advances		**277**	277
			2,071	30,754

6 **Intangibles - Computer software and licenses**

	2017	2016
Net carrying value basis		
Opening net book value (NBV)	**456**	772
Amortisation charge	**(311)**	(316)
Closing net book value (NBV)	**145**	456
Gross carrying value basis		
Cost	**18,139**	18,139
Less: Accumulated amortisation	**17,994**	17,683
Net book value (NBV)	**145**	456
Amortisation rate per annum	**33%**	33%

K.P.B.

7 Long term investments

	Note	2017	2016
		(Rupees in '000)	
Equity-accounted investees - unquoted	7.4	712,457	600,165

Name of associated companies	Note	2017	2016	2017	2016	2017	2016
		(Percentage of holding)		(Number of shares)		(Rupees in thousand)	
The Pakistan Credit Rating Agency Limited (PACRA)		36.00	36.00	2,683,044	2,683,044	50,296	46,408
Central Depository Company of Pakistan Limited (CDC)	7.2	10.00	10.00	10,000,000	6,500,000	340,824	283,535
National Clearing Company of Pakistan Limited (NCCPL)		23.53	23.53	11,865,231	11,865,231	321,336	270,222
Pakistan Mercantile Exchange Limited (PMEX)	7.3	7.25	7.25	2,272,727	2,272,727	-	-

7.1 Shares of all associated companies have a face value of Rs. 10 each.

7.2 The Company received 3,500,000 bonus shares from Central Depository Company of Pakistan Limited (CDC) during the year.

7.3 The investments stand at nil value in PMEX because the accumulated share of loss of these associated companies exceeds the cost of investment.

7.4 Movement in carrying amount of equity-accounted investees is as follow:

Name of associated companies	Opening balance	Further Investment	Transfer from revaluation reserve to retained earning	Share of income for the year - net of tax	Change in other comprehensive income	Revaluation reserve	Dividend received	Closing balance
	(Rupees in '000s)							
The Pakistan Credit Rating Agency Limited (PACRA)								
- For the year ended June 30, 2017	46,408	-	-	11,847	91	-	(8,049)	50,296
- For the year ended June 30, 2016	42,832	-	-	8,916	26	-	(5,366)	46,408
Central Depository Company of Pakistan Limited (CDC)								
- For the year ended June 30, 2017	283,535	-	1,113	60,872	(1,582)	(1,113)	(2,000)	340,824
- For the year ended June 30, 2016	259,977	-	1,257	46,921	(2,238)	(1,257)	(21,125)	283,535
National Clearing Company of Pakistan Limited (NCCPL)								
- For the year ended June 30, 2017	270,222	-	-	75,177	(1,519)	-	(22,544)	321,336
- For the year ended June 30, 2016	156,440	131,836	-	32,458	(3,051)	-	(47,461)	270,222
Total								
- For the year ended 30 June 2017	600,165	-	1,113	147,896	(3,011)	(1,113)	(32,593)	712,457
- For the year ended 30 June 2016	459,249	131,836	1,257	88,296	(5,263)	(1,257)	(73,952)	600,165

15.7.3

	Note	2017	2016
		(Rupees in '000s)	
8 Long term deposits	8.1	1,762	2,105

8.1 These represents security deposits given to companies against provision of utilities and services amounting to Rs. 1.224 million (2016 : Rs. 0.384 million), security deposits against trading floors in Sialkot amounting to Rs. 0.288 million (2016: Rs. 1.721 million) and security deposit for MTS trading amounting to Rs. 0.250 million (2016: nil).

	Note	2017	2016
9 Trade recievables - secured and considered good	24.1	13,867	10,657

	Note	2017	2016
10 Loans and advances			
Considered good			
Due from associated undertakings	10.1	776	733
Due from members		10,680	12,851
Advances to employees		504	338
Due from others		1,746	2,004
		13,706	15,926

10.1 Due from associated undertakings includes balances of Rs. 0.490 million (2016: Rs. 0.480 million), Rs. 0.156 million (2016: Rs. 0.070 million) and Rs. 0.130 million (2016: Rs. 0.191 million) receivable from National Clearing Company of Pakistan Limited, Central Depository Company of Pakistan Limited and Pakistan Mercantile Exchange Limited respectively.

	Note	2017	2016
11 Other receivables			
Interest accrued		5,562	4,142
Others	11.1	6,866	19,347
		12,428	23,489
11.1 Others:			
-Considered good		6,866	19,347
-Considered doubtful		199	199
		7,065	19,546
Less: provision against doubtful receivables		199	199
		6,866	19,347

	Note	2,017	2,016
		(Rupees in '000s)	
12 Short term investments - held to maturity			
Investment in MTS	12.1	190,870	-
Government treasury bills	12.2	234,497	232,800
Term deposit receipts	12.3	50,000	254,000
		475,367	486,800

12.1 During the year the Company invested in Marginal Trading System (MTS). These carry markup up to KIBOR + 8% p.a. (FY2016: Nil).

12.2 These carry markup @ 6.0% p.a. (FY2016: @ 6.15% to 8.34% p.a.).

12.3 These carry markup @ 5.6% p.a. (FY2016: @ 5.00% to 6.90% p.a.).

	Note	2017	2016
13 Tax refunds due from the Government - net			
Wealth tax paid:			
- under protest	13.1	10,063	10,063
- with returns		461	461
		10,524	10,524
Less: provision for wealth tax		3,728	3,728
		6,796	6,796
Income tax - payments less provision		34,235	30,486
		41,031	37,282

15.PSZ

13.1 The Income Tax Appellate Tribunal, vide its order dated June 03, 2003, for the Assessment years 1992-93 and 1994-95 to 2000-01 accepted the contention that the Company qualifies for exemption under section 5(1)(i)/clause 22 of the Second Schedule to the Wealth Tax Act, 1963.

The Department has filed a writ petition before the Lahore High Court, Lahore against the aforesaid order of the Income Tax Appellate Tribunal. The petition is pending adjudication.

		2017	2016
		(Rupees in '000s)	
14 Cash and bank balances			
Cash in hand		100	100
Cash at banks on :			
-Current accounts		154	2,807
-Saving accounts	14.1	56,691	83,944
		56,845	86,751
		56,945	86,851

14.1 These carry markup @ 3.75% to 5.35% p.a. (FY2016: @ 4.00% to 6.25% p.a.).

15 Issued, subscribed and paid up capital

2017	2016				
(Number of shares)					
128,284,200	128,284,200	Ordinary shares of Rs. 10/- each issued for consideration other than cash	15.1	1,282,842	1,282,842

15.1 On August 15, 2012, in accordance with the requirements of the Stock Exchanges (Corporatization, Demutualization and Integration) Act, 2012 ("The Act"), 128,284,200 shares were allotted to the initial share holders of the Company. These shares are blocked under the Non Banking Finance Companies (NBFC) Rules, 2003.

15.2 No associated undertaking holds any share in the Company.

		2017	2016
16 Surplus on revaluation of property and equipment			
Balance as at July 01		795,040	57,807
Surplus arose during the year		-	739,293
Incremental depreciation for the year		(3,751)	(2,060)
		(3,751)	737,233
		791,289	795,040
Deferred tax attributed to Surplus			
Opening balance		(18,716)	-
Surplus arose during the year			(18,716)
Incremental depreciation for the year		791	-
		(17,925)	(18,716)
		773,364	776,324
17 Long term liabilities			
Advances for lease of building rooms	17.1	16,684	16,902
Advances for South Tower	17.2	255,655	195,931
Security deposits		2,110	672
Retention money		6,870	8,490
		281,319	221,995
17.1 Advances for lease of building rooms			
Advances for lease from members	17.1.1	16,684	16,902
Advances for lease from tenants	17.1.2	-	-
		16,684	16,902
17.1.1 Movement of advances for lease from members			
Opening balance		17,120	17,283
Less: credited to profit and loss account during the year		218	163
		16,902	17,120
Less: current portion of long term liabilities		218	218
		16,684	16,902

Tenure of lease term is 99 years.

15-13a

		2017	2016
		(Rupees in '000s)	
17.1.2	**Movement of advances for lease from tenants**		
	Opening Balance	7,717	8,315
	Add: Deposits received during the year	58,105	22,364
		65,822	30,679
	Less: credited to profit and loss account during the year	50,616	22,962
		15,206	7,717
	Less: current portion of long term liabilities	15,206	7,717
		-	-

17.1.3 Tenure of lease term with tenants ranges from one to ten years.

17.1.4 Tenants deposits include deposits received from National Clearing Company of Pakistan Limited (NCCPL) and Central Depository Company of Pakistan Limited (CDC), associated undertakings, amounting to Rs. 0.786 million and Rs. 0.312 million (2016: Rs. 0.453 million and Rs. Nil) respectively against the offices rented out to these companies.

17.2 The members of the Company in their General Meeting held on December 14, 2012 decided to start the construction of South Tower. For the said purpose Rs. 59.725 million (2016: 22.88 million) were collected during the year.

18 Long term finances

	Note	2017	2016
Loan from commercial banks - secured	18.1	200,000	200,000

18.1 The Company obtained the loan from the commercial banks amounting to Rs. 200 million (2016: 200 million) for construction of South Tower.

	Lender	Amount of loan outstanding (Rupees in thousand)	Rate of Interest / Mark-up	Number of Instalments for principal repayments	Interest/ Mark-up Payable
18.1.1	Bank Al-Habib Limited	100,000	6 monthly KIBOR + 0.5%	14 equal instalments starting from November 30, 2018	Semi annually
18.1.2	MCB Bank Limited	100,000	3 monthly KIBOR + 0.5%	28 equal instalments starting from March 03, 2018	Quarterly
	Total	200,000			

18.1.3 A facility of Rs. 100 million (2016: 100 million) has been obtained secured against liquid security in shape of lien over Treasury Bills amounting to Rs. 120 million (2016: 120 million) held with Bank Al-Habib Limited and lien over bank balance amounting to Rs. 30 million (2016: Rs. 15 million).

18.1.4 A facility of Rs. 100 million (2016: 100 million) has been obtained secured against liquid security in shape of lien over Treasury Bills amounting to Rs. 121.5 million (2016: 140 million) to be held with MCB Bank Limited's treasury.

19 DEFERRED TAXATION

The liability / (asset) for deferred taxation comprises of timing differences relating to:

	2017	2016
	(Rupees in '000s)	
Accelerated tax depreciation allowances	30,296	9,940
Deferred tax liability due to revaluation of building	-	18,877
Investments in associated companies	62,843	48,807
Accelerated tax amortization	(465)	(8)
Provision for LFA	(252)	(186)
Employees Welfare Fund	(75)	(75)
Provision for advances related to capital work in progress	(2,310)	(2,393)
Tax credits	(13,162)	(16,502)
	76,876	58,460

K.P.S.

			2017	2016
			(Rupees in '000s)	
19.1	**Deferred tax expense for the year**			
	Closing balance of deferred tax liability		**76,876**	58,460
	Opening balance of deferred tax (liability) / asset		**(58,460)**	4,554
	Deferred tax attributed to revaluation surplus arose during the year		**-**	(3,743)
	Net deferred tax charge recognized for the year	27	**18,416**	59,271

20 Trade and other payables

		2017	2016
Creditors		**20,177**	32,276
Accrued interest		**6,902**	5,813
Due to members		**2,601**	29,268
Defaulted members' membership sale proceeds	20.1	**51,120**	34,534
Advances received from members and companies	20.2	**2,092**	1,681
Retention money		**8,736**	834
Unclaimed dividend	20.3	**23,215**	18,405
		114,844	122,811

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

20.2 These include margins received from members against their exposures for trading.

20.3 This includes dividend withheld on account of suspended and defaulted members.

21 Contingencies and commitments

Contingencies

After the Integration of LSE Financial Services Limited (formerly: Lahore Stock Exchange Limited) with Pakistan Stock Exchange Limited (formerly: Karachi Stock Exchange Limited) as per Order No. 1 of 2016 of Securities and Exchange Commission of Pakistan (SECP), all the pending cases related to Mr. Aslam Motiwala and Mr. Muhammad Iqbal Khawaja were referred to the Funds Committee (constituted by SECP under the Stock Exchanges (Corporatization, Demutualization and Integration) Regulations, 2012) for follow up and disposals theseof. These cases have been taken up by the Funds Committee and have been reported to the SECP. Accordingly, the relevant contingent liability was also transferred to the relevant MCF, IPF and TCF Trusts.

Mr. Haji Ijaz Ahmed Mirza, the landlord of Sialkot trading floor filed a suit against the Company before the Court of the Senior Civil Judge, Sialkot for recovery of Rs. 20.969 million along with damages. First case amounting to Rs. 4.046 million was decreed in favour of Mr. Haji Ijaz Mirza and the Company was directed to pay Rs. 5.046 million. The Company filed an appeal in the Lahore High Court which was accepted and decree against the Company was set aside. Against the judgment and decree of Lahore High Court, Mr. Haji Ijaz Mirza has filed Civil Appeal for setting aside order of the High Court which is pending adjudication. However, In another case Mr. Haji Ijaz Ahmad Mirza filed a suit against the Company before the court of learned Civil Judge, Sialkot for recovery of Rs 8.093 million and Rs 8.829 million on account of rent. No provision has been made in respect of both cases as the Company expects favourable decision in both cases.

Mian Shakeel Aslam (ex Managing Director of the Company) has filed a civil suit for recovery along with damages amounting to Rs. 135.301 million against the Company and its directors. The Company has also filed the counter claim/suit for recovery of Rs. 220.927 million along with damages against Mian Shakeel Aslam. No provision in this regard has been made as the Company expects a favourable outcome of the case.

Seven appeals have been filed before Punjab Labour Appellate Tribunal, Lahore (PLAT) in which judgements have been awarded against the Company by the Punjab Labour Court, Lahore whereby the Company has been directed to re-instate its seven former employees and to compensate for salary and benefits since they left the Company. Although the Company has an arguable case before PLAT, however, if these appeals are directed against the Company then it may incur a liability of approximately Rs. 17.741 million. No provision in this regard has been made as the Company expects a favourable outcome of the case.

Commitments

Commitments for capital expenditure outstanding as at June 30, 2017 were Rs. 91. 177 million (2016: 147.828 million).

15·P820

		Note	2017	2016
			(Rupees in '000s)	

22 Rental income

	Note	2017	2016
Tenants		47,789	42,077
Associated undertakings	22.1	2,826	2,807
Members		384	330
		51,000	45,214

22.1 During the year the Company earned rental income from Central Depository Company of Pakistan Limited and National Clearing Company of Pakistan Limited amounting to Rs. 0.924 million and 2.165 million (2016: Rs. 0.840 million and Rs. 1.966 million) respectively.

23 Profit on bank deposits and accounts

	Note	2017	2016
Profit on short term investments	23.1	27,244	42,957
Mark-up on loan to Managing Director		-	809
		27,244	43,766
		27,244	43,766

23.1 **Profit on short term investments**

	2017	2016
Markup on deposit accounts	5,966	7,894
Term deposits receipts	7,540	12,951
Treasury bills	13,738	16,195
Certificates of investment	-	430
Gain on mutual funds	-	5,487
	27,244	42,957

24 Other Income

	Note	2017	2016
Fund management fee	24.1	3,267	14,209
Other		20,448	5,920
		23,716	20,129
		23,716	20,129

24.1 This represents fund management fee charged to Members' Contribution Fund, Investors Protection Fund and TREC Holders' Contribution fund trust for the year ended June 30, 2017. Fund management fee is calculated at the rate of 2.00% (2016: 1.50%) on closing net assets of the fund as per management accounts.

25 Administrative expenses

	Note	2017	2016
Salaries and benefits	25.1	25,168	18,116
I.T. and other related expenses		988	742
Insurance		1,189	637
Travelling and conveyance	25.2	1,292	1,254
Printing and stationery		444	549
Utilities		4,034	4,107
Communication and public relations		1,806	1,656
Repair and maintenance		7,524	3,334
Legal and professional charges		174	3,015
Consultancy charges		1,707	2,867
MTS Charges		987	-
Fee and subscription		618	292
Rent, rates and taxes		1,257	1,257
Security expenses		5,195	761
Marketing and advertisement		131	463
Auditors' remuneration	25.3	433	1,286
Board meetings fee expenses		2,265	2,907
Others		653	2,514
Depreciation		15,254	12,080
Amortisation		311	316
		71,431	58,154

25.1 Salaries and benefits include Rs. 0.965 million (2016: Rs. 1.81 million) in respect of contribution to provident fund.

K.P.S.

25.2 These includes travelling and conveyance expense of directors amounting to Rs. Nil (2016: Rs. 1.104 million).

		2017	2016
		(Rupees in '000s)	
25.3	**Auditors' remuneration**		
	The charges for auditors' remuneration include the following in respect of auditors' services for:		
	Statutory audit	250	725
	Half yearly review	75	157
	Special reports and certificates	-	197
	Out of pocket expenses	92	207
		433	1,286

26 Other operating expenses

	2017	2016
Write off of advance paid to Facilities Management Company Limited	-	13,537

27 Taxation

	Note	2017	2016
- Current	27.1	18,938	24,668
- Deferred	19.1	18,416	35,037
		37,354	59,705

27.1 Numerical reconciliation between average effective tax rate and the applicable tax rate

	2017	2016
Accounting profit before taxation including discontinued operations	187,279	142,753
Tax at applicable rate of 31% (2016: 32%)	58,057	45,681
Taxable Temporarily differences	2,655	(2,875)
Deferred tax	18,416	35,037
Items under lower tax rate	(41,774)	(18,138)
Tax charge for the year	37,354	59,705
Effective tax rate	19.95%	29.59%

28 Discontinued Operations

As stated in note 1.1, profit after taxation from discontinued stock exchange operations for the year:

28.1 **Profit after taxation from discontinued operations for the year**

	2017	2016
Fee Income	-	64,013
Software revenue	-	481
Other income	-	26,035
Administrative charges	-	(64,486)
Other charges	(539)	(9,939)
(Loss) / profit before tax	(539)	16,104
Taxation	-	(3,877)
(Loss) / profit after taxation	(539)	12,227

28.2 **Assets and liabilities of discontinued operations of stock exchange are as follows:**

	2017	2016
Assets		
Property and equipment	-	3,256
Liabilities		
Trade and other payables	19,731	24,733
Total net assets	(19,731)	(21,477)

Net cash flows relating to discontinued operations for the year:

	2017	2016
Net cash generated from operating activities	-	10,921
Net cash generated from investing activities	-	3,880

15.8.20

29 Earnings per share

Basic earnings / (loss) per share

Profit after tax from continuing operations	Rupees in thousand	**149,925**	66,944
(Loss) / profit after tax from discontinued operations	Rupees in thousand	**(539)**	12,227
Weighted average number of shares	Numbers in thousand	**128,284**	128,284
Earnings per share from continuing operations		**1.17**	0.52
(Loss) / earnings per share from discontinued operations		**(0.00)**	0.10
		1.16	0.62

Diluted earnings per share

Diluted earnings per share has not been presented as the Company does not have any convertible instruments in issue as at June 30, 2017 and June 30, 2016 which would have any effect on the earnings per share.

	2017	2016
	(Rupees in '000s)	
30 Working capital changes		
(Increase) / decrease in current assets:		
- Stores	**1,286**	(580)
- Loans and advances	**2,220**	9,686
- Trade receivables	**(3,210)**	12,210
- Other receivables	**12,457**	(8,902)
- Short term prepayments	**(7,375)**	12,470
	5,378	24,884
(Decrease) / increase in current liabilities:		
- Trade and other payables	**(19,089)**	7,971
	(13,711)	32,855

31 Transactions with related parties including discontinued operations

The related parties comprise of associated undertakings, directors of the Company, companies in which directors also hold directorship and key management personnel. All transactions with related parties have been carried out on mutually agreed terms and conditions.

Relationship with Company	Nature of transaction	2017	2016
		(Rupees in '000s)	
i. Associated Undertakings	- Reimbursement of expenses	**257**	674
	- Security deposits	**333**	-
	- Rent received	**5,778**	2,807
	- Shares Registrar Fee	**377**	370
	- Dividend received	**32,593**	73,952
	- Investment made	**-**	131,836
	- Software charges	**-**	12
	- Provision of facilities	**1,181**	112
ii. Investment in MTS with NCCPL	- Security deposits	**250**	-
	- Advance against exposure for trading	**9,500**	-
	- Annual fee	**250**	-
	- MTS income	**7,770**	-
	- MTS documentation charges	**5**	-
	- Trading charges	**675**	-
	- Other charges	**57**	-
iii Non Executive Directors	- Meeting fee	**2,265**	6,460
	- Sale of asset	**-**	15
iv. Chief Executive and key management personnel	-Receipt of loan	**-**	13,737
	- Sale of asset	**-**	2,901

K.B.Z.

32 Remuneration of Chief Executive and key management personnel

	Chief Executive 2017	Chief Executive 2016	Key Management Personnel 2017	Key Management Personnel 2016
	(Rupees in '000s)			
Remuneration	**2,378**	6,268	**2,541**	3,106
Medical	**238**	566	**254**	242
Bonus	**-**	1,952	**318**	861
Retirement Benefits	**238**	2,607	**254**	247
Utilities and other benefits	**1,629**	3,134	**3,335**	2,492
	4,483	14,526	**6,702**	6,948
	1	2	3	4

33 Financial risk management

33.1 Financial risk factors

The Company's activities expose it to a variety of financial risks: market risk (including currency risk, other price risk and 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 foreign exchange risk, interest rate risk, credit risk and investment of excess liquidity. All treasury related transactions are carried out within the parameters of these policies.

(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.

ii) Interest rate risk

Interest rate risk 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 significant long-term interest-bearing assets and the Company's interest rate risk arises from short term investments. Investments obtained at variable rates expose the Company to cash flow interest rate risk.

At the balance sheet date, the interest rate profile of the Company's interest bearing financial instruments was:

	2017	2016
	(Rupees '000)	
Financial assets		
Fixed rate instruments		
Bank balances - saving accounts	**56,691**	83,944
Short term investments	**475,367**	486,800
	532,058	570,744
Financial liabilities		
Floating rate instruments		
Long term finances	**200,000**	200,000

The Company does not account for any fixed rate financial assets and liabilities at fair value through profit or loss. Therefore, a change in interest rate at the balance sheet date would not affect profit or loss of the Company.

Cash flow sensitivity analysis for variable rate instruments

The effective interest / mark-up rates for interest / mark-up bearing financial instruments are mentioned in relevant notes to the financial statements.

A reasonably possible change of 100 basis points in interest rates at the reporting date would have (decreased) / increased profit by amounts shown below. The analysis assumes that all other variables, in particular foreign exchange rates, remain constant.

15.8.82

	Profit	
	2017	2016
	(Rupees in '000s)	
Variable interest rate financial liabilities		
Increase of 100 basis points	**2,000**	2,000
Decrease of 100 basis points	**(2,000)**	(2,000)

The sensitivity analysis prepared is not necessarily indicative of the effects on profit for the year and the outstanding liabilities of the Company at the year end.

(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. Company's credit risk is primarily attributable to its trade receivables and its balances at banks. The carrying amount of financial assets represents the maximum credit exposure. The maximum exposure to credit risk at the reporting date was as follows:

	2017	2016
	(Rupees '000)	
Short term investments	**50,000**	254,000
Bank balances	**56,845**	86,751
Loans and advances	**13,706**	15,926
Trade receivables - net of provision	**13,867**	10,657
Other receivables - net of provision	**12,428**	23,489
Long term deposits	**1,762**	2,105
	148,607	392,928

The Company's exposure to credit risk is limited to the carrying amount of unsecured long term deposits, trade receivables, loans and advances, short term investments and bank balances. The aging analysis of trade receivables is as follows:

Not yet due	**-**	-
Due past 90 days	**1,746**	4,935
Due past 90 to 180 days	**1,279**	2,122
Due past 181 to 365 days	**3,787**	3,612
Due past 365 days	**6,894**	-
	13,706	10,669

Based on past experience the management believes that no further provision is required in respect of trade receivables - considered good at June 30, 2017.

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

Banks	**Rating**		**Rating agency**	**2017**	2016
	Short term	**Long term**		**(Rupees '000))**	
Faysal Bank Limited	A1+	AA	PACRA	**1**	1,991
MCB Bank Limited	A1+	AAA	PACRA	**8,297**	31,365
Bank Al Falah Limited	A1+	AA	PACRA	**2,372**	718
Bank Al Habib Limited	A1+	AA+	PACRA	**42,716**	19,312
United Bank Limited	A-1+	AAA	JCR-VIS	**-**	5
Habib Bank Limited	A-1+	AAA	JCR-VIS	**3,403**	4,577
National Bank of Pakistan Limited	A-1+	AAA	JCR-VIS	**42**	703
Summit Bank Limited	A-1	A	JCR-VIS	**14**	28,080
Pak Brunei Investment Company	A-1+	AA+	PACRA		-
				56,845	86,751

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

KnBz

33.3 **Fair value estimation**

The different levels for fair value estimation of financial instruments used by the Company have been explained as follows:
Quoted prices (unadjusted) in active markets for identical assets or liabilities (level 1).
Inputs other than quoted prices included within level 1 that are observable for the asset or liability, either directly (that is, as prices) or indirectly (that is, derived from prices) (level 2).

Inputs for the asset or liability that are not based on observable market data (that is, unobservable inputs e.g. estimated future cash flows) (level 3).

The carrying values of all financial assets and liabilities reflected in the financial statements approximate their fair values. Fair value is determined on the basis of objective evidence at each reporting date.

	June 30, 2017			
	Level 1	**Level 2**	**Level 3**	**Total**
	(Rupees '000)			
Recurring fair value measurements				
INVESTMENTS - NET				
Financial assets				
Available for sale securities				
Ordinary shares - Unlisted	-	712,457	-	712,457

	June 30, 2016			
	Level 1	Level 2	Level 3	Total
	(Rupees '000)			
Recurring fair value measurements				
INVESTMENTS - NET				
Financial assets				
Available for sale securities				
Ordinary shares - Unlisted	-	600,165	-	600,165

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

There were no transfers between levels 1 and 2 during the year.

(a) Financial instruments in level 1
Currently, no financial instruments are classified in level 1.

(b) Financial instruments in level 2
Financial instruments included in level 2 comprise of investments in unlisted ordinary shares.

(c) Financial instruments in level 3
Currently, no financial instruments are classified in level 3.

34 **Number of employees**
Total number of employees at year end and average number of employees during the year are 38 (2016: 38) and 38 (2016: 58) respectively.

35 **Disclosure relating to provident fund**

	2017	2016
	(Rupees '000)	
Size of fund	**5,602**	4,999
Cost of investments made	**4,818**	4,132
Percentage of investments	**86%**	83%
Fair value of investments	**4,000**	4,132
Breakup of investment		
Meezan Capital Preservation Plan-1	**4,000**	-
Cash at bank in saving accounts	**818**	4,132

15.1182

The figures for 2017 are based on the un-audited financial statements of the Provident Fund. Investments out of Provident Fund have been made in accordance with the provisions of section 227 of the Companies Ordinance, 1984 and the rules formulated for this purpose.

36 Corresponding figures

36.1 Figures of the corresponding period have been re-arranged and regrouped where necessary to facilitate comparison. Major reclassifications made during the year for better presentation are as follows:

	June 30, 2016	Reclassification	
	Rupees '000'	From	To
Other receivables	18,083	Other - current assets	Advances against CAPEX - non current assets
Legal and professional charges	3,015	Other charges	Administrative expenses
Consultancy charges	2,867	Other charges	Administrative expenses

36.2 The figures in this financial information have been rounded off to the nearest Rupees in thousands unless otherwise specified.

37 NON ADJUSTING EVENTS AFTER THE BALANCE SHEET DATE

The Board of Directors of the Company in its meeting held on 05-OCT-17 has proposed a final cash dividend of Rs. 0.50/- per share for the year ended June 30, 2017 (2016: Rs. 0.50 per share), for approval of the members in the Annual General Meeting.

38 AUTHORIZATION FOR ISSUE

These financial statements have been authorized for issue by the Board of Directors of the Company in its meeting held on 5th OCT-2017.

Farid Malik

Managing Director

Director

Director