LSE FINANCIAL SERVICES LIMITED

FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 2019

LSE Financial Services Ltd.

Directors' Report to the Shareholders:

Dear Shareholders,

The Governing Board of Directors of LSE Financial Services Ltd. (LSEFSL) is pleased to present its report along with the annual audited accounts of your Company for the financial year ended June 30, 2019:

ECONOMIC OUTLOOK OF PAKISTAN

The fiscal year 2018-19 witnessed a muted growth of 3.29% against the ambitious target of 6.2%. This provisional GDP growth rate is on the basis of 0.85%, 1.40% and 4.71% growth in agricultural, industrial and services sectors, respectively. The total investments as a percentage of GDP was recorded at 15.4 percent against the target of 17.2 percent. The fixed investment as percentage of GDP remained 13.8 percent against the target of 15.6 percent, while public and private investments remained at 4.0 and 9.8 percent against the target of 4.8 and 10.8 percent respectively. (Source: Pakistan Economic Survey 2018-19)

FINANCIAL PERFORMANCE OF LSEFSL

Financial Highlights	2019 Rs. in '000'	2018 Rs. in '000'
Revenue	**184,268**	139,163
Gain on recognition of finance lease	-	94,325
Fair value gain on revaluation of investment property	-	163,078
Share of profit of Associates-net of tax	**131,354**	127,261
Total Revenue	**315,622**	523,827
Operating expenditures	**107,975**	103,038
Profit before Taxation	**207,647**	420,789
Taxation	**(48,907)**	(76,524)
Net Profit for the period-continued operation	**158,740**	344,265
Earnings Per Share (EPS) – Basic & Diluted	**Rs. 1.24**	Rs. 2.68

During the financial year 2018-19, LSEFSL earned total revenue of Rs. 315.622 million, including share of profit of Associates-net of tax, as compared to last year figure of Rs. 523.827 million, i.e., registered a decrease of Rs. 208.205 million or 40%.

The major revenue of the Company comprises income from margin trading system, rent from investment property, profit from bank deposits and T-bills, share of profits from the associated companies and other income.

The operating expenses and finance cost were Rs. 107.975 million, i.e., an increase by Rs. 4.937 million or 4.8% from last year's comparative period. The finance cost also has impact on profitability of Rs. 9.00 million, which was Rs. 8.3 million in comparative period. The Company accounted for provision of Rs. 2.57 million relating to supply of utilities and service maintenance charges. Expenses relating to Margin Trading System, Legal & professional, Utilities and property taxes are also showing increasing trend. The Company earned a profit before taxation of Rs. 207.674 million for the period under review, which is down by Rs. 213.142 million or 51%, as compared to corresponding previous period. Furthermore, profit after tax is also down by Rs. 185.525 million or 54% from last year and has reached Rs. 158.740 million, due to change in accounting policy and one time activities of gain on recognition of finance lease i.e. Rs. 94.325 million and investment property Rs. 163.078 million in last year. The total of gain relating to finance lease and investment property was Rs. 257.403 million in 2018.

Earnings per Share (Basic & Diluted) for the period ended June 30, 2019 was is down by Rs. 1.45 or 54%, which was attributed by one-off un-usual items as given below table. Further, the net asset value of the share is Rs. 22.70 as on June 30, 2019.

Description	2019 (Rs. in '000)	2018 (Rs. in '000)
Unrealized gain on equity shares of PMEX	18,932	-
Gain on recognition of finance lease	-	94,325
Fair value gain on Investment Property	-	163,078
Total	18,932	257,403

During the period, company also managed to retire Rs. 100 million long-term loan facility and get realized lien marked collateral from Bank Al-Habib Ltd., as the increasing trend of KIBOR rate was curbing the profitability of companies. However, this increasing trend had supported the Company in as a financier participant in Margin Trading System (MTS). The company's rate of return in this avenue was above from KIBOR.

During the financial year ended June 30, 2019, the Company started a major project for external renovation amounting Rs. 14.593 million of the building, which is at final stages.

During the year under review, the Management was successful in completing the long outstanding works related to South Tower project, which include firefighting system, HVAC, public health and electric works.

For the year 2019-20, Management's prime focus shall be towards the occupancy for vacant spaces of LSE Plaza and improving the signage and advertisement income opportunities.

ASSOCIATED UNDERTAKINGS PERFORAMCE

During the period under review, associated companies, announced dividend worth Rs. 29.328 million as compared to Rs. 73.811 million in last year. During the period, CDC declared bonus shares @ 41.389 % and paid cash dividend of Rs. 15.913 million to LSEFSL. PACRA declared Rs. 13.15 million as dividend during the period. Whereas, NCCPL declared only bonus share @ 50%. The Company has no more common directorship on the board of Pakistan Mercantile Exchange Ltd. Therefore, the fair value of share of PMEX has been calculated as per IAS 39 and unrealized gain on these shares has been booked for Rs. 18.932 million in the current period. It may be mentioned that the Company's return on investment in associated companies is likely to be affected by the bearish sentiment prevailing in the market.

EXTERNAL AUDITORS

M/s. Kreston Hyder Bhimji & Co., Chartered Accountants, retiring auditors of the Company, being eligible, have offered themselves for reappointment. The Board has recommended to the general body re-appoint of M/s. Kreston Hyder Bhimji & Co., Chartered Accountants as the external Auditors of the Company for the financial year ending 2020.

INTERNAL AUDITORS

The Company has outsourced its internal audit function to M/s BDO Ebrahim & Co., Chartered Accountants. The Board Audit Committee is supervising the Internal Auditors through review of their quarterly internal audit reports.

CREDIT RATING

During the period, JCR-VIS Credit Rating Company Ltd. has upgraded entity ratings of from 'A/A-2' to A/A-1 LSEFSL. Outlook on the assigned ratings is 'Stable'.

PROPOSED FINAL DIVIDEND

Keeping in view of satisfactory results, the Board of Directors has recommended final cash dividend @ Rs. 0.80 per shares, i.e., 8% for the year ended June 30, 2019 subject to approval of the general body.

RISK MANAGEMENT

The Directors of the Company have adequately ensured that the system of internal financial controls is sound in design and has been effectively implemented and monitored through outsourced Internal Auditors. The existing internal control system and procedures are being continuously reviewed.

The Management of the Company has reviewed all those risks that could affect the Company's performance and its future prospects. The Management focuses on the unpredictability of financial markets and seeks to minimize potential adverse effects on its financial performance. The profitability of the Company is also influenced by the overall economic, geo-political condition of the Country, policies of the Government and the performance of the associated companies as well as the capital markets.

FUTURE OUTLOOK

The economy of Pakistan has faced many challenges from the start of financial year 2019. The exchange rate stability would remain a challenging factor in present economic scenario. LSEFSL has envisaged ensuring strengthening of existing revenue lines and increase in quantum of inflow of revenue through capacity building and efficient resource allocation.

For and on behalf of the Governing Board of Directors of LSEFSL,

Chief Executive/Managing Director **Director**

Pattern of Shareholding as on 30th June, 2019

No. of Shareholders	Shareholding Slab			Total Shares held	Percentage
14	1	to	100	697	0.0005
5	101	to	1,000	3,391	0.0026
8	1,001	to	10,000	34,020	0.03
3	10,001	to	50,000	111,875	0.09
1	50,001	to	100,000	52,997	0.04
1	100,001	to	200,000	200,000	0.16
2	200,001	to	300,000	421,987	0.33
17	300,001	to	400,000	5,855,260	4.56
2	400,001	to	500,000	865,963	0.68
15	500,001	to	600,000	7,689,390	5.99
1	600,001	to	700,000	675,180	0.53
1	700,001	to	800,000	781,180	0.61
121	800,001	to	900,000	102,120,473	79.60
-	900,001	to	1,000,000	-	-
-	1,000,001	to	1,100,000	-	-
-	1,100,001	to	1,200,000	-	-
-	1,200,001	to	1,300,000	-	-
-	1,300,001	to	1,400,000	-	-
-	1,400,001	to	1,500,000	-	-
1	1,500,001	to	1,600,000	1,550,000	1.21
1	1,600,001	to	1,700,000	1,687,950	1.32
1	1,700,001	to	3,000,000	2,531,925	1.97
1	3,000,001	to	4,000,000	3,701,912	2.89
195				**128,284,200**	**100.00**

Categories of Shareholders as on 30th June, 2019

Categories of Shareholders	Number	Shares held	%age
Directors	5	1,301	0.001
Executives	-	-	-
Associated Companies, Undertakings and Related Parties	-	-	-
NIT and ICP	-	-	-
Public Sector Companies and Corporations	-	-	-
Joint Stock Companies, Corporations and SMCs.	125	98,225,225	76.568
Bank, Development Finance Institutions, Non-Banking Finance Institutions	3	2,531,925	1.974
Insurance Companies	-	-	-
Modaraba	1	843,975	0.658
Mutual Funds	-	-	-
Individuals	60	25,837,799	20.141
Others	1	843,975	0.658
General Public-Local	-	-	-
General Public-Foreign	-	-	-
Total:	195	128,284,200	100.000

Additional details:

Category	Number of Shareholders	Number of Shares held
***Directors, Chief Executive Officer and their Spouse and minor Children**		
Mr. Ammar ul Haq	1	100
Mr. Asif Baig Mirza	1	100
Mr. Jahanzeb Mirza	1	1
Mr. Khalid Waheed	1	1,000
Mr. Omar Khalil Malik	1	100
Total:	5	**1,301**

**Banks, Development Financial Institutions, Non Banking Financial Institutions, Modarabas & Mutual Funds

Allied Bank Ltd.	1	843,975
First Prudential Modaraba	1	843,975
Orix Leasing Pakistan Ltd.	1	843,975
SME Bank Ltd.	1	843,975
Total:	4	**3,375,900**

The names of the persons who, at any time during the financial year 2018-19, were directors of the company

1. Mr. Rashid Rahman Mir: Chairman/Nominee Independent Director
2. Mr. Ali Mehdi: Nominee Independent Director
3. Mr. Ammar ul-Haq: Elected Shareholder Director
4. Mr. Asif Baig Mirza: Elected Shareholder Director
5. Mr. Inayat Ullah Niazi: Nominee Independent Director
6. Mr. Jahanzeb Mirza: Elected Shareholder Director
7. Ms. Javaria Malik: Nominee Independent Director
8. Mr. Khalid Waheed Elected Shareholder
9. Mr. Muhammad Sibghatullah Khalid: Chief Executive Officer/Managing Director
10. Mr. Omar Khalil Malik: Elected Shareholder Director

KRESTON
HYDER BHIMJI & CO
CHARTERED ACCOUNTANTS

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

INDEPENDENT AUDITORS' REPORT

To the members of LSE Financial Services Limited
Report on the Audit of the Financial Statements

Opinion

We have audited the annexed financial statements of **LSE Financial Services Limited** ("the Company"), which comprises statement of financial position as at June 30, 2019, the statement of profit or loss, the statement of comprehensive income, the statement of changes in equity, the statement of cash flows for the year then ended and notes to the financial statements including a summary of significant accounting policies and other explanatory information, and we state that we have obtained all the information and explanations which, to the best of our knowledge and belief, were necessary for the purpose of the audit.

In our opinion and to the best of our information and according to the explanations given to us, the statement of financial position, statement of profit or loss, the statement of comprehensive income, statement of changes in equity and statement of cash flows together with the notes forming part thereof conform with the accounting and reporting Standards as applicable in Pakistan, and, give the information required by the Companies Act, 2017(XIX of 2017), in the manner so required and respectively give a true and fair view of the state of the company's affairs as at June 30, 2019 and of the profit, the comprehensive income, the changes in equity and its cash flows for the year then ended.

Basis for Opinion

We conducted our audit in accordance with International Standards on Auditing (ISAs) as applicable in Pakistan. Our responsibilities under those standards are further described in the Auditor's Responsibilities for the Audit of the Financial Statements section of our report. We are independent of the Company in accordance with the International Ethics Standards Board for Accountants' Code of Ethics for Professional Accountants as adopted by the Institute of Chartered Accountants of Pakistan (the Code) and we have fulfilled our other ethical responsibilities in accordance with the Code. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Information Other than the Financial Statements and Auditor's Report Thereon

Management is responsible for the other information. The other information comprises the information included in the director report, but does not include the financial statements and auditor's report thereon.

Our opinion on the financial statements does not cover the other information and we do not express any form of assurance conclusion thereon.

In connection with our audit of the financial statements, our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the financial statements or our knowledge obtained in the audit or otherwise appears to be materially misstated. If, based on the work we have performed, we conclude that there is a material misstatement of this other information; we are required to report that fact. We have nothing to report in this regard.

KRESTON
HYDER BHIMJI & CO
CHARTERED ACCOUNTANTS

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

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

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

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

Auditors' Responsibilities for the Audit of the Financial Statements

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

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

- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.

- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Company's internal control.

- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by management.

- Conclude on the appropriateness of management's use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Company's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Company to cease to continue as a going concern.

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

- Evaluate the overall presentation, structure and content of the financial statements, including the disclosures, and whether the financial statements represent the underlying transactions and events in a manner that achieves fair presentation.

We communicate with the Board of Directors regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.

Report on Other Legal and Regulatory Requirements:

Based on our audit, we further report that in our opinion:

a) proper books of account have been kept by the Company as required by the Companies Act, 2017 (XIX of 2017);

b) the statement of financial position, the statement of profit or loss, the statement of comprehensive income, the statement of changes in equity and the statement of cash flows (together with the notes thereon have been drawn up in conformity with the Companies Act, 2017(XIX of 2017) and are in agreement with the books of account and returns;

c) investments made, expenditure incurred and guarantees extended during the year were for the purpose of the Company's business; and

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

The engagement partner on the audit resulting in this independent auditor's report is Shabir Ahmad, FCA.

LAHORE: 2 5 SEP 2019

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

LSE FINANCIAL SERVICES LIMITED

STATEMENT OF FINANCIAL POSITION AS ON JUNE 30, 2019

	Note	2019	Restated 2018	Restated 2017
		....................(Rupees in '000s)....................		
ASSETS				
NON-CURRENT ASSETS				
Property, plant and equipment	5	1,282,831	1,287,409	1,615,285
Intangible assets		-	-	145
Investment property - at fair value	6	383,805	383,805	202,837
Investment in associates	7	885,674	786,638	738,939
Net investment in finance lease	8	3,690	3,986	1,936
Long term deposits	9	1,762	1,762	1,762
		2,557,762	2,463,600	2,560,903
CURRENT ASSETS				
Stores and spares		924	1,038	668
Trade and other receivables	10	15,146	32,868	37,751
Advances and prepayments	11	2,343	1,916	13,560
Short term investments	12	440,110	580,979	475,367
Advance income tax - net	13	33,451	34,933	41,031
Cash and bank balances	14	106,814	52,578	56,946
		598,788	704,312	625,323
		3,156,550	3,167,912	3,186,226
EQUITY AND LIABILITIES				
SHARE CAPITAL AND RESERVES				
Share capital				
Issued, subscribed and paid-up capital	15	1,282,842	1,282,842	1,282,842
Capital reserves				
Revaluation surplus on property, plant and equipment	16	779,597	777,143	778,621
Deficit on revaluation of investments		(9,010)	(9,070)	(9,047)
		770,587	768,073	769,574
Revenue reserves				
Unappropriated profit		858,141	765,020	489,029
Total shareholders equity		2,911,570	2,815,935	2,541,445
NON-CURRENT LIABILITIES				
Long term liabilities	17	-	2,704	264,636
Long term financing	18	-	85,714	200,000
Deferred taxation	19	97,470	70,932	30,362
		97,470	159,350	494,998
CURRENT LIABILITIES				
Trade and other payables	20	116,415	150,369	126,568
Unpaid dividend		27,523	26,612	23,215
Unclaimed dividend		3,571	1,360	
Current portion of long term financing	18	-	14,286	-
		147,509	192,627	149,783
CONTINGENCIES AND COMMITMENTS	21			
		3,156,550	3,167,912	3,186,226

1532

The annexed notes 1 to 36 form an integral part of these financial statements.

Managing Director | Chief Financial Officer | Director

LSE FINANCIAL SERVICES LIMITED

STATEMENT OF PROFIT OR LOSS FOR THE YEAR ENDED JUNE 30, 2019

	Note	2019	2018
		......(Rupees	in '000s)......
REVENUE	22	121,011	96,523
OTHER INCOME	23	63,257	42,640
GAIN ON RECOGNITION OF FINANCE LEASE		-	94,325
FAIR VALUE GAIN ON REVALUATION OF INVESTMENT PROPERTY	6	-	163,078
OPERATING EXPENSES			
Administrative and general expenses	24	(98,971)	(94,685)
OPERATING PROFIT		85,297	301,881
Finance cost	25	(9,004)	(8,353)
Share of profit of associates - net of tax	7	131,354	127,261
PROFIT BEFORE TAXATION		207,647	420,789
Taxation	26	(48,907)	(76,524)
PROFIT AFTER TAXATION		158,740	344,265
EARNINGS PER SHARE OF RS. 10 EACH - basic and diluted	27	1.24	2.68

15.022

The annexed notes 1 to 36 form an integral part of these financial statements.

Managing Director | Chief Financial Officer | Director

LSE FINANCIAL SERVICES LIMITED

STATEMENT OF COMPREHENSIVE INCOME FOR THE YEAR ENDED JUNE 30, 2019

	Note	2019	2018
		(Rupees in '000s)	
PROFIT FOR THE YEAR		**158,740**	344,265
Other comprehensive income / (loss)			
Items that are or may be subsequently reclassified to statement of profit or loss:			
Unrealized gain / loss) on investments classified as available for sale net of tax - associates	7	**60**	(23)
Items that will never be reclassified to statement of profit or loss:			
Revaluation surplus on property and equipment		**5,234**	-
Impact of deferred tax		**(1,208)**	-
Actuarial loss on employees' retirement benefits net of tax- associates		**(3,049)**	(5,727)
		977	(5,727)
TOTAL COMPREHENSIVE INCOME FOR THE YEAR		**159,777**	338,515

The annexed notes 1 to 36 form an integral part of these financial statements.

15-08-2021

Managing Director | **Chief Financial Officer** | **Director**

LSE FINANCIAL SERVICES LIMITED
STATEMENT OF CHANGES IN EQUITY FOR THE YEAR ENDED JUNE 30, 2019

	SHARE CAPITAL	CAPITAL RESERVES		REVENUE RESERVES	TOTAL EQUITY
	Issued, subscribed and paid up capital - ordinary shares	Revaluation surplus on Property, Plant and Equipment	Deficit on revaluation of investments -	Unappropriated profit	
	....	........(Rupees in '000s)........		....	
Balance as at June 30, 2017 - previously reported	1,282,842	778,621	(9,047)	456,294	2,508,710
Impact of correction of error (note - 4.26)	-	-	-	32,735	32,735
Balance as at June 30, 2017 - restated	1,282,842	778,621	(9,047)	489,029	2,541,445
Profit for the year	-	-	-	344,265	344,265
Other comprehensive loss - net of tax	-	-	(23)	(5,727)	(5,750)
Total comprehensive income for the year	-	-	(23)	338,538	338,515
Transferred to unappropriated profit on account of incremental depreciation - net of tax	-	(1,595)	-	1,595	-
Tax rate change adjustment	-	117	-	-	117
Transaction with owners:					
Cash dividend paid (Rs. 0.50 per share) for the year ended June 30, 2017	-	-	-	(64,142)	(64,142)
Balance as at June 30, 2018 - restated	1,282,842	777,143	(9,070)	765,020	2,815,935
Balance as at June 30, 2018 - previously reported	1,282,842	777,143	(9,070)	733,376	2,784,291
Impact of correction of error (note - 4.26)	-	-	-	31,644	31,644
Balance as at June 30, 2018 - restated	1,282,842	777,143	(9,070)	765,020	2,815,935
Profit for the year	-	-	-	158,740	158,740
Other comprehensive income / (loss) - net of tax	-	4,026	60	(3,049)	1,037
Total comprehensive income for the year		4,026	60	155,691	159,777
Transferred to unappropriated profit on account of incremental depreciation - net of tax	-	(1,572)	-	1,572	-
Transaction with owners:					
Cash dividend paid (Rs. 0.50 per share) for the year ended June 30, 2018	-	-	-	(64,142)	(64,142)
Balance as at June 30, 2019	1,282,842	779,597	(9,010)	858,141	2,911,570

The annexed notes 1 to 36 form an integral part of these financial statements.

Managing Director | **Chief Financial Officer** | Director

LSE FINANCIAL SERVICES LIMITED

STATEMENT OF CASH FLOWS FOR THE YEAR ENDED JUNE 30, 2019

	Note	2019	2018
		(Rupees in '000s)	
Cash flows from operating activities			
Profit before tax		207,647	420,789
Adjustments for non - cash and other items:			
Depreciation		26,112	24,887
Amortization of intangible assets		-	145
Share of profit of associates		(131,354)	(127,261)
Return on investments		(19,530)	(17,850)
Finance income on net investment in finance lease		(48)	(24)
Lease rentals		(52,565)	(52,790)
Fair value gain on revaluation of investment property		-	(163,078)
Gain on investment measured at fair value through profit or loss		(18,932)	-
Gain on disposal of property, plant and equipment		(480)	(373)
Gain on recognition of finance lease		-	(94,325)
Employees welfare fund		175	124
Provision against earned leaves		486	365
Reversal of provision for leave fare assistance		-	(840)
Provision against doubtful trade and other receivables		2,571	6,049
Finance cost		9,004	8,353
Loss before working capital changes		(184,561)	(416,618)
Movement in working capital	29	(8,793)	39,943
		14,293	44,114
Receipts / (payments) in respect of:			
Movement in ex - members and tenants' deposits - net		40,892	172,049
Retention money		1,034	(5,121)
		41,926	166,928
Cash generated from operations		56,219	211,042
Employees welfare fund		(175)	(124)
Earned leaves paid		(260)	(365)
Leave fare assistance		-	(840)
Finance cost paid		(12,331)	(13,301)
Income tax paid		(22,096)	(29,739)
Net cash generated from operating activities		21,357	166,673
Cash flows from investing activities			
Fixed capital expenditure incurred		(16,449)	(914)
Proceed from disposal of property, plant and equipment		630	1,012
Net investment in finance lease		344	144
Short term investment matured during the year		170,402	89,526
Short term investment made during the year		(10,601)	(195,139)
Profit received on saving bank accounts and term deposits		20,245	19,904
Dividend received		29,328	73,811
Net cash generated from / (used in) investing activities		193,899	(11,655)
Cash flows from financing activities			
Dividend paid		(61,020)	(59,385)
Repayment of long term financing		(100,000)	(100,000)
Net cash used in financing activities		(161,020)	(159,385)
Net increase / (decrease) in cash and cash equivalents		54,236	(4,367)
Cash and cash equivalents at the beginning of the year		52,578	56,945
Cash and cash equivalents at the end of the year	14	106,814	52,578

15 DS

The annexed notes 1 to 36 form an integral part of these financial statements.

Managing Director | Chief Financial Officer | Director

LSE FINANCIAL SERVICES LIMITED

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED JUNE 30, 2019

1 CORPORATE AND GENERAL INFORMATION

1.1 Legal status and operations

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

Prior to cessation of the stock exchange operations, the Company was engaged in listing, conducting, regulating and controlling the trade or business of buying, selling and dealing in shares, 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.

1.2 Discontinuing Operations

The Company entered into a Memorandum of Understanding (MoU) on August 25, 2015 with Karachi Stock Exchange Limited and Islamabad Stock Exchange Limited with the objective to form an integrated stock exchange for development of capital market of Pakistan under the name of Pakistan Stock Exchange Limited (PSX). Pursuant to the MoU, the Board of Directors of the Company approved a scheme of integration on September 23, 2015. The scheme was approved by the members of the Company in extraordinary general meeting held on October 28, 2015 for submission to the Commission. As per the MoU and the proposed scheme of integration, only stock exchange operations were merged into 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.

The JCR-VIS Credit Rating Company Limited has upgraded long term and short term credit ratings of the Company as "A" and "A-1" respectively with stable outlook on December 12, 2018.

1.3 Summary of significant events and transactions in the current reporting period

The Company's financial position and performance was particularly affected by the following events and transactions during the reporting period:

- Enhanced the limit of investment in Margin Trading System (MTS) of National Clearing Company of Pakistan Limited (NCCPL) during the year. (Refer to note-12)
- Repayment of long term finance to Bank Al-Habib Limited. (Refer to note - 18)

2 BASIS OF PREPARATION

2.1 Statement of compliance

These financial statements have been prepared in accordance with the accounting and reporting standards as applicable in Pakistan. The accounting and reporting standards applicable in Pakistan comprise of:

- International Financial Reporting Standards (IFRS Standards) issued by the International Accounting Standards Board (IASB) as notified under the Companies Act, 2017; and
- Provisions of and directives issued under the Companies Act, 2017, the Non-Banking Finance Companies (Establishment and Regulation) Rules, 2003 and Non-Banking Finance Companies and Notified Entities Regulations, 2008 .

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, the Non-Banking Finance Companies (Establishment and Regulation) Rules, 2003 and Non-Banking Finance Companies and Notified Entities Regulations, 2008 have been followed.

2.2 Basis of measurement

These financial statements have been prepared under the historical cost convention, except for certain items as disclosed in the relevant accounting policies below.

2.3 Functional and presentation currency

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

2.4 Use of key judgment, estimates and assumptions

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

- Useful lives, residual values and depreciation method of property, plant and equipment
- Determination of fair value of property, plant and equipment
- Fair value of investment property
- Useful lives, residual values and amortization method of intangible assets
- Fair value of equity shares
- Provision against doubtful trade and other receivables
- Impairment loss of non-financial assets other than stores and spares
- Estimation of provisions
- Estimation of contingent liabilities
- Current income tax expense, provision for current tax and recognition of deferred tax asset (for carried forward tax losses)

The revisions to accounting estimates (if any) 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.

3 NEW STANDARDS, INTERPRETATIONS AND AMENDMENTS TO PUBLISHED APPROVED ACCOUNTING STANDARDS

3.1 Amendments to approved accounting standards that are effective in current year and adopted by the company

There are new and amended standards and interpretations that are mandatory for accounting periods beginning 01 July 2018 other than those disclosed in note 4.1, are considered not to be relevant or do not have any significant effect on the Company's financial statements and are therefore not stated in these financial statements.

3.2 Standards, amendments to approved accounting standards and interpretations that are not yet effective and have not been early adopted by the Company

A number of following new standards, amendments to approved accounting standards and interpretations are effective for annual periods beginning after July 01, 2019 and earlier application is permitted; however, the Company has not early adopted the new or amended standards in preparing these financial statements.

IFRS 16 Leases

IFRS 16 (effective for annual periods beginning on or after 1 January 2019) will affect primarily the accounting by lessees and will result in the recognition of almost all leases on statement of financial position. The standard removes the current distinction between operating and financing leases and requires recognition of an asset (the right to use the leased item) and a financial liability to pay rentals for virtually all lease contracts. An optional exemption exists for short-term and low value leases. The accounting by lessors will not significantly change. Some differences may arise as a result of the new guidance on the definition of a lease. Under IFRS 16, a contract is, or contains, a lease if the contract conveys the right to control the use of an identified asset for a period of time in exchange for consideration.

IFRS 9 'Financial Instruments' and amendment – Prepayment Features with Negative Compensation

IFRS 9 'Financial Instruments' and amendment – Prepayment Features with Negative Compensation (effective for annual periods beginning on or after 01 July 2019 i.e. deferred by SECP and 01 January 2019 respectively). IFRS 9 replaces the existing guidance in IAS 39 Financial Instruments: Recognition and Measurement. IFRS 9 includes revised guidance on the classification and measurement of financial instruments, a new expected credit loss model for calculating impairment on financial assets, and new general hedge accounting requirements. It also carries forward the guidance on recognition and derecognition of financial instruments from IAS 39. The Company is currently in the process of analysing the potential impact of changes required in classification and measurement of financial instruments and the impact of expected loss model on adoption of the standard.

Amendment to IAS 28 'Investments in Associates and Joint Ventures'

Long Term Interests in Associates and Joint Ventures (effective for annual period beginning on or after 1 January 2019). The amendment will affect companies that finance such entities with preference shares or with loans for which repayment is not expected in the foreseeable future (referred to as long-term interests or 'LTI'). The amendment and accompanying example state that LTI are in the scope of both IFRS 9 and IAS 28 and explain the annual sequence in which both standards are to be applied. The amendments are not likely to have an impact on the Company's financial statements.

IFRIC 23 Uncertainty over income tax treatments

IFRIC 23 'Uncertainty over Income Tax Treatments' (effective for annual periods beginning on or after 1 January 2019) clarifies the accounting for income tax when there is uncertainty over income tax treatments under IAS 12. The interpretation requires the uncertainty over tax treatment be reflected in the measurement of current and deferred tax. The application of interpretation is not likely to have an impact on the Company's financial statements.

Amendments to IAS 19 'Employee Benefits'

Plan Amendment, Curtailment or Settlement (effective for annual periods beginning on or after 1 January 2019). The amendments clarify that on amendment, curtailment or settlement of a defined benefit plan, a company now uses updated actuarial assumptions to determine its current service cost and net interest for the period; and the effect of the asset ceiling is disregarded when calculating the gain or loss on any settlement of the plan and is dealt with separately in other comprehensive income. The application of amendments is not likely to have an impact on the Company's financial statements.

Amendments to IAS 1 Presentation of Financial Statements and IAS 8 Accounting Policies, Changes in Accounting Estimates and Errors

Amendments to IAS 1 Presentation of Financial Statements and IAS 8 Accounting Policies, Changes in Accounting Estimates and Errors (effective for annual periods beginning on or after 1 January 2020). The amendments are intended to make the definition of material in IAS 1 easier to understand and are not intended to alter the underlying concept of materiality in IFRS Standards. In addition, the IASB has also issued guidance on how to make materiality judgments when preparing their general purpose financial statements in accordance with IFRS Standards.

Conceptual Framework for Financial Reporting

On 29 March 2018, the International Accounting Standards Board (the IASB) has issued a revised Conceptual Framework for Financial Reporting which is applicable immediately contains changes that will set a new direction for IFRS in the future. The Conceptual Framework primarily serves as a tool for the IASB to develop standards and to assist the IFRS Interpretations Committee in interpreting them. It does not override the requirements of individual IFRSs and any inconsistencies with the revised Framework will be subject to the usual due process – this means that the overall impact on standard setting may take some time to crystallise. The companies may use the Framework as a reference for selecting their accounting policies in the absence of specific IFRS requirements. In these cases, companies should review those policies and apply the new guidance retrospectively as of 1 January 2020, unless the new guidance contains specific scope outs.

15·7B

Annual Improvements to IFRS Standards 2015–2017 Cycle

These improvements address amendments to following approved accounting standards:

- IFRS 3 Business Combinations and IFRS 11 Joint Arrangement - the amendment aims to clarify the accounting treatment when a company increases its interest in a joint operation that meets the definition of a business. A company remeasures its previously held interest in a joint operation when it obtains control of the business. A company does not remeasure its previously held interest in a joint operation when it obtains joint control of the business.
- IAS 12 Income Taxes - the amendment clarifies that all income tax consequences of dividends (including payments on financial instruments classified as equity) are recognized consistently with the transaction that generates the distributable profits.
- IAS 23 Borrowing Costs - the amendment clarifies that a company treats as part of general borrowings any borrowing originally made to develop an asset when the asset is ready for its intended use or sale.

The above amendments are effective from annual period beginning on or after 1 January 2019 and are not likely to have an impact on the Company's financial statements.

4 SIGNIFICANT ACCOUNTING POLICIES

The significant accounting policies adopted in the preparation of these financial statements are set out below. Except as described below, the significant accounting policies consistently applied in the preparation of these financial statements are the same as those applied in earlier periods presented.

4.1 Changes in significant accounting policies

The Company has adopted IFRS 15 'Revenue from Contracts with Customers' from 01 July 2018 which are effective from annual periods beginning on or after 01 July 2018 and for reporting period / year ending on or after 30 June 2019 respectively.

The details of new significant accounting policies adopted and the nature and effect of the changes to previous accounting policies are set out below:

IFRS 15 'Revenue from Contracts with Customers'

On 28 May 2014, the International Accounting Standards Board ("IASB") issued International Financial Reporting Standards ("IFRS") 15 "Revenue From Contracts with Customers" which provides a unified five-step model for determining the timing, measurement and recognition of revenue. The focus of the new standard is to recognize revenue as performance obligations are made rather than based on the transfer of risk and rewards. IFRS 15 includes a comprehensive set of disclosure requirements including qualitative and quantitative information about contracts with customers to understand the nature, amount, timing and uncertainty of revenue. The standard supersedes IAS 18 "Revenue", IAS 11 "Construction Contracts" and the number of revenue related interpretations.

The Company renders room maintenance, IT software and fund management services, which generally include single performance obligation. The management has concluded that revenue from these services be recognised at the over the time when control of the asset is transferred to the customer, which is when the customers receives related benefits. Invoices are usually payable within 30 days. The above is generally consistent with the timing and amounts of revenue the Company recognised in accordance with the previous standard, IAS 18. Therefore, the adoption of IFRS 15 which replaced IAS 18 Revenue, IAS 11 Construction Contracts and related interpretations, did not have an impact on the timing and amounts of revenue recognition of the Company. Therefore, adoption of IFRS 15 at 01 July 2018, did not have an effect on the financial statements of the Company.

4.2 Taxation

Income tax comprises of current tax and deferred tax.

Income tax expense is recognized in the statement of profit or loss, except to the extent that it relates to items recognized in other comprehensive income or directly in equity (if any), in which case the tax amounts are recognized directly in in other comprehensive income or equity.

<u>Current</u>

Current tax is the expected tax payable on the taxable income for the year; calculated using rates enacted or substantively enacted by the end of the reporting period. The calculation of current tax takes into account tax credit and tax rebates, if any, and is inclusive of any adjustment to income tax payable or recoverable in respect of previous years.

<u>Deferred</u>

- 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 reporting date.

<u>Judgment and estimates</u>

Significant judgment is required in determining the income tax expenses and corresponding provision for tax. There are many transactions and calculations for which the ultimate tax determination is uncertain during the ordinary course of business.

Further, the carrying amount of deferred tax assets is reviewed at each reporting date and is adjusted to reflect the current assessment of future taxable profits. If required, a valuation allowance is recognized against deferred tax assets so that the net amount equals the highest amount that is more likely than not to be realized on the basis of current or future taxable profit.

Off-setting

Deferred tax assets and liabilities are offset if there is a legally enforceable right to set off current tax assets against current tax liabilities, and they relate to income taxes levied by the same tax authority.

15 7832

4.3 Property, plant and equipment

Measurement

All property, plant 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

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

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

Disposal

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

Capital work-in-progress (CWIP)

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

Revaluation

Any revaluation increase arising on the revaluation of free hold land and building on free hold land is recognized in other comprehensive income and presented as a separate component of equity as "Revaluation surplus on property, plant and equipment", except to the extent that it reverses a revaluation decrease for the same asset previously recognized in profit or loss, in which case the increase is credited to profit or loss to the extent of the decrease previously charged. Any decrease in carrying amount arising on the revaluation of freehold land and building on freehold land is charged to profit or loss to the extent that it exceeds the balance, if any, held in the Revaluation surplus on property, plant and equipment relating to a previous revaluation of that asset. The surplus on revaluation building on free hold land to the extent of incremental depreciation charged (net of deferred tax) is transferred to unappropriated profit.

Judgment and estimates

The useful lives, residual values and depreciation method are reviewed on a regular basis. The effect of any changes in estimate accounted for on a prospective basis.

4.4 Net investment in finance lease

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

4.5 Investment property

Recognition and Measurement

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

Judgment and estimates

Determining adjustments for any differences in nature, location and condition of the investment property involves significant judgment.

Rental income

Rental income from investment property that is leased to a third party under an operating lease is recognized in the statement of profit or loss on a straight-line basis over the lease term.

4.6 Intangible assets

Measurement

Intangible assets are measured at cost less accumulated amortization and accumulated impairment losses. Amortization is charged so as to allocate the cost of assets over their estimated useful lives, using the straight-line method. Research and development expenditure is charged to 'administrative expenses' in the statement of profit or loss, as and when incurred. Amortization on additions to intangible assets is charged from the month in which an asset is acquired or capitalized while no amortization is charged for the month in which the asset is disposed off.

Judgment and estimates

The useful lives, residual values and amortization method are reviewed on a regular basis. The effect of any changes in estimate accounted for on a prospective basis.

4.7 **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.

4.8 **Trade and other receivables**

Measurement

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

Impairment

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

Judgments and estimates

The allowance for doubtful debts of the Company is based on the ageing analysis and management's continuous evaluation of the recoverability of the outstanding receivables. In assessing the ultimate realization of these receivables, management considers, among other factors, the creditworthiness and the past collection history of each customer.

4.9 **Financial instruments**

Financial assets

Financial assets are deposits, bank balances, investments and other receivables. Financial assets are stated at cost except for investments, which have been revalued as per accounting policy. All the financial assets are recognized at the time when the Company becomes party to the contractual provisions of the instrument.

Write off

The gross carrying amount of a financial asset is written off when the company has no reasonable expectations of recovering a financial asset in its entirely or a portion thereof. 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.

Derecognition

Financial assets (or a portion thereof) are derecognized when the rights to receive cash flows from the asset have expired or have been transferred and the Company has substantially transferred all risks and rewards of ownership. On derecognition, the difference between the carrying amount of the financial asset and the proceeds receivable is included in the statement of profit or loss.

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.

Derecognition

Financial liabilities (or a portion thereof) are derecognized when the obligation specified in the contract is discharged, cancelled or expires. On derecognition, the difference between the carrying amount of the financial liability, and any amount paid is included in the statement of profit or loss.

Offsetting financial assets and financial liabilities

Financial assets and liabilities are offset and the net amount reported in the statement of financial position where the Company currently has a legally enforceable right to offset the recognised amounts, and there is an intention to settle on a net basis or realise the asset and settle the liability simultaneously. The Company has also entered into arrangements that do not meet the criteria for offsetting but still allow for the related amounts to be set off in certain circumstances, such as bankruptcy or the termination of a contract.

4.10 **Impairment of financial assets other than trade receivables**

The financial assets other than those that are carried at fair value are assessed at each reporting date to determine whether there is any objective evidence of their impairment. A financial asset is impaired if there is objective evidence of impairment as a result of one or more events that occurred after the initial recognition of the asset, and that loss event(s) had an impact on the estimated future cash flows of that asset that can be estimated reliably. The impairment loss is recognized immediately in the statement of profit or loss and the carrying amount of the related financial asset is reduced accordingly. An impairment loss is reversed only if the reversal can be related objectively to an event occurring after the impairment loss was recognized.

4.11 **Impairment of non-financial assets other than stores and spares**

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

4.12 **Long term deposits**

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

15-B

4.13 Cash and cash equivalents

Cash and cash equivalents are carried in the statement of financial position at cost. For the purpose of cash flows statement, cash and cash equivalents comprise cash in hand, 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 statement of financial position, finances under mark-up arrangements are included in current liabilities.

4.14 Mark-up bearing borrowings

Mark-up bearing borrowings are recognised initially at fair value, less attributable transaction costs. Subsequent to initial recognition, mark-up bearing borrowings are stated at amortised 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 interest basis. Borrowing costs directly attributable to the acquisition, construction or production of qualifying assets, which are assets that necessarily take a substantial period of time to get ready for their intended use are added to the cost of those assets, until such time as the assets are substantially ready for their intended use. All other borrowing costs are charged to income in the period in which these are incurred. Borrowing 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 reporting date.

4.15 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.

4.16 Provisions

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

4.17 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 statement of profit or loss.

4.18 Related party transactions

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

4.19 Contingencies and commitments

A contingent liability is disclosed when:

- o there is a possible obligation that arises from past events and whose existence will be confirmed only by the occurrence or non-occurrence of one or more uncertain future events not wholly within the control of the Company; or
- o there is present obligation that arises from past events but it is not probable that an outflow of resources embodying economic benefits will be required to settle the obligation or the amount of the obligation cannot be measured with sufficient reliability.

Capital commitments, unless those are actual liabilities, are not incorporated in the books of accounts.

4.20 Investments

Investments intended to be held for less than twelve months from the reporting date or to be sold to raise operating capital are included in current assets, all other investments are classified as non-current. Management determines the classification of its investments at the time of purchase depending on the purpose for which the investments are required and re-evaluates this classification on regular basis.

Investments in associates where the Company has significant influence are measured using the equity method less impairment, if any. At subsequent reporting date, the recoverable amounts of investments are estimated to determine the extent of impairment losses, if any, and carrying amounts of investments are adjusted accordingly. Impairment losses are recognized as expense in the statement of profit or loss. Investments in associates that have suffered an impairment are reviewed for possible reversal of impairment at each reporting date. Where impairment losses subsequently reverse, the carrying amounts of the investments are increased to the revised recoverable amounts but limited to the extent of initial cost of investments. Impairment losses recognized in the profit or loss on investments in associates are reversed through the statement of profit or loss.

Held to maturity investments

Investments with a fixed maturity that the Company has the intent and ability to hold to maturity are classified as held to maturity investments. These are initially recognized on trade date at cost and derecognized by the Company on the date it commits to sell them off. At subsequent reporting date they are measured at amortized cost using the effective interest rate method.

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 reporting date, which are classified as non-current assets. Loans and receivables comprise advances, deposits and other receivables and cash and cash equivalents in the statement of financial position.

Available for sale

Investments intended to be held for an unidentified period of time, which may be sold in response to need for liquidity or changes to interest rates, exchange rates or equity prices are classified as available for sale.

15·02

Held for trading

Investments that are acquired principally for the purpose of generating profit from short-term fluctuations in price are classified as held for trading. All investments are initially recognized at cost, being the fair value of the consideration given. Subsequent to initial recognition, investments at fair value through statement of profit or loss and Investments Available for Sale for which active market exists, are measured at their market value while investments held to maturity are stated at amortized cost using the effective interest rate method less impairment, if any.

All "regular way" purchases and sales of listed shares are recognized on the trade date, i.e. the date that the company commits to purchase/sell the asset.

Any surplus or deficit on revaluation of investments at fair value through statement of profit or loss is charged to income currently, while in case of available for sale investments, the resulting surplus/ (deficit) is kept in a separate capital reserve account. At the time of disposal, the respective surplus or deficit is transferred to income currently.

The surplus/deficit arising as a result of revaluation of held for trading investments is taken to statement of profit or loss. Furthermore, the surplus/deficit on revaluation of available for sale and held to maturity securities is taken to "Surplus/Deficit on revaluation of Available for Sale Investments" account. However, any permanent diminution in the value of available for sale or held to maturity securities is provided for by charging it to the statement of profit or loss.

4.21 Revenue recognition

Revenue is measured based on the consideration specified in a contract with a customer. The Company recognises revenue when it transfers control over a good or service to a customer. The following table provides information about the nature and timing of the satisfaction of performance obligations in contracts with customers, including significant payment terms, and the related revenue recognition policies:

Type of services	Nature and timing of satisfaction of performance obligations, including significant payment terms	Revenue recognition under IFRS 15 (applicable from July 01, 2018)	Revenue recognition under IAS 18 (applicable before July 01, 2018)
Maintenance Services	This represents fixed-price contract. The customer pays the fixed amount per square feet based on a area occupied. The revenue is booked on monthly basis.	Revenue from providing services is recognised in the accounting period in which the services are rendered. The revenue is recognised based on the actual service provided to the end of the reporting period as a proportion of the total services to be provided because the customer receives and uses the benefits simultaneously.	Income form maintenance services are recognized as revenue with reference to the stage of completion of the transaction.
Software Services	This represents fixed-price contract. The customer pays the fixed amount based on a payment schedule. This revenue is booked on monthly basis.	Revenue from providing services is recognised in the accounting period in which the services are rendered. The revenue is recognised based on the actual service provided to the end of the reporting period as a proportion of the total services to be provided because the customer receives and uses the benefits simultaneously.	Income form Software services are recognized as revenue with reference to the stage of completion of the transaction.
Funds Management Fee	Invoices for fund management services are issued on a monthly basis and are usually payable within 30 days.	Income from trusts operations is recognized on the basis of average monthly net asset value of the funds.	Income from trusts operations is recognized on the basis of average monthly net asset value of the funds.

The Company does not expect to have any contracts where the period between the transfer of the promised services to the customer and payment by the customer exceeds one year. As a consequence, the Company does not adjust any of the transaction prices for the time value of money.

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

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

4.22 Dividend

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

4.23 Earnings per share (EPS)

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

4.24 Ordinary share capital

Ordinary share capital is recognized as equity. Transaction costs directly attributable to the issue of ordinary shares are recognized as deduction from equity.

4.25 Comprehensive income

Comprehensive income is the change in equity resulting from transactions and other events, other than changes resulting from transactions with shareholders in their capacity as shareholders. Total comprehensive income comprises all components of profit or loss and other comprehensive income. Other comprehensive income comprises items of income and expense, including reclassification adjustments, that are not recognized in profit or loss as required or permitted by approved accounting standards.

15.PB

4.26 **Correction of prior period error**

Tax credits on tax loss and unabsorbed tax depreciation relating to tax year 2016 was not incorporated in the financial statements for the year ended June 30, 2016 as required by IAS - 12, "Income Tax". During year the company incorporated these tax credits in these financial statements.

Since, this is a material error, therefore, being corrected in these financial statement retrospectively as per the requirement of para 42 of the IAS - 8, "Accounting Policies, Changes in Accounting Estimates and Errors". The impact of correction is as follow:

	As at July 01, 2017			As at June 30, 2018		
	As previously reported on June 30, 2017	Adjustments increase / (decrease)	As restated on July 01, 2017	As previously reported on June 30, 2018	Adjustments increase / (decrease)	As restated on June 30, 2018
	.... (Rupees in '000s)			.... (Rupees in '000s)		
Deferred taxation	(63,097)	32,735	(30,362)	(102,576)	31,644	(70,932)
Unappropriated profit	(456,294)	(32,735)	(489,029)	(733,376)	(31,644)	(765,020)

Statement of profit or loss for the year ended June 30, 2018

		As previously reported	Profit (Increase)/ Decrease	(Restated)
		.... (Rupees in '000s)		
Taxation				
Current		35,837	-	35,837
Deferred		39,596	1,091	40,687
Profit for the year		(345,356)	1,091	(344,265)
Earning per share of Rs. 10 each - basic and diluted	*(Rupees)*	(2.69)	0.01	(2.68)

There is no impact of the above restatement on statement of comprehensive income and statement of cash flows for the year ended June 30, 2018.

		Note	2019	2018
5	**Property, plant and equipment**		(Rupees in '000s)	
	Property, plant and equipment	5.1	**1,256,579**	1,275,978
	Capital work-in-progress	5.2	**26,253**	11,431
			1,282,831	1,287,409

Freehold land and building have been carried at revalued amounts determined by professional valuers (Recurring fair value measurements, level 2 measurement under IFRS-13 'Fair Value Measurements'). The valuation is conducted by an independent valuer M/s Unicorn International Surveyors, who is approved by Pakistan Banks' Association (PBA) in any amount category. Fresh valuation exercises were carried out as on June 30, 2019 (Previous was done on Dec 31, 2015). 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 on freehold land

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.

BM

5.1 OPERATING FIXED ASSETS - TANGIBLE

	COST / REVALUED AMOUNT								ACCUMULATED DEPRECIATION					Book Value
	Balance as at 01-07-2018	Additions	Deletions	Revaluation surplus	Transfer from CWIP	Depreciation adjustment	Balance as at 30-06-2019	Rate	Balance as at 01-07-2018	For the Year	Deletions	Depreciation adjustment	Balance as at 30-06-2019	as at 30-06-2019
Owned assets														
Land freehold	1,058,590	-	-	1,070	-	-	**1,059,660**	-	-	-	-	-	-	**1,059,660**
Building on freehold land	101,659	-	-	4,164	-	(10,684)	**95,139**	5%	5,896	4,788	-	(10,684)	-	**95,139**
Computer and accessories	50,934	88	(67)	-	-	-	**50,955**	30%	47,457	1,052	(59)	-	**48,450**	**2,505**
Furniture and fixture	13,961	-	-	-	-	-	**13,961**	10%	7,821	614	-	-	**8,435**	**5,526**
Office equipment	7,374	25	-	-	-	-	**7,399**	20%	6,557	166	-	-	**6,723**	**676**
Electric fittings and appliances	108,081	209	(167)	-	1,033	-	**109,156**	20%	34,669	14,723	(146)	-	**49,246**	**59,910**
Vehicles	4,217	-	(872)	-	-	-	**3,345**	20%	2,457	339	(751)	-	**2,045**	**1,300**
Elevator	19,010	275	-	-	-	-	**19,285**	20%	7,060	2,022	-	-	**9,082**	**10,203**
Generator	33,960	-	-	-	-	-	**33,960**	10%	11,430	2,253	-	-	**13,683**	**20,277**
Arms and security equipment	3,581	-	-	-	-	-	**3,581**	10%	2,049	153	-	-	**2,202**	**1,379**
Library books	318	-	-	-	-	-	**318**	25%	312	2	-	-	**314**	**4**
Leasehold improvements	5,697	-	-	-	-	-	**5,697**	20%	5,697	-	-	-	**5,697**	**-**
Rupees in '000s - 2019	**1,407,382**	**597**	**(1,106)**	**5,234**	**1,033**	**(10,684)**	**1,402,456**		**131,405**	**26,112**	**(956)**	**(10,684)**	**145,877**	**1,256,579**

	COST / REVALUED AMOUNT								ACCUMULATED DEPRECIATION					Book Value
	Balance as at 01-07-2017	Additions	Deletions	Revaluation surplus	Transfer from CWIP	Depreciation adjustment	Balance as at 30-06-2018	Rate	Balance as at 01-07-2017	For the Year	Deletions	Depreciation adjustment	Balance as at 30-06-2018	as at 30-06-2018
Owned Assets														
Land freehold	1,058,590	-	-	-	-	-	1,058,590	-	-	-	-	-	-	1,058,590
Building on freehold land	27,593	-	-	-	74,066	-	101,659	5%	1,830	4,066	-	-	5,896	95,763
Computer and accessories	66,486	749	(16,301)	-	-	-	50,934	30%	62,395	1,258	(16,196)	-	47,457	3,477
Furniture and fixture	13,934	64	(37)	-	-	-	13,961	10%	7,174	677	(30)	-	7,821	6,140
Office equipment	7,315	59		-	-	-	7,374	20%	6,375	182	-	-	6,557	817
Electric fittings and appliances	32,939		(1,731)	-	76,873	-	108,081	20%	22,726	13,574	(1,631)	-	34,669	73,412
Vehicles	4,217	-	-	-	-	-	4,217	20%	2,018	439	-	-	2,457	1,760
Elevator	5,168	-	-	-	13,842	-	19,010	20%	4,938	2,122	-	-	7,060	11,950
Generator	34,750	307	(1,097)	-	-	-	33,960	10%	9,641	2,495	(706)	-	11,430	22,530
Arms and security equipment	2,873	1,050	(342)	-	-	-	3,581	10%	2,282	73	(306)	-	2,049	1,532
Library books	318	-	-	-	-	-	318	25%	310	2	-	-	312	6
Leasehold improvements	5,697	-	-	-	-	-	5,697	20%	5,697	-	-	-	5,697	-
Rupees in '000s - 2018	1,259,880	2,229	(19,508)	-	164,781	-	1,407,382		125,386	24,888	(18,869)	-	131,405	1,275,977

5.1.1 Had the revaluation of these assets not been made, the carrying value of these assets as at June 30, would have been as under:

	2019	2018
	(Rupees in '000s)	
Free hold land	3,586	3,586
Building on free hold land	79,547	83,734
	83,133	87,320

5.1.2 Forced sale value and assessed value of these fixed assets as at the date of revaluation (i.e. June 30, 2019) was as under:

	Forced sale value	Assessed sale vale
Freehold land	900,711	1,059,660
Building on freehold land	80,868	95,139
	981,579	1,154,799

5.2 **Capital work in progress**

	Opening Balance	Additions	Transfer to operating fixed assets / adjustments	Transfer to investment property	Leased out on 99 years basis	Closing Balance
	(Rupees in '000s)					
Civil work - building	9,905	16,681	(1,033)	-	-	25,553
Advances for capital expenditure - buildings	1,526	-	(827)	-	-	699
2019	11,431	16,681	(1,860)	-	-	26,253
2018	458,532	25,133	(167,597)	(17,890)	(286,748)	11,431

Borrowing cost amounting to Rs. nil (2018: Rs. 1.373 million). Borrowing cost capitalized related to borrowings specifically obtained for this purpose is mentioned in note - 18.

	Note	2019	2018
		(Rupees in '000s)	
6 INVESTMENT PROPERTY - at fair value			
Carrying amount as at July 01,		383,805	202,837
Transferred from CWIP during the year		-	17,890
Fair value gain on revaluation		-	163,078
Carrying amount as at June 30,	6.1	383,805	383,805

6.1 This represent office spaces in LSE Towers held to earn rentals and for capital appreciation. The carrying value of investment property is the fair value of the property based on the valuation carried by approved independent valuar Arch-e-decon on June 30, 2018. Fair value was determined having regard to recent market transactions for similar properties in the same location and condition. At the year end June 30, 2019 , their is no significant change in the fair value of investment property as certified by an independent valuer.

6.2 Forced sale value of the investment property is assessed at Rs. 326.234 million (2018: Rs. 326.234 million) at the reporting date.

	Note	2019	2018
		(Rupees in '000s)	
7 INVESTMENT IN ASSOCIATES - *under equity method of accounting*			
The Pakistan Credit Rating Agency Limited (PACRA)		75,335	66,643
Central Depository Company of Pakistan Limited (CDC)		457,834	412,927
National Clearing Company of Pakistan Limited (NCCPL)		352,505	307,068
Pakistan Mercantile Exchange Limited (PMEX)	7.8	-	-
	7.1	885,674	786,638

15 ~~m~~

7.1 **Reconciliation of changes in carrying value of investment in associates**

	2019				
	The Pakistan Credit Rating Agency Limited (PACRA)	**Central Depository Company of Pakistan Limited (CDC)**	**National Clearing Company of Pakistan Limited (NCCPL)**	**Pakistan Mercantile Exchange Limited (PMEX)**	**Total**
	......(Rupees in '000s)......				
Opening balance	66,643	412,927	307,067	-	786,637
Share of profit for the year	22,107	61,632	47,615	-	131,354
Unrealized gain on investments classified as available for sale	-	60	-	-	60
Actuarial loss on employees' retirement benefits	-	(872)	(2,177)	-	(3,049)
Dividend received during the year	(13,415)	(15,913)	-	-	(29,328)
Closing balance	75,335	457,834	352,505	-	885,674
Shareholding in %age	36.00%	10.00%	23.53%	-	

	2018				
	The Pakistan Credit Rating Agency Limited (PACRA)	Central Depository Company of Pakistan Limited (CDC)	National Clearing Company of Pakistan Limited (NCCPL)	Pakistan Mercantile Exchange Limited (PMEX)	Total
	......(Rupees in '000s)......				
Opening balance	50,296	367,306	321,336	-	738,938
Share of profit for the year	24,396	66,898	35,966		127,261
Unrealized loss on investments classified as available for sale	-	(23)	-	-	(23)
Actuarial loss on employees' retirement benefits	-	(2,954)	(2,773)	-	(5,727)
Dividend received during the year	(8,049)	(18,300)	(47,462)	-	(73,811)
Closing balance	66,643	412,927	307,067	-	786,638
Shareholding in %age	36.00%	10.00%	23.53%	7.25%	

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

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

7.4 The company has the following shareholding structure in associates:

	2019		2018	
	Share held	%age	Share held	%age
The Pakistan Credit Rating Agency Limited (PACRA)	2,683,044	36.00%	2,683,044	36.00%
Central Depository Company of Pakistan Limited (CDC)	15,000,000	10.00%	10,608,998	10.00%
National Clearing Company of Pakistan Limited (NCCPL)	17,797,847	23.53%	11,865,231	23.53%
Pakistan Mercantile Exchange Limited (PMEX)	-	-	2,272,727	7.25%

7.5 In all above cases, the Company has significant influence due to its representation on the board of directors of investees and consequently, they have been treated as associates according to the requirements of IAS 28 'Investment in Associates'. The shares of these associates are not listed on stock exchange and hence published price quotes are not available.

7.6 Summary of financial information of associates based on their individual unaudited accounts at year end is as follows:

	2019			
	Assets	**Liabilities**	**Revenue**	**Profit**
	......(Rupees in '000s)......			
The Pakistan Credit Rating Agency Limited (PACRA)	**350,246**	**150,637**	**238,238**	**61,408**
Central Depository Company of Pakistan Limited (CDC)	**5,361,866**	**781,795**	**1,704,505**	**616,322**
National Clearing Company of Pakistan Limited (NCCPL)	**13,445,080**	**11,952,253**	**925,032**	**202,358**

	2018			
	Assets	Liabilities	Revenue	Profit
	......(Rupees in '000s)......			
The Pakistan Credit Rating Agency Limited (PACRA)	336,667	100,243	191,465	67,767
Central Depository Company of Pakistan Limited (CDC)	4,942,650	811,642	1,950,195	668,985
National Clearing Company of Pakistan Limited (NCCPL)	15,061,162	13,761,439	740,461	152,852
Pakistan Mercantile Exchange Limited (PMEX)	2,341,473	2,378,870	264,995	41,431

7.7 The balances of investment in associates have been presented based upon unaudited accounts of CDC, NCCPL and PCRA as at June 30, 2019. Any change in the audited financial statements of these companies will affect balance of these investment according to percentage of shareholding.

7.8 Pakistan Mercantile Exchange Limited (PMEX) was an associate of the Company based on common directorship. During the year due to retirement of the common director, PMEX ceased to be an associate. Accordingly, equity shares in PMEX are now accounted for as per IAS -39, refer to note12.

	Note	2019	2018
		(Rupees in '000s)	
8 NET INVESTMENT IN FINANCE LEASE			
Opening balance		3,986	1,936
Add: New lease during the year		-	2,194
Less: Rental received during the year		(296)	(144)
	8.1	3,690	3,986
Present value of minimum lease payments are as follow:			
Not later than one year		274	296
Later than one year but not later than five years		1,094	1,181
Later than five years		2,322	2,509
		3,690	3,986
Add: Finance income allocated to future periods		25,436	25,483
		29,126	29,469
Minimum lease payments are as follow:			
Not later than one year		343	343
Later than one year but not later than five years		1,717	1,717
Later than five years		27,066	27,409
		29,126	29,469

8.1 The Company has entered into lease arrangements for lease of office spaces in North and South Towers on a lease period of 99 years. Interest rate implicit @ 8% in the lease is used as a discount factor to determine the present value of minimum lease payments.

	Note	2019	2018
9 LONG TERM DEPOSITS	9.1	1,762	1,762

9.1 These represents security deposits given to companies against provision of utilities and services amounting to Rs. 1.224 million (2018: Rs. 1.224 million), security deposits against trading floors in Sialkot amounting to Rs. 0.288 million (2018: Rs. 0288 million) and security deposit for MTS trading amounting to Rs. 0.250 million (2018: Rs. 0.250 million).

	Note	2019	2018
10 TRADE AND OTHER RECIEVABLES - considered good			
Trade receivables from ex-members	10.1	4,829	5,640
Other receivables			
From related parties - secured	10.2	2,228	16,069
Accrued mark-up		2,793	3,509
Others	10.3	5,296	7,651
		15,146	32,868
10.1 Trade receivables from ex - members			
Considered good		4,829	5,640
Considered doubtful		10,309	9,098
Less: Provision against doubtful receivables	10.1.1	(10,309)	(9,098)
		4,829	5,640
10.1.1 Movement for the year			
Opening balance		9,099	3,050
Provision for the year		1,210	6,049
Closing balance		10,309	9,099

15-B

10.1.2 Age analysis of trade receivables from ex - members:

Description		Past due 0-30 days	Past due 31-60 days	Past due 61-90 days	Past due 91-365 days	Past due 365 days	Total gross amount due
		Past due					
		(Rupees in '000s)					
Trade receivables	2019	2,481	895	842	2,908	8,012	15,138
Trade receivables	2018	1,304	559	815	3,882	8,178	14,738

	Note	2019	2018
		(Rupees in '000s)	
10.2 Other receivables from related parties:			
MCF Trust Fund		199	157
IPF Trust Fund		595	503
TCF Trust Fund		990	761
National Clearing Company of Pakistan Limited		289	14,492
Central Depository Company of Pakistan Limited		156	156
		2,228	16,069

10.2.1 This represents receivable in respect of fund management services. There is no security for these receivables. The maximum aggregate amount outstanding at any time during the year from MCF Trust Fund, IPF Trust Fund and TCF Trust Fund was Rs. 0.336 million (2018: Rs. 0.459 million), Rs. 1.397 million (2018: Rs. 0.542 million)and Rs. 2.338 million (2018: Rs. 0.708 million) respectively at the end of a month.

10.2.2 Age analysis of other receivables from related parties:

Name of the parties	Past due 0-30 days	Past due 31-60 days	Past due 61-90 days	Past due 91-365 days	Past due 365 days	Total gross amount due
	(Rupees in '000s)					
MCF Trust Fund	199	-	-	-	-	199
IPF Trust Fund	595	-	-	-	-	595
TCF Trust Fund	990	-	-	-	-	990
National Clearing Company of Pakistan Limited	-	-	-	-	289	289
Central Depository Company of Pakistan Limited	-	-	-	-	156	156
June 30, 2019	1,783	-	-	-	445	2,228
June 30, 2018	15,293	-	-	-	776	16,069

	Note	2019	2018
		(Rupees in '000s)	
10.3 Others:			
-Considered good		5,296	7,651
-Considered doubtful		2,178	818
		7,474	8,469
Less: provision against doubtful receivables		2,178	818
		5,296	7,651

10.3.1 Age analysis of other receivables:

Description		Past due 0-30 days	Past due 31-60 days	Past due 61-90 days	Past due 91-365 days	Past due 365 days	Total gross amount due
		Past due					
		(Rupees in '000s)					
Other receivables	June 30, 2019	3,523	1,932	523	7	1,490	7,474
Other receivables	June 30, 2018	3,594	1,022	825	1,575	1,453	8,469

15.M

	Note	2019	2018
		(Rupees in '000s)	

11 ADVANCES AND PREPAYMENTS

	Note	2019	2018
Considered good			
Advances to employees - secured		433	422
Prepaid expenses		1,886	1,303
Due from others		24	191
		2,343	1,916

12 SHORT TERM INVESTMENTS

	Note	2019	2018
At amortized cost			
Investment in MTS	12.1	396,609	386,009
Government treasury bills	12.2	24,569	165,651
Term deposit receipts	12.3	-	29,319
Held for trading			
Equity shares of Pakistan Mercantile Exchange Limited (PMEX)	12.4	18,932	-
Equity shares of Institute of Financial Market of Pakistan	12.5	-	-
		440,110	580,979

12.1 These carry mark-up up to KIBOR + 8.50% p.a. (2018: KIBOR + 8.50%).

12.2 This represents investment in treasury bills of three months carried mark-up @ 12.65% p.a. (2018: @ 6.70% p.a.). A T-bill of Rs. 25 million has been lien marked against Bank Guarantee issued in favour of NCCPL as margin exposure for Margin Trading System. The said bank guarantee has been issued by MCB bank Limited.

12.3 This represents investment in term deposit receipts of one month on roll over basis carried mark-up @ 11% p.a. (2018: @ 6% p.a.).

12.4 The Company holds 2,272,727 (2018: 2,272,727) equity shares of Pakistan Mercantile Exchange Limited. The fair value is used as used by other entities having shares of PMEX for valuation purposes, based on valuation tecniques of level 3.

12.5 The Company also holds 200 equity shares of Institute of Financial Market of Pakistan. The fair value of these shares is nil at the terminal date (2018: nil).

13 TAX REFUND DUE FROM GOVERNMENT

	Note	2019	2018
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 deducted at source		50,232	63,974
Provision of income tax for the year		(23,578)	(35,837)
		33,451	34,933

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.

14 CASH AND BANK BALANCES

	Note	2019	2018
Cash in hand		100	100
Cash at banks on :			
-Current accounts		149	155
-Saving accounts	14.1	106,565	52,323
		106,714	52,478
		106,814	52,578

14.1 These carry mark-up @ 10.25% p.a. (2018: @ 4.25% p.a.).

15 SHARE CAPITAL

Authorized share capital

	2019	2018
Authorized share capital comprises of 200,000,000 (2018: 200,000,000) ordinary shares of Rs. 10 each.	2,000,000	2,000,000

PS·DD

Issued, subscribed and paid up capital

2019	2018		Note	2019	2018
(Number of shares)				(Rupees in '000s)	
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.

16 SURPLUS ON REVALUATION OF PROPERTY, PLANT AND EQUIPMENT

The surplus revaluation is restated and now presented as a separate capital reserve in the financial statements:

	Note	2019	2018
		(Rupees in '000s)	
Gross			
Balance as at July 01,		780,361	782,140
Fresh surplus on revaluation of property and equipment		5,234	-
Incremental depreciation for the year		(1,746)	(1,779)
		783,849	780,361

	Note	2019	2018
		(Rupees in '000s)	
Less: Deferred tax:			
Balance as at July 01,		(3,218)	(3,519)
On fresh revaluation		(1,208)	-
Tax rate change adjustment		-	117
Incremental depreciation for the year		174	184
Balance as at June 30,		(4,252)	(3,218)
Balance as at June 30,		779,597	777,143

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

16.2 At the time of corporatization in the year 2012-2013, surplus on revaluation of property and equipment in the sum of Rs. 358.156 million had been converted into paid up share capital of the company with the approval of SECP.

17 LONG TERM LIABILITIES

	Note	2019	2018
Security deposits		-	955
Retention money		-	1,749
		-	2,704

18 LONG TERM FINNACING

	Note	2019	2018
Loan from a commercial bank	18.1	-	100,000
Less: Current portion shown under current liabilities		-	(14,286)
		-	85,714

18.1 During the year company made repayment of long term financing, which was availed from Bank Al-Habib Limited.

	Note	2019	*Restated* 2018
		(Rupees in '000s)	
19 DEFERRED TAXATION	19.1	97,470	70,932

The deferred tax assets and the deferred tax liabilities relate to income tax in the same jurisdiction, and the law allows net settlement. Therefore, they have been offset in the statement of financial position as follows:

15.R

19.1 **Analysis of change in deferred tax (assets) and liabilities:**

	Accelerated tax depreciation	Unutilized tax losses	Tax credits	Unrealized fair value gain on equity shares	Investments in associated companies	Net investment in finance lease	Long term employee benefits	Impairment of doubtful debts and receivables	Total
	....	....	....	....	(Rupees in '000s)	....	....	....	....
Balance as at July 01, 2018 - previously reported	18,068	-	-	-	86,539	1,156	(73)	(3,113)	102,576
Impact of correction of error (note - 4.26)	-	(31,644)	-	-	-	-	-	-	(31,644)
Balance as at July 01, 2018 - restated	18,068	(31,644)	-	-	86,539	1,156	(73)	(3,113)	70,932
Charge (credit) to profit or loss for the year	(1,105)	4,563	(2,150)	5,490	19,190	(86)	(65)	(508)	25,329
Charged to other comprehensive income	1,208		-	-	-	-	-	-	1,208
Balance as at June 30, 2019	**18,171**	**(27,081)**	**(2,150)**	**5,490**	**105,729**	**1,070**	**(138)**	**(3,621)**	**97,470**

20 TRADE AND OTHER PAYABLES

	Note	2019	2018
		(Rupees	in '000s)
Trade creditors		**18,774**	15,283
Accrued liabilities		**10,188**	10,188
Accrued mark-up		**-**	3,327
Due to members		**2,158**	2,440
Advance rent received from tenants		**10,202**	20,921
Defaulted members' membership sale proceeds	20.1	**52,571**	77,596
Advances received from members and companies		**1,941**	2,068
Retention money		**2,783**	-
Payables related to discontinued operations		**17,798**	18,546
		116,415	150,369

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.

21 CONTINGENCIES AND COMMITMENTS

Contingencies

After the Integration of all three Stock Exchanges in Pakistan vide Order No. 1 of 2016 dated January 11, 2016 issued by the Securities and Exchange Commission of Pakistan (SECP), all the pending cases i.e. 41 cases related to Brokers and TREC Holders of erstwhile LSE were referred to the Funds Committee (constituted by SECP under the Stock Exchanges (Corporatization, Demutualization and Integration) Regulations, 2012) for follow up and disposals of cases. These cases have been taken up by the Funds Committee and have been reported to the SECP through quarterly reports. Accordingly, the relevant contingent liability was also transferred to the relevant MCF, IPF and TCF Trusts.

Commitments

Commitments for capital expenditure outstanding as at June 30, 2019 were Rs. 10.98 million (2018: Rs. 67.00 million).

22 REVENUE

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

	Note	2019	2018
		(Rupees	in '000s)
Revenue from margin trading system		**43,796**	21,767
Other revenues			
Investment property rentals	22.1	**52,565**	52,790
Room maintenance services		**21,617**	17,597
Software services		**3,033**	4,369
Total revenue		**121,011**	96,523

22.1 During the year the Company earned rental income from related parties namely; National Clearing Company of Pakistan Limited amounting to Rs. 1.612 million (2018: Rs. 2.92 million) respectively - related party.

15-N3L

	Note	2019	2018
		(Rupees in '000s)	

23 OTHER INCOME

	Note	2019	2018
Income from financial assets			
At amortized cost			
Short term investments			
Profit on saving bank accounts		3,872	1,437
Term deposits receipts		8,049	1,441
Treasury bills		7,609	14,972
		19,530	17,850
At fair value through profit or loss (FVTPL)			
Unrealized gain on equity shares of PMEX	12.4	18,932	-
Finance income on net investment in finance lease		48	24
Income from non - financial assets			
Fund management fee	23.1	17,080	19,420
Gain on disposal of property, plant and equipment		480	373
Miscellaneous		7,188	4,973
		24,748	24,765
		63,257	42,640

23.1 This represents fund management & operational fee charged to Members' Contribution Fund, Investors Protection Fund and TREC Holders' Contribution fund trusts for the year ended June 30, 2019. Fund management & operational fee is calculated at the rate of 2% (2018: 2%) on closing net assets of the fund as per management accounts.

24 ADMINISTRATIVE AND GENERAL EXPENSES

	Note	2019	2018
Salaries and benefits	24.1	29,247	24,375
Information technology related expenses		2,119	1,827
Insurance		1,288	1,244
Travelling and conveyance		1,629	1,656
Printing and stationery		463	484
Utilities		7,051	5,869
Repair and maintenance		8,139	7,952
Security expenses		5,452	6,834
Communication and public relations		1,644	1,683
Legal and professional charges		1,106	1,594
Consultancy charges		1,583	1,259
MTS charges		3,985	2,921
Fee and subscription		867	685
Rent, rates and taxes		1,882	1,256
Marketing and advertisement		224	91
Auditors' remuneration	24.2	470	433
Provision against doubtful trade and other receivables		2,571	6,049
Board meetings fee expenses		2,800	3,045
Others		338	396
Depreciation	5.1	26,113	24,887
Amortization		-	145
		98,971	94,685

24.1 Salaries and benefits include Rs. 0.963 million (2018: Rs. 0.926 million) in respect of contribution to provident fund - a related party.

24.2 Auditors' remuneration

	2019	2018
Audit services		
Annual audit fee	289	263
Half yearly review fee	87	78
Out of pocket expenses	36	34
	412	375
Non - audit services		
Certifications for regulatory purposes	58	58
	470	433

B. MBed.

	Note	2019	2018
		(Rupees in '000s)	
25 FINANCE COST			
Mark-up on long term financing		8,904	8,269
Bank charges		100	84
		9,004	8,353

	Note	2019	Restated 2018
		(Rupees in '000s)	
26 TAXATION			
Current	26.1	23,578	35,837
Deferred	19.1	25,329	40,687
		48,907	76,524

26.1 Numerical reconciliation between average effective tax rate and the applicable tax rate is not applicable due to application of minimum tax and ACT.

26.2 Management assessed that tax provision made in the financial statements is sufficient at the terminal date. Further, comparison of tax provision as per accounts viz-a-viz tax assessment for the last three years is as follow:

	2018	2017	2016
	................(Rupees in '000s)................		
As per tax assessment	35,669	18,101	24,779
As per Accounts	35,837	18,938	24,668

27 EARNINGS PER SHARE		2019	Restated 2018
Basic earnings per share			
Profit after tax from continuing operations attributable to ordinary shareholders	*(Rupees in thousand)*	158,740	344,265
Weighted average number of shares outstanding during the year	*(Number of shares in thousand)*	128,284	128,284
Earnings per share from continuing operations	*(Rupees)*	1.24	2.68

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, 2019 and June 30, 2018 which would have any effect on the earnings per share.

KBM

28 FINANCIAL RISK MANAGEMENT

28.1 The company has exposure to the following risks from its use of financial instruments:

Credit risk
Liquidity risk
Market risk

This note presents information about the company's exposure to each of the above risks, the company's objectives, policies and processes for measuring and managing risk, and the company's management of capital. Further quantitative disclosures are included throughout these financial statements.

The Board of Directors of the company "the Board" has overall responsibility for the establishment and oversight of the company's risk management framework. The Board is responsible for developing and monitoring the company's risk management policies.

The company's risk management policies are established to identify and analyse the risks faced by the company, to set appropriate risk limits and controls, and to monitor risks and adherence to limits. Risk management policies and systems are reviewed regularly to reflect changes in market conditions and the company's activities. The company, through its training and management standards and procedures, aims to develop a disciplined and constructive control environment in which all employees understand their roles and obligations.

The company's Audit Committee oversees how management monitors compliance with the company's risk management policies and procedures and reviews the adequacy of the risk management framework in relation to the risks faced by the company.

(a) Credit risk and concentration of credit risk

Credit risk is the risk of financial loss to the Company if a customer or counterparty to a financial instrument fails to meet its contractual obligations, and arises principally from the Company's receivables from corporate clients i.e. tenants.

The carrying amount of financial assets represents the maximum credit exposure. The maximum exposure to credit risk at the reporting date was:

	Note	2019	2018
		(Rupees in '000s)	
Net investment in finance lease	8	**3,690**	3,986
Long term deposits	9	**1,762**	1,762
Trade and other receivables	10	**15,146**	32,868
Short term investments	12	**440,110**	580,979
Bank balances	14	**106,714**	52,478
Others		**24**	191
		563,756	668,279

Debt securities

The Company limits its exposure to credit risk by investing only in liquid debt securities and only with counterparties that is Government or have a credit rating of at least "AA" long term and "A-1" short term from PACRA or JCR-VIS. The investment in Margin Trading System of NCCPL is in the margin eligible securities as notified by NCCPL time to time managed by NCCPL itself, hence credit risk is minimal.

Investments in T-Bills are Government backed securities, hence credit risk is minimal.

The exposure to credit risk for debt securities at amortised cost at the reporting date was as follows.

	Note	2019	2018
		(Rupees in '000s)	
Investment in MTS of NCCPL		**396,609**	386,009
Treasury Bills (T-bills)		**24,569**	165,651
Term Deposits Certificates		**-**	29,319
	12	**421,178**	580,979

15-[illegible]

Long term deposits

Long term deposits represent mainly deposits with utilities companies and security deposit for MTS trading, hence the management believes that no impairment allowance is necessary in respect of these long term deposits.

Cash and cash equivalents

The cash and cash equivalents are held with bank and financial institution counterparties, which are rated as described below, based on rating agencies' ratings. The Company considers that its cash and cash equivalents have low credit risk based on the external credit ratings of the counterparties.

Banks	Rating Short term	Rating Long term	Rating Agency	2019	2018
				(Rupees in '000s)	
Allied Bank Limited	A1+	AAA	PACRA	**5**	5
Bank Alfalah Limited	A1+	AA+	PACRA	**1,099**	1,400
Bank Al-Habib Limited	A1+	AA+	PACRA	**24,792**	25,495
Habib Bank Limited	A-1+	AAA	JCR-VIS	**52,776**	19,640
MCB Limited	A1+	AAA	PACRA	**27,578**	5,860
National Bank of Pakistan	A-1+	AAA	JCR-VIS	**45**	42
Summit Bank Limited	A-1	A -	JCR-VIS	**419**	36
				106,714	52,478

(b) **Liquidity risk**

Liquidity risk is the risk that the Company will encounter difficulty in meeting the obligations associated with its financial liabilities that are settled by delivering cash or another financial asset. The Company's approach to managing liquidity is to ensure as far as possible to always have sufficient liquidity to meet its liabilities when due. The Company is not materially exposed to liquidity risk as all obligations / commitments of the Company are short term in nature and are restricted to the extent of available liquidity.

Further liquidity position of the Company is closely monitored through budgets, cash flow projections and comparison with actual results by the Board.

The following are the remaining contractual maturities of financial liabilities at the reporting date. The amounts are gross and undiscounted, and include contractual interest payments and exclude the impact of netting agreements.

Non- derivative financial instruments as at June 30, 2019

	Carrying amount	Total	Up to one month	One month to three months	Three months to one year	One year to five years
			(Rupees in '000s)			
Long term liabilities	-	-	-	-	-	-
Long term financing	-	-	-	-	-	-
Trade and other payables	104,272	104,272	-	-	*104,272*	-
Unpaid dividend	27,523	27,523	-	-	*27,523*	-
Unclaimed dividend	3,571	3,571	-	3,571		
Accrued mark-up	-	-	-	-	-	-
	135,366	135,366	-	3,571	131,795	-

Non- derivative financial instruments as at June 30, 2018

	Carrying amount	Total	Up to one month	One month to three months	Three months to one year	One year to five years
			(Rupees in '000s)			
Long term liabilities	2,704	2,704	-	-	-	*2,704*
Long term financing	100,000	100,000	-	-	-	100,000
Trade and other payables	124,053	124,053	-	-	124,053	
Unpaid dividend	26,612	26,612	-	-	*26,612*	
Unclaimed dividend	1,360	1,360	-	1,360		
Accrued mark-up	3,327	3,327	3,327	-	-	-
	258,056	258,056	3,327	1,360	150,665	102,704

It is not expected that the cash flows included in the maturity analysis could occur significantly earlier, or at significantly different amount.

(c) Market risk

Market risk is the risk that changes in market prices – e.g. foreign exchange rates, interest rates and equity prices – will affect the Company's income or the value of its holdings of financial instruments. The objective of market risk management is to manage and control market risk exposures within acceptable parameters, while optimising the return.

Mark-up rate risk

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

Investments in T-Bills are Government backed securities with guaranteed return. The maturity profile of investment in MTS and treasury bills is from zero to ninety days. Therefore, any changes in the interest rate do not affect the cash flows of the Company.

The Company's exposure to interest rate risk and the effective rates on its financial assets and liabilities are summarized as follows:

As at June 30, 2019

Financial assets	Note	Effective mark-up rates (%)	Mark-up bearing		Non Markup bearing
			Fixed rate	*Variable rate*	
Short term investments	12				
Investment in NCCPL		13.50%	396,609	-	-
Treasury Bills (T-bills)		12.65%	24,569	-	-
Term Deposits Certificates			-	-	-
Equity shares of Pakistan Mercantile Exchange Limited (PMEX)			-	-	18,932
Trade and other receivables	10		-	-	15,146
Long term deposits	9		-	-	1,762
Cash and bank balances	14	10.25%	106,565	-	249
Financial liabilities					
Long term liabilities	17		-	-	-
Long term financing	18		-	-	-
Trade and other payables	20		-	-	104,272
Unpaid dividend			-	-	27,523
Unclaimed dividend			-	-	3,571
Accrued mark-up	20		-	-	-

As at June 30, 2018

Financial assets	Note	Effective mark-up rates (%)	Mark-up bearing		Non Markup bearing
			Fixed rate	*Variable rate*	
Short term investments	12				
Investment in NCCPL		9.10%	386,009	-	-
Treasury Bills (T-bills)		6.70%	165,651	-	-
Term Deposits Certificates		6%	29,319	-	-
Equity shares of Pakistan Mercantile Exchange Limited (PMEX)			-	-	-
Trade and other receivables	10		-	-	32,868
Long term deposits	9		-	-	1,762
Cash and bank balances	14	4.25%	52,323	-	255
Financial liabilities					
Long term liabilities	17		-	-	2,704
Long term financing	18	6.70%	-	100,000	-
Trade and other payables	20		-	-	124,053
Unpaid dividend			-	-	26,612
Unclaimed dividend					1,360
Accrued mark-up	20				3,327

Fair value sensitivity analysis for fixed-rate instruments

The Company does not account for any fixed-rate financial assets or financial liabilities at FVTPL. Therefore, a change in interest rates at the reporting date would not affect profit or loss.

Cash flow sensitivity analysis for variable-rate instruments

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

15-P3

	2019	2018
	(Rupees in '000s)	
100 basis points increase	-	1,000
100 basis points decrease	-	(1,000)

Currency risk

Foreign exchange risk is the risk that the fair value of future cash flows of a financial instrument will fluctuate because of changes in foreign exchange rates.

The Company is not significantly exposed to the currency risk as the major transactions of the Company are carried out in the local currency.

Other market price risk

Price risk is the risk that the value of a security or portfolio of securities will decline in the future. It is the risk of losing money due to a fall in the market price of a security that the entity owns. It results from changes in the value of marked-to-market financial instruments. Currently entity has no security designated as held for trading therefore there is no implications of price risks.

Other price risk is the risk that the fair value or future cashflows of a financial instrument will fluctuate because of changes in market prices (other than those arising from interest rate risk or currency risk). Other price risk arises from the Company's investment in equity instruments.

A 10% increase / decrease in the market price of equity shares at year end would have decreased / increased surplus on re-measurement of investments as follows:

	2019	2018
	(Rupees in '000s)	
10% increase	**1,893**	-
10% decrease	**(1,893)**	-

The sensitivity analysis prepared is not necessarily indicative of the effects on other comprehensive income, equity and assets of the Company.

Fair value of financial assets and liabilities

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

Underlying the definition of fair value is the presumption that the company is a going concern and there is no intention or requirement to curtail materially the scale of its operations or to undertake a transaction on adverse terms.

A financial instrument is regarded as quoted in an active market if quoted prices are readily and regularly available from an exchange dealer, broker, industry group, pricing service, or regulatory agency, and those prices represent actual and regularly occurring market transactions on an arm's length basis.

IFRS 13 'Fair Value Measurement' requires the company to classify fair value measurements and fair value hierarchy that reflects the significance of the inputs used in making the measurements of fair value hierarchy has the following levels:

Level 1 - Quoted prices (unadjusted) in active markets for identical assets or liabilities.

Level 2 - Inputs other than quoted prices included within level 1 that are observable for the asset or liability, either directly or indirectly (that is, derived from prices).

Level 3 - Inputs for the asset or liability that are not based on observable market data (that is, unadjusted) inputs.

Transfer between levels of the fair value hierarchy are recognised at the end of the reporting period during which the changes have occurred.

15-M8-21

During the year, there were no transfers between level 1 and level 2 fair value measurements, and no transfers into and out of level 3 fair value measurement.

The Company has not disclosed the fair values of the financial assets and financial liabilities as their carrying amounts are reasonable approximation of fair values.

Measurement of fair values of equity shares
Valuation techniques and significant unobservable inputs

The following tables show the valuation techniques used in measuring Level 3 fair values for financial instruments measured at fair value in the statement of financial position, as well as the significant unobservable inputs used.

Valuation technique	Significant unobservable inputs	Inter-relationship between significant unobservable inputs and fair value measurement
Discounted cash flows technique: The fair value is performed based on discounted cash flows methodology, covering cash flow projections for a period of five years using various business assumptions for estimating future cash flows which are based on economic data and historical performance.	Discount rate and growth rate	The estimated fair value would increase (decrease) if the adjusted market multiple were higher (lower).

Capital risk management

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

The Company's objectives when managing capital are:

(i) to safeguard the entity's ability to continue as a going concern, so that it can continue to provide returns for shareholders and benefits for other stakeholders, and
(ii) to provide an adequate return to shareholders.

The Company manages the capital structure in the context of economic conditions and the risk characteristics of the underlying assets. In order to maintain or adjust the capital structure, the Company may adjust the amount of dividends paid to shareholders, issue new shares, or sell assets to reduce debt. Neither there were any changes in the Company's approach to capital management during the year nor the Company is subject to externally imposed capital requirements.

The gearing ratio as at June 30, is as follows:

	2019	2018
	(Rupees in '000s)	
Long term financing	-	100,000
Issued, subscribed and paid up capital	1,282,842	1,282,842
Capital reserves	770,587	768,073
Unappropriated profit	858,141	765,020
Total Capital	2,911,570	2,815,935
Capital employed	2,911,570	2,915,935
Gearing Ratio	-	3%

Gearing ratio reduced to zero due to repayment of debts and retention of earnings within the company.

15-784

Operational risk

Operational risk is the risk of direct or indirect loss arising from a wide variety of causes associated with the Company's processes, personnel, technology and infrastructure, and from external factors other than credit, market and liquidity risks such as those arising from legal and regulatory requirements and generally accepted standards of corporate behaviour. Operational risks arise from all of the Company's operations.

The Company's objective is to manage operational risk so as to balance the avoidance of financial losses and damage to the Company's reputation with overall cost effectiveness and to avoid control procedures that restrict initiative and creativity.

The primary responsibility for the development and implementation of controls to address operational risk is assigned to senior management within the Company. This responsibility is supported by the development of overall Company standards for the management of operational risk in the following areas:

- requirements for appropriate segregation of duties, including the independent authorization of transactions
- 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
- requirements for the reporting of operational losses and proposed remedial action
- development of contingency plans
- training and professional development
- ethical and business standards
- risk mitigation including insurance where this is effective

15-Bgn

	Note	2019	2018
		(Rupees in '000s)	

29 MOVEMENT IN WORKING CAPITAL

(Increase) / decrease in current assets:			
- Stores and spares		114	(373)
- Trade and other receivables		14,436	3,220
- Advances and prepayments		(427)	11,644
		14,123	14,491
Increase / (decrease) in current liabilities:			
- Trade and other payables		(22,915)	25,452
		(8,793)	39,943

30 TRANSACTION WITH RELATED PARTY

Related parties comprise associated companies / undertakings, companies where directors also hold directorship, retirement benefits fund and key management personnel. Balances with related parties are disclosed in respective notes to these financial statements, whereas, significant transactions with these related parties during the year are as under:

Name of Related Party	Relationship and percentage shareholding	Transactions during the year	2019	2018
			(Rupees in '000s)	
National Clearing Company of Pakistan	23.53%	Dividend received	-	47,461
		Rental income	1,883	604
		Rent received	1,612	1,649
		Deposit received	13,872	20,808
		Security deposit given	-	250
		Annual fee	250	250
		MTS income	43,796	21,767
		Provision of facilities	1,866	745
		Reimbursement of facilities	1,878	-
		Trading charges	3,735	2,457
		Other income	-	213
Central Depositary Company of Pakistan	10%	Dividend received	15,913	18,300
		Deposit received	-	93,105
		Provision of facilities	3,596	1,758
		Reimbursement of facilities	2,978	-
Pakistan Credit Rating Agency Limited	36%	Dividend received	13,415	8,049
Lahore Stock Exchange Limited - Employees' Provident Fund Trust	Trust	Contribution for the year	963	926
MCF Trust Fund	Associate	Fund management fee	199	157
IPF Trust Fund	Associate	Fund management fee	595	503
TCF Trust Fund	Associate	Fund management fee	990	761
Directors	Non-Executive	Utilities	1,062	1,080
Directors	Non-Executive	Dividend	1,688	1,688
Directors	Non-Executive	Meeting Fees	2,800	3,045

31 MANAGERIAL REMUNERATION OF CHIEF EXECUTIVE

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

	2019	2018
	(Rupees in '000s)	
Managerial remuneration	2,552	2,128
Company's contribution to the provident fund trust	232	193
Housing and utilities	1,160	1,590
Others	200	-
	4,144	3,911
Number	1	1

Chief Executive is provided with the Company's maintained car (1,600 cc).

BDB

32 NUMBER OF EMPLOYEES	2019	2018
Total employees of the Company at the year end	45	42
Average employees of the Company during the year	43	40

	Note	2019	2018
		(Rupees '000)	
33 PROVIDENT FUND TRUST - related party			
Size of fund		7,803	6,659
Cost of investments made		6,355	4,929
Percentage of investments		81%	74%
Fair value of investments		6,355	4,929
Breakup of investment			
Government Treasury Bills		6,355	4,929
Bank balance		940	882

The figures for 2019 and 2018 are based on the audited financial statements of the Provident Fund Trust. All investments out of provident fund has been made in accordance with the provisions of section 218 of the Companies Act, 2017 and the conditions specified thereunder.

34 EVENT AFTER THE END OF REPORTING DATE

On 25-09-2019 the Board of Directors of the Company voted to declare a dividend of Rs. 0.80 per share (2018: Rs. 0.50 per share). Because the obligation arose in 2019, a liability is not shown in the statement of financial position at June 30, 2019.

35 AUTHORIZATION FOR ISSUE

These financial statements have been authorized for issue by the Board of Directors of the Company in its meeting held on 25-09-2019

36 CORRESPONDING FIGURES

The corresponding figures have been rearranged and reclassified, wherever considered necessary. Following major reclassifications have been made during the year for better presentation:

Description	Reclassified from	Reclassified to	2018	2017
			(Rupees '000)	
Room maintenance services	Other income	Revenue	17,597	10,948
Software services	Other income	Revenue	4,369	1,208

Managing Director

Chief Financial Officer

Director