



## LSE Financial Services Ltd.

### Directors' Review Report

Dear Shareholders,

The Board of Directors is pleased to present its report along with the unaudited accounts of your Company for the period ended March 31, 2020:

Financial Highlights	March-2020 Rs. in '000'	March-2019 Rs. in '000'
Revenue	133,565	122,941
Share of profit of Associates-net of tax	104,841	95,840
<b>Total Revenue</b>	<b>238,406</b>	<b>218,781</b>
Expenditures	(76,387)	(71,563)
Finance Cost	(31)	(6,436)
<b>Profit before Taxation</b>	<b>161,988</b>	<b>140,782</b>
Taxation	(25,994)	(32,501)
<b>Net Profit for the period</b>	<b>135,994</b>	<b>108,281</b>
<b>Earnings Per Share (EPS)</b>	<b>Rs. 1.06</b>	<b>Rs. 0.84</b>

### PERFORMANCE REVIEW

During the period ended on March 31, 2020, LSEFSL earned total revenue of Rs. 238.406 million, including share of profit from the associated companies, as compared to Rs. 218.781 million last year's comparative period, i.e., an increase of 19.625 million or 8.97% mainly due to increase in interest rate. The revenue was generated from rent, income from MTS, share of profits from the associated companies and other income. The administrative expenses were Rs. 76.387 million, i.e., up by Rs. 4.824 million or 6.74 % from last year's comparative period. Expenses increased due to the impact of inflation. The Company accounted for provision of Rs. 3.2 million relating to supply of utilities and service maintenance charges. The Company earned a profit before taxation of Rs. 161.988 million for the period under review, which is in line as compared to the corresponding period. Furthermore, profit after tax is Rs. 135.994 million which has been increased by Rs. 27.713 million or 25.59% from last year's comparative period. The tax expense has been accounted for on the basis of weighted average annual tax rate expected for the full financial year.

Earnings per Share (EPS) - (Basic & Diluted) for the period ended March 31, 2020 was recorded as Rs. 1.06 per share against Rs. 0.84 per share of last year's comparative period, up by Rs. 0.22 or 26.19%.

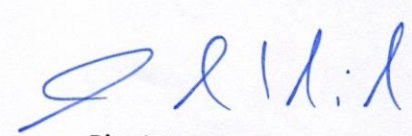
During the year, JCR-VIS Credit Rating Company Ltd. has re-affirmed initial entity ratings to 'A/A-1' of LSEFSL. Outlook on the assigned ratings is 'Stable'.

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 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.

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

  
Chief Executive/Managing Director

  
Director

**LSE FINANCIAL SERVICES LIMITED**  
**CONDENSED INTERIM STATEMENT OF FINANCIAL POSITION**  
**AS AT March 31, 2020 (UN-AUDITED)**

*Endorsement*



	Note	March 31, 2020 Un-Audited	June 30, 2019 Audited
.....(Rupees in '000s).....			
<b>ASSETS</b>			
<b>NON-CURRENT ASSETS</b>			
Property, plant and equipment	8	1,274,404	1,282,831
Investment property - at fair value		383,805	383,805
Investment in associates	9	958,725	885,674
Net investment in finance lease		3,349	3,690
Long term deposits		1,762	1,762
		<b>2,622,044</b>	<b>2,557,762</b>
<b>CURRENT ASSETS</b>			
Stores and spares		2,155	924
Trade and other receivables	10	12,827	15,146
Advances and prepayments	11	2,696	2,343
Short term investments	12	418,275	440,110
Tax refunds due from government	13	34,976	33,451
Cash and bank balances	14	98,162	106,814
		<b>569,091</b>	<b>598,788</b>
		<b>3,191,135</b>	<b>3,156,550</b>
<b>EQUITY AND LIABILITIES</b>			
<b>SHARE CAPITAL AND RESERVES</b>			
<b>Authorized share capital</b>			
200,000,000 (June 30, 2019: 200,000,000) ordinary shares of Rs. 10 each		<b>2,000,000</b>	<b>2,000,000</b>
<b>Share capital</b>			
Issued, subscribed and paid-up capital		<b>1,282,842</b>	<b>1,282,842</b>
<b>Capital reserves</b>			
Revaluation surplus on property, plant and equipment		778,748	779,597
Deficit on revaluation of investments		(9,010)	(9,010)
		<b>769,738</b>	<b>770,587</b>
<b>Revenue reserves</b>			
Unappropriated profit		<b>896,134</b>	<b>858,141</b>
		<b>2,948,713</b>	<b>2,911,570</b>
<b>NON-CURRENT LIABILITIES</b>			
Deferred taxation	16	<b>104,239</b>	<b>97,470</b>
<b>CURRENT LIABILITIES</b>			
Trade and other payables	17	<b>108,812</b>	<b>116,416</b>
Unpaid dividend (Blocked Shares)	18	<b>26,476</b>	<b>27,523</b>
Unclaimed dividend		<b>2,895</b>	<b>3,571</b>
		<b>138,183</b>	<b>147,510</b>
<b>CONTINGENCIES AND COMMITMENTS</b>			
	19	<b>3,191,135</b>	<b>3,156,550</b>

The annexed notes 1 to 32 form an integral part of these financial statements.

Chief Executive Officer

Chief Financial Officer

Director

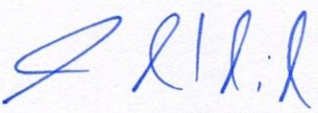
**LSE FINANCIAL SERVICES LIMITED**  
**CONDENSED INTERIM STATEMENT OF PROFIT OR LOSS (UN-AUDITED)**  
**FOR THE PERIOD NINE MONTH ENDED MARCH 31, 2020**

	Note	Nine Month ended		Quarter Ended	
		March 31, 2020 (Rupees in '000s)	March 31, 2019	March 31, 2020 (Rupees in '000s)	March 31, 2019
<b>REVENUE</b>					
Income from margin trading system	20	41,431	32,095	14,081	12,437
Rental income	21	34,463	40,108	11,508	12,987
Other income	22	57,671	50,738	14,779	17,804
		<b>133,565</b>	<b>122,941</b>	<b>40,368</b>	<b>43,228</b>
<b>OPERATING EXPENSES</b>					
Administrative and general expenses	23	(76,387)	(71,563)	(23,838)	(24,084)
<b>OPERATING PROFIT</b>		<b>57,178</b>	<b>51,378</b>	<b>16,530</b>	<b>19,144</b>
Finance cost	24	(31)	(6,436)	(8)	(2,595)
Share of profit of associates - net of tax	9	104,841	95,840	34,947	30,718
<b>PROFIT BEFORE TAXATION</b>		<b>161,988</b>	<b>140,782</b>	<b>51,469</b>	<b>47,267</b>
Taxation	25	(25,994)	(32,501)	(7,178)	(8,659)
<b>PROFIT AFTER TAXATION</b>		<b>135,994</b>	<b>108,281</b>	<b>44,291</b>	<b>38,608</b>
<b>EARNINGS PER SHARE (basic and diluted)</b>	26	<b>1.06</b>	<b>0.84</b>	<b>0.35</b>	<b>0.30</b>

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**Chief Executive Officer**

  
**Chief Financial Officer**

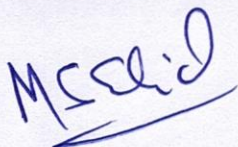
  
**Director**

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**LSE FINANCIAL SERVICES LIMITED**  
**CONDENSED INTERIM STATEMENT OF COMPREHENSIVE INCOME (UN-AUDITED)**  
**FOR THE PERIOD NINE MONTH ENDED MARCH 31, 2020**

	Nine Month ended		Quarter ended	
	March 31, 2020 (Rupees in '000s)	March 31, 2019	March 31, 2020 (Rupees in '000s)	March 31, 2019
PROFIT FOR THE PERIOD	135,994	108,281	30,880	45,233
Other comprehensive income				
<i>Items that are or may be subsequently reclassified to statement of profit or loss:</i>				
Share of the comprehensive income from associates in respect of revaluation of investments at FV through other comprehensive income (FVTOCI).	-	212	-	114
Unrealised gain / (loss) on investments classified "available for sale"	3,777	-	-	-
<b>TOTAL COMPREHENSIVE INCOME FOR THE PERIOD</b>	<b>139,771</b>	<b>108,493</b>	<b>30,880</b>	<b>45,347</b>

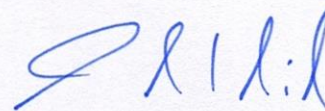
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
Chief Executive Officer



Chief Financial Officer



Director

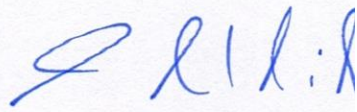
**LSE FINANCIAL SERVICES LIMITED**  
**CONDENSED INTERIM STATEMENT OF CHANGES IN EQUITY (UN-AUDITED)**  
**FOR THE PERIOD NINE MONTH ENDED MARCH 31, 2020**

	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 - associates	Unappropriated profit	
.....(Rupees in '000s).....					
<b>Balance as at June 30, 2018 (Audited)</b>	<b>1,282,842</b>	<b>777,143</b>	<b>(9,070)</b>	<b>765,020</b>	<b>2,815,935</b>
Profit for the period	-	-	-	76,637	76,637
Other comprehensive loss - net of tax	-	-	212	-	212
Total comprehensive income for the period			212	76,637	76,849
Transferred to unappropriated profit on account of incremental depreciation - net of tax	-	(1,179)	-	1,179	-
Tax rate change adjustment	-	-	-	-	-
Cash dividend paid (Rs. 0.50 per share) for the year ended June 30, 2018	-	-	-	(64,142)	(64,142)
<b>Balance as at March 31, 2019 (Un-Audited)</b>	<b>1,282,842</b>	<b>775,964</b>	<b>(8,858)</b>	<b>778,694</b>	<b>2,828,642</b>
Profit for the period	-	-	-	81,710	81,710
Other comprehensive income / (loss) - net of tax	-	4,419	(152)	(3,049)	1,218
Total comprehensive income for the period		4,419	(152)	78,661	82,928
Transferred to unappropriated profit on account of incremental depreciation - net of tax	-	(786)	-	786	-
<b>Balance as at June 30, 2019 (Audited)</b>	<b>1,282,842</b>	<b>779,597</b>	<b>(9,010)</b>	<b>858,141</b>	<b>2,911,570</b>
Profit for the period	-	-	-	135,994	135,994
Other comprehensive income	-	-	-	3,777	3,777
Total comprehensive income for the period				139,771	139,771
Transferred to unappropriated profit on account of incremental depreciation - net of tax	-	(849)	-	849	-
Cash dividend paid (Rs. 0.80 per share) for the year ended June 30, 2019	-	-	-	(102,627)	(102,627)
<b>Balance as at March 31, 2020 (Un-Audited)</b>	<b>1,282,842</b>	<b>778,748</b>	<b>(9,010)</b>	<b>896,134</b>	<b>2,948,713</b>

The annexed notes 1 to 32 form an integral part of these financial statements.

  
 Chief Executive Officer

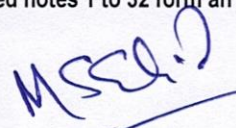
  
 Chief Financial Officer

  
 Director


**LSE FINANCIAL SERVICES LIMITED**  
**CONDENSED INTERIM STATEMENT OF CASH FLOWS (UN-AUDITED)**  
**FOR THE PERIOD NINE MONTH ENDED MARCH 31, 2020**

	Note	Nine Month Ended	
		March 31, 2020	March 31, 2019
(Rupees in '000s)			
<b>Cash flows from operating activities</b>			
Profit before tax		161,988	140,782
<b>Adjustments for non - cash and other items:</b>			
Depreciation		17,183	19,841
Share of profit of associates		(104,841)	(95,840)
Return on investments		(53,975)	(46,057)
Lease rentals		(34,463)	(40,108)
Employees' welfare fund		205	125
Gain / loss on disposal of operating fixed assets		4	(487)
Provision against doubtful trade and other receivables		3,218	471
Finance cost		31	6,436
<b>Loss before working capital changes</b>		(172,639)	(155,620)
<b>Movement in working capital</b>	27	(13,600)	(28,858)
		(24,251)	(43,696)
(Payments) / Receipts in respect of:			
Advance rent from tenants		38,509	34,007
Retention money		199	436
		38,708	34,443
<b>Net cash generated from operations</b>		14,457	(9,253)
Employees' welfare fund paid		(205)	(125)
Finance cost paid		(31)	(7,108)
Income tax paid		(20,750)	(17,770)
<b>Net cash generated from/(used in) operating activities</b>		(6,529)	(34,256)
<b>Cash flows from investing activities</b>			
Capital expenditure incurred		(8,785)	(6,441)
Proceed from disposal of operating fixed assets.		25	630
Short term investment (T-bills , PIB's and TDR's)		(240,769)	40,899
Short term investment (MTS)		266,380	(5,444)
Net investment in finance lease		342	296
Profit received on investments during the period		53,245	46,377
Dividend received from Associates		31,790	29,329
<b>Net cash generated from investing activities</b>		102,228	105,646
<b>Cash flows from financing activities</b>			
Dividend paid		(104,350)	(61,020)
Repayment of long term financing		-	(7,143)
<b>Net cash used in financing activities</b>		(104,350)	(68,163)
<b>Net decrease in cash and cash equivalents</b>		(8,652)	3,227
<b>Cash and cash equivalents at the beginning of the period</b>		106,814	52,578
<b>Cash and cash equivalents at the end of the period</b>		98,162	55,806

The annexed notes 1 to 32 form an integral part of these financial statements.

  
Chief Executive Officer

  
Chief Financial Officer

  
Director

**1 LEGAL STATUS AND OPERATIONS**

LSE Financial Services Limited erstwhile Lahore Stock Exchange Limited ("the Company") was incorporated 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.

**2 BASIS OF PREPARATION**

These condensed interim financial statements have been prepared in accordance with the accounting and reporting standards as applicable in Pakistan for interim financial reporting. The accounting and reporting standards as applicable in Pakistan for interim financial reporting comprise of International Accounting Standard (IAS) 34 - Interim Financial Reporting, 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 the Non-Banking Finance Companies and Notified Entities Regulations, 2008. Where the provisions of and directives issued under the Companies Act, 2017 differ with the requirements of IAS 34, 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.

**3 ACCOUNTING POLICIES**

The significant accounting policies and the methods of computation adopted in the preparation of these condensed interim financial statements are consistent with those applied in the preparation of audited annual financial statements for the year ended June 30, 2019, except for the effect of IFRS 9 (note - 6).

**4 CHANGE IN ACCOUNTING STANDARDS, INTERPRETATIONS AND AMENDMENTS TO PUBLISHED ACCOUNTING AND REPORTING STANDARDS****4.1 Standards and amendments to published accounting and reporting standards which were effective during the half year ended December 31, 2019****IFRS 16 'Leases' - IFRS 16**

This standard replaces the previous lease standard: IAS 17: Leases. As the distinction between operating and finance lease is eliminated, it has resulted in leases being recognized on the statement of financial position except for short-term and low-value leases. Under the new standard, an asset (the right to use the leased item) and a financial liability to pay rentals are recognized.

However, the application of IFRS 16 does not have any material impact on the Company's books of account.

**'IFRS - 9 'Financial instruments'**

Initially Securities and Exchange Commission of Pakistan (SECP) deferred the application of IFRS - 9 'Financial Instruments' to Non-Banking Finance Companies till June 30, 2020 but on 30th march 2020 SECP issued a S.R.O No. 273(i)/2020 where they modifies the effective date for the applicability of IFRS - 9 i.e. June 30,2021 but early adoption is permitted . Therefore, now the Company has adopted this standard. This standard replaces the provisions of IAS 39 that relate to the recognition, classification and measurement of financial assets and financial liabilities, derecognition of financial instruments, impairment of financial assets an hedge accounting. It also includes an expected credit losses model that replaces IAS 39 incurred loss impairment model. On July 01, 2019 (the date of initial application of IFRS 9), the Company's management has assessed which business models apply to the financial assets held by the Company and has classified its financial instruments into the appropriate IFRS 9 categories (i.e. mainly financial assets previously classified as 'loans and receivables' have now been classified as 'amortized cost').

The following table explains the original measurement categories under IAS 39 and the new measurement categories under IFRS 9 for each class of the Company's financial assets as at 31 March 2020:

Financial instruments	Original classification under IAS 39	New classification under IFRS 9	Original carrying amount	New carrying amount
			(Rupees 000)	
Long term deposits	Loans and receivables	Amortized cost	1,762	1,762
Net investment in finance lease	Loans and receivables	Amortized cost	3,349	3,349
Trade and other receivables	Loans and receivables	Amortized cost	12,827	12,827
Short term investments				
<i>Treasury bills</i>	Held to maturity	Amortized cost	220,161	220,161
<i>Investment in MTS</i>	Held to maturity	Amortized cost	130,229	130,229
<i>Equity shares of PMEX</i>	Held for trading	At fair value through profit or loss	18,932	18,932
Bank balances	Loans and receivables	Amortized cost	98,162	98,162
			<u>485,422</u>	<u>485,422</u>

Adoption of IFRS 9 did not have any impact on the profit or loss and OCI for the period ended March 31, 2020.

As a result of the adoption of IFRS 9, the Company has adopted consequential amendments to IAS 1 Presentation of Financial Statements, which require impairment of financial assets to be presented in a separate line item in the statement of profit or loss. Previously, the Company's approach was to include the impairment of trade receivables in other operating expenses.

IFRS 9 largely retains the existing requirements in IAS 39 for the classification and measurement of financial liabilities.

The adoption of IFRS 9 has not had a significant effect on the Company's accounting policies related to financial liabilities.

The accounting policy with respect to recognition, measurement, presentation and disclosure of financial assets and impairment of financial assets is disclosed in note 6 and 7.

The amendments that were mandatory for the period ended March 31, 2020 are considered not to be relevant for the Company's financial reporting process and hence have not been disclosed here.

#### 4.2 Standards and amendments to approved accounting and reporting standards that are not yet effective

There is a new standard and certain amendments and interpretation to the accounting and reporting standards that will be mandatory for the Company's annual accounting periods beginning on or after July 1, 2020. However, these standard, amendments and interpretation will not have any significant impact on the financial reporting of the Company and, therefore, have not been disclosed in these condensed interim financial statements.

### 5 CRITICAL ACCOUNTING ESTIMATES AND JUDGMENTS

When preparing the condensed interim financial statements, management undertakes a number of judgements, estimates and assumptions about recognition and measurement of assets, liabilities, income and expenses. The actual results may differ from the judgements, estimates and assumptions made by management, and will seldom equal the estimated results. The judgements, estimates and assumptions applied in the condensed interim financial statements, including the key sources of estimation uncertainty, were the same as those applied in the Company's last annual financial statements for the year ended June 30, 2019. The only exceptions are the estimate of income tax liabilities which is determined in the condensed interim financial statements using the estimated average annual effective income tax rate applied to the pre-tax income of the interim period.

### 6 IFRS – 9 'Financial instruments'

#### Financial instruments

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

#### Financial assets at amortized cost

Financial assets at amortized cost are held within a business model whose objective is to hold financial assets in order to collect contractual cash flows and the contractual terms of the financial asset give rise on specified dates to cash flows that are solely payments of principal and interest on the principal amount outstanding. Interest income from these financial assets, impairment losses, foreign exchange gains and losses, and gain or loss arising on derecognition are recognized directly in profit or loss.



### **Financial assets at fair value through other comprehensive income**

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

### **Financial assets at fair value through profit or loss**

Financial assets at fair value through profit or loss are those financial assets which are either designated in this category or not classified in any of the other categories. A gain or loss on debt investment that is subsequently measured at fair value through profit or loss is recognized in profit or loss in the period in which it arises.

Equity instrument financial assets are measured at fair value at and subsequent to initial recognition. Changes in fair value of these financial assets are normally recognized in profit or loss. Dividends from such investments continue to be recognized in profit or loss when the Company's right to receive payment is established. Where an election is made to present fair value gains and losses on equity instruments in other comprehensive income there is no subsequent reclassification of fair value gains and losses to profit or loss following the derecognition of the investment.

Financial assets are derecognised when the rights to receive cash flows from the assets have expired or have been transferred and the Company has transferred substantially all risks and rewards of ownership. Assets or liabilities that are not contractual in nature and that are created as a result of statutory requirements imposed by the Government are not the financial instruments of the Company.

The Company assesses on a forward looking basis the expected credit losses associated with its financial assets carried at amortized cost and fair value through other comprehensive income. The impairment methodology applied depends on whether there has been a significant increase in credit risk. For trade receivables, the Company applies the simplified approach, which requires expected lifetime losses to be recognized from initial recognition of the receivables. The Company recognizes in profit or loss, as an impairment gain or loss, the amount of expected credit losses (or reversal) that is required to adjust the loss allowance at the reporting date.

### **Financial liabilities**

Financial liabilities are classified as measured at amortized cost or FVTPL. A financial liability is classified as at FVTPL if it is classified as held-for-trading, it is a derivative or it is designated as such on initial recognition. Financial liabilities at FVTPL are measured at fair value and net gains and losses, including any interest expense, are recognized in 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 statement of profit or loss. Any gain or loss on derecognition is also recognized in statement of profit or loss.

Financial liabilities comprise contractual trade and other payables, long and short term financing, unclaimed dividend and accrued markup.

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

### **Offsetting of financial assets and liabilities**

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

### **Impairment of financial assets**

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

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

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

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

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

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

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

The Company recognizes in profit or loss, as an impairment gain or loss, the amount of expected credit losses (or reversal) that is required to adjust the loss allowance at the reporting date.

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

The adoption of the expected loss approach has not resulted in any material change in impairment provision for any financial asset.

## 7 Investments

### At fair value through profit or loss

Financial assets that are acquired principally for the purpose of generating profit from short-term fluctuation in prices are classified as 'financial assets at fair value through profit or loss' category. These investments are initially recognized at fair value, relevant transaction costs are taken directly to profit or loss account and subsequently measured at fair value. Net gains and losses arising on changes in fair value of these financial assets are taken to the statement of profit or loss in the period in which they arise.

### At fair value through other comprehensive income

Equity investments are initially recognized at cost, being the fair value of the consideration paid including transaction cost. Subsequent to initial recognition these are measured at fair value, with any resultant gain or loss being recognized in other comprehensive income. Gains or losses on fair value through other comprehensive income are recognized in other comprehensive income and are never reclassified to the statement of profit or loss.

## 8 PROPERTY, PLANT AND EQUIPMENT

		March 31, 2020 <u>Un-Audited</u>	June 30, 2019 <u>Audited</u>
(Rupees in '000s)			
Operating fixed assets	8.1	1,249,356	1,256,579
Capital work-in-progress	8.2	<u>25,048</u>	<u>26,252</u>
		<u><u>1,274,404</u></u>	<u><u>1,282,831</u></u>

	COST / REVALUED AMOUNT						ACCUMULATED DEPRECIATION						Book Value as at 31-03-2020	
	Balance as at 01-07-2019	Additions	Deletions	Revaluation surplus	Transfer from CWIP	Depreciation adjustment	Balance as at 31-03-2020	Rate	Balance as at 01-07-2019	For the period	Deletions	Depreciation adjustment		Balance as at 31-03-2020
<b>Owned assets</b>														
Land freehold	1,059,660	-	-	-	-	-	1,059,660	-	-	-	-	-	-	1,059,660
Building on freehold land	95,139	-	-	-	-	-	95,139	5%	-	3,568	-	-	3,568	91,571
Computer and accessories	50,955	368	-	-	-	-	51,323	30%	48,450	549	-	-	48,999	2,324
Furniture and fixture	13,961	-	-	-	-	-	13,961	10%	8,435	414	-	-	8,849	5,112
Office equipment	7,399	65	(50)	-	-	-	7,414	20%	6,723	141	(21)	-	6,843	571
Electric fittings and appliances	109,156	8178	-	-	-	-	117,334	20%	49,246	9,038	-	-	58,284	59,050
Vehicles	3,345	-	-	-	-	-	3,345	20%	2,045	198	-	-	2,243	1,102
Elevator	19,285	-	-	-	-	-	19,285	20%	9,082	948	-	-	10,030	9,255
Generator	33,960	246	-	-	-	-	34,206	10%	13,683	1,578	-	-	15,261	18,945
Arms and security equipment	3,581	503	-	-	-	-	4,084	10%	2,202	120	-	-	2,322	1,762
Library books	318	-	-	-	-	-	318	25%	314	-	-	-	314	4
Leasehold improvements	5,697	-	-	-	-	-	5,697	20%	5,697	-	-	-	5,697	-
<b>Rupees in '000s</b>	<b>1,402,456</b>	<b>9,360</b>	<b>(50)</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>1,411,766</b>		<b>145,877</b>	<b>17,182</b>	<b>(21)</b>	<b>-</b>	<b>162,410</b>	<b>1,249,356</b>

	COST / REVALUED AMOUNT						ACCUMULATED DEPRECIATION						Book Value as at 30-06-2019	
	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
<b>Owned Assets</b>														
Land freehold	1,058,590	-	-	-	-	-	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)	-	-	-	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	-
<b>Rupees in '000s</b>	<b>1,407,382</b>	<b>597</b>	<b>(1,106)</b>	<b>5,234</b>	<b>1,033</b>	<b>(10,684)</b>	<b>1,402,456</b>		<b>131,405</b>	<b>26,113</b>	<b>(956)</b>	<b>(10,684)</b>	<b>145,877</b>	<b>1,256,579</b>

## 8.2 CAPITAL WORK-IN-PROGRESS

Opening Balance	Additions	Transfer to operating fixed assets / adjustments	Closing Balance	
----- (Rupees in '000s) -----				
Civil work - building	25,553	2,495	(3,000)	25,048
Advances for capital expenditure - buildings	699	-	(699)	-
<b>March 31, 2020 - unaudited</b>	<b>26,253</b>	<b>2,495</b>	<b>(3,699)</b>	<b>25,048</b>
<b>'June 30, 2019 - audited</b>	<b>11,431</b>	<b>16,681</b>	<b>(1,860)</b>	<b>26,252</b>

## 9 INVESTMENT IN ASSOCIATES - under equity method of accounting

The Pakistan Credit Rating Agency Limited (PACRA)  
Central Depository Company of Pakistan Limited (CDC)  
National Clearing Company of Pakistan Limited (NCCPL)

**Note**  
**March 31,**  
**2020**  
**Un-Audited**  
**(Rupees in '000s)**

	June 30, 2019 <u>Audited</u>
	74,270
	486,793
	397,662
	<u>958,725</u>
	75,335
	457,834
	352,505
	<u>885,674</u>

### 9.1 Reconciliation of changes in carrying value of investment in associates

March 31, 2020

	The Pakistan Credit Rating Agency Limited (PACRA)	Central Depository Company of Pakistan Limited (CDC)	National Clearing Company of Pakistan Limited (NCCPL)	Total
	----- (Rupees in '000s) -----			
Opening balance	75,335	457,834	352,505	885,674
Share of profit for the period	12,350	47,334	45,157	104,841
Dividend received during the period	(13,415)	(18,375)	-	(31,790)
Closing balance	<u>74,270</u>	<u>486,793</u>	<u>397,662</u>	<u>958,725</u>

June 30, 2019

	The Pakistan Credit Rating Agency Limited (PACRA)	Central Depository Company of Pakistan Limited (CDC)	National Clearing Company of Pakistan Limited (NCCPL)	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' gratuity fund	-	(872)	(2,177)	(3,049)
Dividend received during the year	(13,415)	(15,913)	-	(29,328)
Closing balance	<u>75,335</u>	<u>457,834</u>	<u>352,505</u>	<u>885,674</u>

9.2 Shares of all associated companies have a face value of Rs. 10 each. The company has the following shareholding structure in associates:

	March 31, 2020 - unaudited		June 30, 2019 - audited	
	Share held	%age	Share held	%age
The Pakistan Credit Rating Agency Limited (PACRA)	2,683,044	36%	2,683,044	36%
Central Depository Company of Pakistan Limited (CDC)	20,000,000	10%	15,000,000	10%
National Clearing Company of Pakistan Limited (NCCPL)	23,730,462	23.53%	17,797,847	23.53%

9.3 During the period CDC issued 5,000,000 (June 30, 2019: 4,391,002) number of ordinary shares as bonus shares.

9.4 During the period NCCPL issued 5,932,615 (June 30, 2019: nil) number of ordinary shares as bonus shares.

9.5 The income from associates is based on income prorated on half yearly financial statements of the investee companies as at March 31, 2020 (June 30, 2019: audited).

	<u>Note</u>	March 31, 2020 <u>Un-Audited</u>	June 30, 2019 <u>Audited</u>
		(Rupees in '000s)	
<b>10* TRADE AND OTHER RECEIVABLES - considered good</b>			
Trade receivables	10.1	1,808	4,829
Other receivables			
<i>From related parties - secured</i>	10.2	2,124	2,228
<i>Accrued mark-up</i>		3,523	2,793
<i>Others</i>	10.3	5,372	5,296
		<u>12,827</u>	<u>15,146</u>
<b>10.1 Trade receivables from ex - members</b>			
Considered good		1,808	4,829
Considered doubtful		13,527	10,309
Less: Provision against doubtful receivables	10.1.1	<u>(13,527)</u>	<u>(10,309)</u>
		<u>1,808</u>	<u>4,829</u>
<b>10.1.1 Movement for the period/year</b>			
Opening balance		10,309	9,099
Provision for the period/year		<u>3,218</u>	<u>1,210</u>
Closing balance		<u>13,527</u>	<u>10,309</u>
<b>10.2 Other receivables from related parties:</b>			
MCF Trust Fund		211	199
IPF Trust Fund		618	595
TCF Trust Fund		996	990
National Clearing Company of Pakistan Limited		144	289
Central Depository Company of Pakistan Limited		<u>156</u>	<u>156</u>
		<u>2,124</u>	<u>2,228</u>
<b>10.3 Others:</b>			
-Considered good		5,372	5,296
-Considered doubtful		<u>2,178</u>	<u>2,179</u>
		<u>7,550</u>	<u>7,475</u>
Less: provision against doubtful receivables		<u>2,178</u>	<u>2,178</u>
		<u>5,372</u>	<u>5,297</u>
<b>11 ADVANCES AND PREPAYMENTS</b>			
<i>Considered good</i>			
Advances to employees - secured		586	433
Prepaid expenses		2,086	1,886
Due from others		<u>24</u>	<u>24</u>
		<u>2,696</u>	<u>2,343</u>
<b>12 SHORT TERM INVESTMENTS</b>			
<b>Amortized cost</b>			
Investment in MTS		130,229	396,609
Government treasury bills	12.1	220,161	24,569
Pakistan Investment Bond (PIB)	12.2	48,953	-
<b>At FV through profit or loss</b>			
Equity shares of Pakistan Mercantile Exchange Limited (PMEX)		<u>18,932</u>	<u>18,932</u>
		<u>418,275</u>	<u>440,110</u>
12.1	This represents the government treasury bills placed with MCB Bank Limited, carrying mark-up at the rate of 13.65% and 11% per annum respectively and maturing on May 07, 2020 and June 18, 2020 respectively.		
12.2	The investment bond has been classified as held for sale, the cost of the bond amounting to Rs. 45.309 million and the unrealised gain amounting to Rs. 3.777 million has been accounted for at fair value through other comprehensive income.		

	Note	March 31, 2020 Un-Audited	June 30, 2019 Audited
(Rupees in '000s)			
<b>13 TAX REFUNDS DUE FROM GOVERNMENT</b>			
Income tax	13.1	34,709	33,451
Sales tax		267	-
		<u>34,976</u>	<u>33,451</u>

#### 13.1 Income tax

Wealth tax paid:

- under protest
- with returns

Less: provision for wealth tax

Income tax deducted at source during the period / year

Provision of income tax for the period / year

10,063	10,063
461	461
10,524	10,524
3,728	3,728
6,796	6,796
47,138	50,232
(19,225)	(23,577)
<u>34,709</u>	<u>33,451</u>

#### 14 CASH AND BANK BALANCES

Cash in hand

Cash at banks on :

- Current accounts
- Saving accounts

	300	100
	153	149
14.1	97,709	106,565
	97,862	106,714
	<u>98,162</u>	<u>106,814</u>

14.1 These carry mark-up @ 11.25 % p.a (2019: @ 10.25% p.a.)

#### 15 SHARE CAPITAL

##### Authorized share capital

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

##### Issued, subscribed and paid up capital

	2020	2019			2020	2019
	(Number of shares)					
	128,284,200	128,284,200	Ordinary shares of Rs. 10/- each	15.1	1,282,842	1,282,842
			issued for consideration other than cash			

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.

#### 16 DEFERRED TAXATION

16.1 The deferred tax assets and the deferred tax liabilities relate to income tax in the same jurisdiction, and the law allows net settlement.

16.1	<u>104,239</u>	<u>97,470</u>
------	----------------	---------------

#### 17 TRADE AND OTHER PAYABLES

Trade creditors

Accrued liabilities

Due to members

Advance rent received from tenants

Defaulted members' membership sale proceeds

Advances received from members and companies

Retention money

Payables related to discontinued operations

	15,481	18,774
	10,188	10,188
	2,158	2,158
	14,249	10,202
17.1	44,131	52,571
	2,540	1,941
	2,982	2,783
	17,082	17,798
	<u>108,812</u>	<u>116,416</u>

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

#### 18 UNPAID DIVIDEND

This includes dividend of defaulted brokers withheld due to pending court cases and the shares of the defaulted brokers have been blocked in CDC accounts.

## 19 CONTINGENCIES AND COMMITMENTS

### Contingencies

There are no significant changes in the status of contingencies as reported in the audited annual financial statements of the company for the year ended June 30, 2019.

### Commitments

Commitments for capital expenditure outstanding as at March 31, 2020 were Rs. 6.233 million (June 30, 2019: Rs.10.98 million).

		March 31, 2020 <u>Un-Audited</u> (Rupees in '000s)	March 31, 2019 <u>Un-Audited</u>
<b>20 REVENUE (MTS)</b>	<b>20.1</b>	<b>41,431</b>	<b>32,095</b>
<p>20.1 This represents income earned on financing made in Margin Trading System (MTS) of National Clearing Company of Pakistan Limited (NCCPL).</p>			
<b>21 RENTAL INCOME</b>			
Tenants		34,463	38,496
Associated undertakings		-	1,612
		<u>34,463</u>	<u>40,108</u>
<b>22 OTHER INCOME</b>			
<i>Income from financial assets</i>			
<i>Short term investments</i>			
Profit on saving bank accounts		5,802	2,544
Term deposit receipts (TDR's)		-	5,472
Pakistan Investment Bond (PIB's)		2,250	-
Treasury bills		4,492	5,946
		<u>12,544</u>	<u>13,962</u>
Finance income on net investment in finance lease		-	45
		<u>12,544</u>	<u>14,007</u>
<i>Income from non - financial assets</i>			
Fund management fee	22.1	13,281	12,467
Room maintenance fee		16,354	16,158
Gain on disposal of property, plant and equipment		-	487
Software revenue		2,200	2,322
Gain on recognition of finance lease		7,955	-
Miscellaneous		5,337	5,297
		<u>45,127</u>	<u>36,731</u>
		<u>57,671</u>	<u>50,738</u>
<p>22.1 This represents fund management &amp; operational fee charged to Members' Contribution Fund, Investors Protection Fund and TREC Holders' Contribution fund trust for the period ended Mar 31, 2020. Fund management &amp; operational fee is calculated at the rate of 2.00% on closing net assets of the fund as per management accounts.</p>			
<b>23 ADMINISTRATIVE AND GENERAL EXPENSES</b>			
Salaries and benefits	23.1	23,043	20,599
Information technology related expenses		1,337	1,540
Insurance		928	975
Travelling and conveyance	23.2	1,363	1,091
Printing and stationery		400	393
Utilities		4,346	5,310
Communication and public relations		1,841	1,311
Repair and maintenance		5,275	5,711
Legal and professional charges		964	771
Consultancy charges		1,562	1,519
MTS charges		2,976	3,076
Fee and subscription		705	594
Rent, rates and taxes		1,418	1,069
Security expenses		3,872	4,162
Marketing and advertisement		170	190
Auditors' remuneration		387	309
Board meetings fee expense		5,000	2,450
Provision against doubtful trade and other receivables		3,218	471
Others		399	182
Depreciation		17,183	19,841
		<u>76,387</u>	<u>71,563</u>

23.1 Salaries and benefits include Rs. 0.875 million (2019: Rs. 0.714 million ) in respect of contribution to provident fund - a related party.

23.2 Travelling and conveyance include directors travelling amounting to Rs. 0.103 million (2019: Rs. Nil)

## 24 FINANCE COST

		March 31, 2020 <u>Un-Audited</u>	March 31, 2019 <u>Un-Audited</u>
Mark-up on financing	24.1	-	6,364
Bank charges		31	72
		<u>31</u>	<u>6,436</u>

24.1 An amount of interest paid to BAHL against financing facility taken by company in 2019 amounting to Rupees 6.364 million

## 25 TAXATION

	19,225	24,545
Current		
Deferred	<u>6,769</u>	<u>7,956</u>
	<u>25,994</u>	<u>32,501</u>

## 26 EARNINGS PER SHARE

	For the half year ended		For the Quarter ended	
	March 31, 2020	March 31, 2019	March 31, 2020	March 31, 2019
<b>Basic earnings per share</b>				
Profit after tax (Rupees in 000's)	135,994	108,281	44,291	38,608
Weighted average number of shares (No. of shares in 000's)	<u>128,284</u>	<u>128,284</u>	<u>128,284</u>	<u>128,284</u>
Earnings per share (Rupees)	<u>1.06</u>	<u>0.84</u>	<u>0.35</u>	<u>0.30</u>

### 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 March 31, 2020 and March 31, 2019 which would have any effect on the earnings per share.

## 27 MOVEMENT IN WORKING CAPITAL

(Increase) / decrease in current assets:

- Stores and spares

- Trade and other receivables

- Advances and prepayments

Increase / (decrease) in current liabilities:

- Trade and other payables

	March 31, 2020 <u>Un-Audited</u>	June 30, 2019 <u>Un-Audited</u>
.....(Rupees in '000s).....		
	(1,231)	114
	(169)	14,436
	(353)	(427)
	(1,753)	14,123
	<u>(11,848)</u>	<u>(22,916)</u>
	<u>(13,600)</u>	<u>(8,794)</u>

## 28 TRANSACTIONS WITH RELATED PARTIES

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 period are as under:



Name of Related Parties	Relationship and percentage shareholding	Transactions during the period	March 31,	March 31,
			2020	2019
			(Rupees in '000s)	
<b>Transactions with Associated Undertakings</b>				
National Clearing Company of Pakistan Limited	23.53%	Rental income	-	1,612
		Annual fee	250	250
		Security deposit against investment in NCCPL under marginal trading system	-	250
		MTS Income	41,431	32,095
		Other charges	-	2,889
		Provision of facilities	1,540	1,391
		Reimbursement of facilities	1,872	1,322
Central Depository Company of Pakistan Limited	10%	Provision of facilities	7,440	2,181
		Reimbursement of facilities	7,787	3,161
		Dividend received	18,375	15,913
Pakistan Credit Rating Agency Limited	36%	Dividend received	13,415	13,415
<b>Transactions with key management personnel</b>				
Chief Executive		Managerial remuneration	2,320	1,881
		Company's contribution to the provident fund trust	211	171
		Housing and utilities	1,055	855
		Others	258	200
<b>Transactions with others</b>				
Lahore Stock Exchange Limited - Employees' Provident Fund Trust	Trust	Contribution for the period	875	714
MCF Trust Fund	Associate	Fund management fee	211	328
IPF Trust Fund	Associate	Fund management fee	618	983
TCF Trust Fund	Associate	Fund management fee	996	1,555
Directors	Non-Executive	Dividend paid to directors	1	0.10
		Dividend paid to directors' company	2,700	1,688
		Meeting Fees	5,000	2,450
		Travelling	103	-

## 29 CORRESPONDING FIGURES

In order to comply with the requirements of International Accounting Standard 34 - 'Interim Financial Reporting', corresponding figures in the condensed interim statement of financial position comprise of balances as per the audited annual financial statements of the Company for year ended June 30, 2019 and the corresponding figures in the condensed interim statement of profit or loss and other comprehensive income, condensed interim statement of cash flows and condensed interim statement of changes in equity comprise of balances of comparable period as per the condensed interim financial statements of the Company for the period ended March 31, 2020.

## 30 FINANCIAL RISK MANAGEMENT AND FINANCIAL INSTRUMENTS

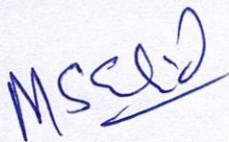
The Company's financial risk management objectives and policies are consistent with those disclosed in the Company's annual audited financial statements for the year ended June 30, 2019.

## 31 AUTHORIZATION FOR ISSUE

These condensed interim financial statements was authorized to issue on 23<sup>rd</sup> April 2020 by the Board of Directors of the Company.

## 32 GENERAL

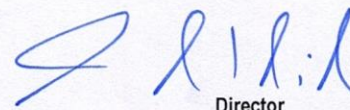
The figures in these condensed financial statements have been rounded off to the nearest thousand Rupee unless otherwise stated.



Chief Executive Officer



Chief Financial Officer



Director