Directors' Report

Dear Shareholders,

The Board of Directors is pleased to present its report along with the accounts of your Company for the period ended June 30, 2018:

Financial Highlights	**2018** **Rs. in '000'**	**2017 (Restated)** **Rs. in '000'**
Revenue	139,163	110,565
Gain on recognition of finance lease *	94,325	-
Fair value gain on revaluation of investment property *	163,078	174,683
Share of profit of Associates-net of tax	127,261	147,896
Total Revenue	**523,827**	**433,144**
Operating expenditures	(103,038)	(66,834)
Profit before Taxation	**420,789**	**366,310**
Taxation	(75,433)	(38,076)
Net Profit for the period-continued operation	**345,356**	328,234
Loss from discontinued operation	-	(539)
Earnings Per Share (EPS).	**Rs. 2.69**	Rs. 2.55

PERFORMANCE REVIEW

During the year ended June 30, 2018, LSEFSL earned revenue of Rs 523.827 million including gain on recognition of finance lease, fair value gain on revaluation of investment property and share of profit of Associates-net tax as compared to Rs. 433.143 million last year, i.e., an increase of 90.683 million or 21%. The revenue was generated 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. 103.038 million, i.e., an increase by Rs. 36.204 million or 54% from last year's comparative period. The substantial increase in other operating expense is due to share of depreciation of Rs. 19 million owned by the Company in South Tower. Furthermore, the finance cost also has impact on profitability of Rs. 8.30 million after handing over spaces to lessees of South Tower. The Company further accounted for provision of Rs. 6.04 million relating to supply of utilities. MTS, Legal & professional and security expenses are also showing increasing trend. The Company earned a profit before taxation of Rs. 420.789 million for the period under review, which is higher by Rs. 54.479 million or 14.9%, as compared to corresponding previous period. Furthermore, profit after tax is also higher by Rs. 17.66 million or 5.4% from last year and has reached Rs. 399.296 million, due to change in accounting policy and onetime activities of gain on recognition of finance lease i.e. Rs. 94.325 million and investment property Rs. 163.078 million. The total of gain relating to finance lease and investment property is Rs. 257.403 million.

Earnings per Share- (Basic & Diluted) for the period ended June 30, 2018 was recorded as Rs. 2.69 per share against Rs. 2.55 per share last year (Restated), which is up by Rs. 0.14 or 5.4%. Further, the net asset value of the share is Rs. 21.70/-

The directors in their meeting held on 01 November 2018 have proposed final cash dividend @ Rs. 0.50 per share (2017: Rs. 0.50 per share) for the period ended 30 June 2018.

During the period under review, associated companies (CDC, NCCPL and PACRA), announced dividend worth Rs. 73.811 million as compared to Rs. 32.593 million in last year. During the period, CDC declared bonus shares @ 6.09% and paid cash dividend of Rs. 18.30 million to LSEFSL. NCCPL and PACRA paid Rs. 47.46 million and Rs. 8.049 million respectively, as dividend during the period.

The Company has increased financing limit up to Rs. 400 million in Margin Trading System (MTS) business with NCCPL. We expect to have higher yield in the coming months due to emerging higher interest rate regime. Further the management has been assigned, to pro-actively work on Enterprise Product Program. It has been advised to remain risk-averse and design it accordingly, under an allocated amount, for having batter yield and diversity. During the period, JCR-VIS Credit Rating Company Ltd. has assigned affirmed entity ratings of 'A/A-2' to LSEFSL. Outlook on the assigned ratings is 'Stable'.

* In accordance with the requirement of IAS-40, office spaces held to earn rentals and for capital appreciation is to be recognized as investment properties. However, the Company had accounted for such investment properties in its operational assets in the year 2015 and before. Now these investment properties have been presented as per the requirement of IAS -40.

* The office spaces in LSE Building were given on 99 years lease to ex-members of erstwhile LSE, which were presented as per IAS 16 Property, Plant and Equipment in year 2015 and before. Now as per the requirements of IAS - 17 'Leases' have been presented in these financial statements.

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

Chief Executive/Managing Director

Director

Categories of Shareholders as on 30th June, 2018

Categories of Shareholders	Number	Shares held	%age
Directors	6	303	0.0002
Executives	-	-	-
Associated Companies, Undertakings and Related Parties	-	-	-
NIT and ICP	-	-	-
Public Sector Companies and Corporations	-	-	-
Joint Stock Companies, Corporations and SMCs.	124	99,832,089	77.8210
Bank, Development Finance Institutions, Non-Banking Finance Institutions	3	2,531,925	1.9737
Insurance Companies	-	-	-
Modaraba	1	843,975	0.6579
Mutual Funds	-	-	-
Individuals	44	18,324,108	14.2840
Others	9	6,751,800	5.2632
General Public-Local	-	-	-
General Public-Foreign	-	-	-
Total:	**187**	**128,284,200**	**100.00**

Additional details:		
Category	Number of Shareholders	Number of Shares held
*Directors, Chief Executive Officer and their Spouse and minor Children		
RASHID RAHMAN MIR	1	1
INYAT ULLAH NIAZI	1	1
JAHANZEB MIRZA	1	1
AMMAR UL HAQ	1	100
ASIF BAIG MIRZA	1	100
OMAR KHALIL MALIK	1	100
Total:	6	303
**Banks, Development Financial Institutions, Non Banking Financial Institutions, Modarabas & Mutual Funds		
ALLIED BANK LTD	1	**843,975**
ORIX LEASING PAKISTAN LTD.	1	**843,975**
SME BANK LTD	1	**843,975**
FIRST PRUDENTIAL MODARABA	1	**843,975**
Total:	4	**3,375,900**

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

1. Mr. Rashid Rahman Mir, Chairman/Independent Director
2. Mr. Asif Baig Mirza, Elected Director
3. Mr. Ammar ul-Haq, Elected Director
4. Mr. Jahanzeb Mirza, Elected Director
5. Mr. Inayat Ullah Niazi, Independent Director
6. Mr. Omar Khalil Malik, Elected Director
7. Mr. Muhammad Sibghatullah Khalid, Chief Executive Officer/Managing Director joined during the year 2018
8. Mr. Farid Malik, outgoing Chief Executive Officer/Managing Director during the year 2018

Information about the pattern of holding of the shares in the form specified;

Pattern of Shareholding as on 30th June, 2018

No. of Shareholders	Shareholding Slab			Total Shares held	Percentage
10	1	to	100	594	0.0005
3	101	to	1,000	2,191	0.0017
7	1,001	to	10,000	26,430	0.02
2	10,001	to	50,000	67,900	0.05
3	50,001	to	100,000	200,695	0.16
2	100,001	to	200,000	380,000	0.30
4	200,001	to	300,000	865,073	0.67
8	300,001	to	400,000	2,662,875	2.08
1	400,001	to	500,000	421,988	0.33
5	500,001	to	600,000	2,539,515	1.98
1	600,001	to	700,000	675,180	0.53
2	700,001	to	800,000	1,580,735	1.23
137	800,001	to	900,000	115,623,074	90.13
-	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
187				**128,284,200**	**100.00**

KRESTON
HYDER BHIMJI & CO
CHARTERED ACCOUNTANTS

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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, 2018, 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, 2018 and of the profit, the other comprehensive loss, 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.

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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 Compnay'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.

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- 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.

Kreston Hyder Bhimji & Co.

LAHORE: 01 NOV 2018

KRESTON HYDER BHIMJI& CO.
CHARTERED ACCOUNTANTS

Other Offices at: Karachi - Faisalabad - Islamabad
Web site: www.krestonhb.com

LSE FINANCIAL SERVICES LIMITED

STATEMENT OF FINANCIAL POSITION AS ON JUNE 30, 2018

	Note	2018	Restated 2017	Restated 2016
		....................(Rupees in '000s)....................		
ASSETS				
NON-CURRENT ASSETS				
Property, plant and equipment	5	**1,287,409**	1,615,285	1,522,783
Investment property - at fair value	6	**383,805**	202,837	27,707
Intangible assets	7	**-**	145	456
Investment in associates	8	**786,638**	738,939	600,165
Net investment in finance lease	9	**3,986**	1,936	2,091
Long term deposits	10	**1,762**	1,762	2,105
		2,463,600	2,560,904	2,155,307
CURRENT ASSETS				
Stores and spares		**1,038**	668	1,956
Trade and other receivables	11	**32,868**	37,751	38,081
Advances and prepayments	12	**1,916**	13,560	15,926
Short term investments	13	**580,979**	475,367	486,800
Advance income tax	14	**34,933**	41,031	37,282
Cash and bank balances	15	**52,578**	56,945	86,851
		704,312	625,322	666,896
Assets from discontinued operations		**-**	-	3,256
		3,167,912	3,186,226	2,825,459
EQUITY AND LIABILITIES				
SHARE CAPITAL AND RESERVES				
Share capital				
Issued, subscribed and paid-up capital	16	**1,282,842**	1,282,842	1,282,842
Capital reserves				
Revaluation surplus on property, plant and equipment	17	**777,143**	778,621	753,615
Deficit on revaluation of investments		**(9,070)**	(9,047)	(8,454)
		768,073	769,574	745,161
Revenue reserves				
Unappropriated profit		**733,376**	456,294	193,683
		2,784,291	2,508,710	2,221,686
NON-CURRENT LIABILITIES				
Long term liabilities	18	**2,704**	264,636	204,875
Long term financing	19	**85,714**	200,000	200,000
Deferred taxation	20	**102,576**	63,097	43,418
		190,994	527,733	448,293
CURRENT LIABILITIES				
Trade and other payables	21	**131,823**	106,835	112,341
Unpaid dividend	22	**27,972**	23,215	18,405
Current portion of long term financing	19	**14,286**	-	-
		174,081	130,050	130,746
Liabilities from discontinued operations	31	**18,546**	19,733	24,734
CONTINGENCIES AND COMMITMENTS	23			
		3,167,912	3,186,226	2,825,459

The annexed notes 1 to 41 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, 2018

	Note	2018	Restated 2017
		(Rupees in '000s)	
CONTINUING OPERATIONS			
REVENUE			
Income from margin trading system	24	**21,767**	7,770
Rental income	25	**52,790**	50,615
Other income	26	**64,606**	52,180
Gain on recognition of finance lease	27	**94,325**	-
		233,488	110,565
Fair value gain on revaluation of investment property	6	**163,078**	174,683
OPERATING EXPENSES			
Administrative and general expenses	28	**(94,685)**	(66,710)
OPERATING PROFIT		**301,881**	218,538
Finance cost		**(8,353)**	(124)
Share of profit of associates - net of tax	8	**127,261**	147,896
PROFIT BEFORE TAXATION		**420,789**	366,310
Taxation	30	**(75,433)**	(38,076)
PROFIT AFTER TAXATION		**345,356**	328,234
DISCONTINUED OPERATIONS			
Loss after taxation from discontinued operations	31	-	(539)
PROFIT FOR THE YEAR		**345,356**	327,695
Profit for the year arises from:			
Continuing Operations		**345,356**	328,234
Discontinued Operations		-	(539)
		345,356	327,695
EARNINGS PER SHARE OF RS. 10 EACH - basic and diluted	32	**2.69**	2.55

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The annexed notes 1 to 41 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, 2018

	Note	2018	Restated 2017
		(Rupees in '000s)	
PROFIT FOR THE YEAR		345,356	327,695
Other comprehensive income / (loss)			
Items that are or may be subsequently reclassified to statement of profit or loss:			
Share of the comprehensive loss from associates in respect of revaluation on available-for-sale investments	8	(23)	(593)
Items that will never be reclassified to statement of profit or loss:			
Actuarial loss on employees' gratuity fund - associates		(5,727)	(2,417)
Surplus on revaluation of property, plant and equipment net of deferred tax - associate (impact of correction of error note - 4.26)		-	26,481
TOTAL COMPREHENSIVE INCOME FOR THE YEAR		339,606	351,166
Total comprehensive income for the year arises from :			
Continuing Operations		339,606	351,705
Discontinued Operations		-	(539)
		339,606	351,166

The annexed notes 1 to 41 form an integral part of these financial statements.

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Managing Director

Chief Financial Officer

Director

LSE FINANCIAL SERVICES LIMITED

STATEMENT OF CHANGES IN EQUITY FOR THE YEAR ENDED JUNE 30, 2018

	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 July 01, 2016 - previously reported	1,282,842	-	(8,454)	212,855	1,487,243
Impact of changes in accounting policy- net of tax (note - 4.25)	-	776,324	-	-	776,324
Impact of correction of errors (note - 4.26)	-	(22,709)	-	(19,172)	(41,881)
Balance as at June 30, 2016 - restated	**1,282,842**	**753,615**	**(8,454)**	**193,683**	**2,221,686**
Profit for the year	-	-	-	327,695	327,695
Other comprehensive income / (loss) - net of tax	-	26,481	(593)	(2,417)	23,471
Total comprehensive income for the year	-	26,481	(593)	325,278	351,166
Transferred to unappropriated profit on account of incremental depreciation - net of tax	-	(1,475)	-	1,475	-
Transaction with owners:					
Cash dividend paid (Rs.0.50 per share) for the year ended June 30, 2016	-	-	-	(64,142)	(64,142)
Balance as at June 30, 2017 - restated	1,282,842	778,621	(9,047)	456,294	2,508,710
Balance as at July 01, 2017 - previously reported	1,282,842	-	(11,464)	301,058	1,572,436
Impact of changes in accounting policies - net of tax (note - 4.25)	-	773,364	-	-	773,364
Impact of correction of errors (note - 4.26)	-	5,257	2,417	155,236	162,910
Balance as at June 30, 2017 - restated	**1,282,842**	**778,621**	**(9,047)**	**456,294**	**2,508,710**
Profit for the year	-	-	-	345,356	345,356
Other comprehensive loss - net of tax	-	-	(23)	(5,727)	(5,750)
Total comprehensive income for the period		-	(23)	339,629	339,606
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	**1,282,842**	**777,143**	**(9,070)**	**733,376**	**2,784,291**

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The annexed notes 1 to 41 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, 2018

	Note	2018	Restated 2017
		(Rupees in '000s)	
Cash flows from operating activities			
Profit before tax		420,789	366,310
Adjustments for non - cash and other items:			
Depreciation		24,887	9,990
Amortization of intangible assets		145	311
Share of profit of associates		(127,261)	(147,896)
Return on investments		(39,617)	(35,014)
Finance income on net investment in finance lease		(24)	(13)
Lease rentals		(52,790)	(50,989)
Fair value gain on revaluation of investment property		(163,078)	(174,683)
Gain on disposal of property, plant and equipment		(373)	(62)
Loss on recognition of finance lease		(94,325)	-
Employees welfare fund		124	195
Provision against earned leaves		365	-
Reversal of provision for leave fare assistance		(840)	750
Provision against doubtful trade and other receivables		6,049	-
Finance cost		8,353	124
Loss before working capital changes		(438,385)	(397,287)
Movement in working capital	33	39,943	(12,950)
		22,347	(43,927)
(Payments) / receipts in respect of:			
Movement in ex - members and tenants' deposits - net		172,049	119,777
Retention money		(5,121)	(1,620)
		166,928	118,157
Net cash generated from operations		189,275	74,230
Employees welfare fund		(124)	(195)
Earned leaves paid		(365)	-
Leave fare assistance		(840)	(529)
Finance cost paid		(13,301)	(13,558)
Income tax paid		(29,739)	(22,687)
Net cash generated from operating activities		144,906	37,261
Cash flows from investing activities			
Fixed capital expenditure incurred		(914)	(88,488)
Proceed from disposal of property, plant and equipment		1,012	2,875
Net investment in finance lease		144	155
Short term investment matured during the year		89,526	202,303
Short term investment made during the year		(195,139)	(190,870)
Profit received on saving bank accounts and term deposits		41,671	33,596
Dividend received		73,811	32,593
Net cash used in investing activities		10,112	(7,836)
Cash flows from financing activities			
Dividend paid		(59,385)	(59,331)
Repayment of long term financing		(100,000)	-
Net cash used in financing activities		(159,385)	(59,331)
Net decrease in cash and cash equivalents		(4,367)	(29,906)
Cash and cash equivalents at the beginning of the year		56,945	86,851
Cash and cash equivalents at the end of the year	15	52,578	56,945

The annexed notes 1 to 41 form an integral part of these financial statements.

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

1 CORPORATE AND GENERAL INFORMATION

1.1 Legal status and operations

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.

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.

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

The JCVRIS has reaffirmed long term and short term Credit Ratings of the Company as "A" and "A2" respectively with stable outlook on 31-08-2017.

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) from during the year. (Refer to note - 13)
- Repayment of long term finance to MCB Bank Limited. (Refer to note - 19)
- During the year company leased out office spaces in South Tower. (Refer to note - 27)
- The accounting policy for surplus on revaluation of property, plant and equipment changed during the year. Consequently, some of the amounts reported in the prior years have been restated. (Refer to note - 4.25)
- The company make correction in respect of derecognition of office spaces given on 99 years lease, recognition of investment property as well as recognition of gain on revaluation of property, plant and equipment of an associated company. (Refer to note - 4.26)
- Due to the first time application of disclosure and presentation requirements of the Companies Act 2017, some of the amounts reported for the previous period have been reclassified. (Refer to note - 3.1 and 41)

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.

15.7.8.21

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
- Provision for 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 AND LOCAL LAWS

3.1 Amendments to local laws and directives which are effective during the year ended June 30, 2018

The Third and Fifth Schedules to the Companies Act, 2017 became applicable to the Company for the first time for the preparation of these financial statements. The Companies Act, 2017 (including its Third and Fifth Schedule) forms an integral part of the statutory financial reporting framework applicable to the Company and amongst others, prescribes the nature and content of disclosures in relation to various elements of the financial statements. Additional disclosures include but are not limited to, changes in treatment and presentation of surplus on revaluation of property, plant & equipment (refer note 17), change in threshold for identification of executives (refer note 35), additional disclosure requirements for related parties (refer note 34) and management assessment of sufficiency of tax provision in the financial statements (refer note 30), etc.

3.2 Amendments that are effective in current year and adopted by the company

The company has adopted the amendments to the following approved accounting standards as applicable in Pakistan which became effective during the year :

		Effective date (annual periods beginning on or after)
IAS 7	Statement of Cash Flows - Amendments resulting from the disclosure initiative	January 01, 2017
IAS 12	Income Taxes - Amendments regarding the recognition of deferred tax assets for unrealized losses	January 01, 2017

Other than the amendments to standards mentioned above, there are certain annual improvements made to IFRS that became effective during the year:

Annual Improvements to IFRSs (2014 – 2016) Cycle:

IFRS 12	Disclosure of Interests in Other Entities	January 01, 2017

3.3 Amendments not yet effective

The following amendments with respect to the approved accounting standards as applicable in Pakistan would be effective from the dates mentioned below against the respective standard:

IFRS 2	Share-based Payment - Amendments to clarify the classification and measurement of share-based payment transactions	January 01, 2018
IFRS 4	Insurance Contracts - Amendments regarding the interaction of IFRS 4 and IFRS 9	January 01, 2018
IFRS 7	Financial Instruments : Disclosures - Additional hedge accounting disclosures (and consequential amendments) resulting from the introduction of the hedge accounting chapter in IFRS 9	Applies when IFRS 9 is applied

15-7-B2

IFRS 9	Financial Instruments - Reissue to incorporate a hedge accounting chapter and permit the early application of the requirements for presenting in other comprehensive income the 'own credit' gains or losses on financial liabilities designated under the fair value option without early applying the other requirements of IFRS 9.	January 01, 2018
IFRS 9	Financial Instruments - Finalized version, incorporating requirements for classification and measurement, impairment, general hedge accounting and derecognition.	January 01, 2018
IFRS 9	Financial Instruments - Amendments regarding prepayment features with negative compensation and modifications of	January 01, 2019
IFRS 10	Consolidated Financial Statements - Amendments regarding the sale or contribution of assets between an investor and its associate or joint venture	Deferred indefinitely
IAS 19	Employee benefits - Amendments regarding plan amendments, curtailments or settlements	January 01, 2019
IAS 28	Investments in Associates and Joint Ventures - Amendments regarding the sale or contribution of assets between an investor and its associate or joint venture	Deferred indefinitely
IAS 28	Investments in Associates and Joint Ventures - Amendments regarding long-term interests in associates and joint ventures	January 01, 2019
IAS 39	Financial Instruments: Recognition and Measurements-Amendments to permit an entity to elect to continue to apply the hedge accounting requirements in IAS 39 for a fair value hedge of the interest rate exposure of a portion of a portfolio of financial assets or financial liabilities when IFRS 9 is applied, and to extend the fair value option to certain contracts that meet the 'own use' scope exception	Applies when IFRS 9 is applied
IAS 40	Investment Property - Amendments to clarify transfers or property to, or from, investment property	January 01, 2018

The Annual Improvements to IFRSs that are effective from the dates mentioned below against respective standards:

Annual Improvements to IFRSs (2014 – 2016) Cycle:

IFRS 1	First-time Adoption of International Financial Reporting Standards	January 01, 2018
IAS 28	Investments in Associates and Joint Ventures	January 01, 2018

Annual Improvements to IFRSs (2015 – 2017) Cycle:

IFRS 3	Business Combinations	January 01, 2019
IFRS 11	Joint Arrangements	January 01, 2019
IAS 12	Income Taxes	January 01, 2019
IAS 23	Borrowing Costs	January 01, 2019

3.4 Standards or interpretations not yet effective

The following new standards have been issued by the International Accounting Standards Board (IASB), which have been adopted locally by the Securities and Exchange Commission of Pakistan effective from the dates mentioned below against the respective standard:

IFRS 9	Financial Instruments	July 01, 2018
IFRS 15	Revenue from Contracts with Customers	July 01, 2018
IFRS 16	Leases	January 1, 2019

The following new standards and interpretations have been issued by the International Accounting Standards Board (IASB), which have not been adopted locally by the Securities and Exchange Commission of Pakistan (SECP):

IFRS 1	First Time Adoption of International Financial Reporting Standards
IFRS 14	Regulatory Deferral Accounts
IFRS 17	Insurance Contracts

The effects of IFRS 15 - Revenues from Contracts with Customers and IFRS 9 - Financial Instruments are still being assessed, as these new standards may have a significant effect on the company's future financial statements.

The company expects that the adoption of the other amendments and interpretations of the standards will not have any material impact and therefore will not affect the company's financial statements in the period of initial application.

4 SIGNIFICANT ACCOUNTING POLICIES

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

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4.1 **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.

Current

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

Deferred

- Deferred tax is accounted for using the balance sheet liability method in respect of all temporary differences arising from differences between the carrying amount of assets and liabilities in the financial statements and the corresponding tax bases used in the computation of the taxable profit.
- Deferred tax liabilities are generally recognized for all taxable temporary differences and deferred tax assets are recognized to the extent that it is probable that taxable profits will be available against which deductible temporary differences, unused tax losses and tax credits can be utilized.
- Deferred tax is calculated at the rates that are expected to apply to the period when the differences reverse based on tax rates that have been enacted or substantively enacted by the reporting date.

Judgment and estimates

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.

4.2 **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.

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During the year the Company changed its accounting policy in respect of the accounting and presentation of revaluation surplus on property, plant and equipment. Previously, the Company's accounting policy was in accordance with those provisions repealed Companies Ordinance 1984. Those provisions and resultant previous policy of the company was not in alignment with the accounting treatment and presentation of revaluation surplus as prescribed in the IFRSs. However, the Companies Act 2017 has not specified any accounting treatment for revaluation surplus, accordingly the Company has changed the accounting policy and is now following the IFRSs prescribed accounting treatment and presentation of revaluation surplus. The detailed information and impact of this change in policy is provided in note - 4.26 below.

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.

4.3 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

4.4 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.

4.5 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 at the rates specified in note 6 to the financial statements. 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.

4.6 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.

4.7 Financial instruments

Financial assets and financial liabilities are recognized when the Company becomes a party to the contractual provisions of the instrument.

Financial assets are de-recognized when the Company loses control of the contractual rights that comprise the financial asset.

Financial liabilities are de-recognized when they are extinguished, that is, when the obligation specified in the contract is discharged, cancelled or expired.

Any gain or loss on derecognition of financial assets and financial liabilities is included in the statement of profit or loss for the year.

Financial instruments carried on the statement of financial position includes short term investments, long term deposits, trade and other receivables, cash and bank balances, borrowings, trade and other payables and accrued mark-up. The particular measurement methods adopted are disclosed in the individual policy statements associated with each item.

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

Derivative financial instruments are initially recognized at fair value; any directly attributable transaction costs are recognized in statement of profit or loss as incurred. Subsequent to initial recognition, derivatives are measured at fair value, any changes therein are generally recognized in statement of profit or loss.

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4.8 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.

4.9 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.

4.10 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.

4.11 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.

4.12 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.

4.13 Borrowings

All borrowings are recorded at the proceeds received. 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

4.14 Trade and other payables

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

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

4.15 Borrowing costs

Mark-up, interest and other charges on borrowings are capitalized up to the date of commissioning of the related property, plant 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.

4.16 Non-current assets held for sale / discontinued operations

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

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

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4.17 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.

4.18 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.

.19 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.

Investment in associates

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.

.20 Revenue recognition

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

- Rental income from assets classified as investment property / operating lease is recognized on an accrual basis.
- 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.
- Room maintenance fee and funds & operations management fee are recognized on accrual basis while other fees are recognized when received.
- Income from investment in Margin Trading System (MTS) is recognized on an accrual basis.
- Income from investments and bank accounts is recognized on an accrual basis.
- Dividend income is recognized when the Company's right to receive payment is established.
- For revenue arising from the rendering of services relating to software sales (provided that all of the criteria mentioned above are met) revenue is recognized by reference to the stage of completion of the transaction at the statement of financial position date.

4.21 Dividend

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

4.22 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.

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4.23 **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.

4.24 **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.

4.25 **Change in accounting policy of revaluation surplus on property, plant and equipment**

On July 01, 2017 the Company changed its accounting policy for the revaluation surplus on property, plant and equipment, in accordance with requirements of the accounting and reporting standards as applicable in Pakistan under the Companies Act, 2017. Previously, the Company's accounting policy for surplus on revaluation of property, plant and equipment was in accordance with the provisions of section 235 of the repealed Companies Ordinance, 1984. Further, the revaluation surplus on property, plant and equipment was shown as a separate item below equity, in accordance with the presentation requirement of the repealed Companies Ordinance, 1984.

The Companies Act, 2017 has not retained the above mentioned specific accounting and presentation requirements of revaluation surplus on property, plant and equipment. Consequently, this impacted the Company's accounting policy for revaluation surplus on property, plant and equipment, and now the related accounting and presentation requirements set out in IAS - 16. The new accounting policy is explained under note 4.2, above. Further, the revaluation surplus on property, plant and equipment is now presented in the statement of financial position and statement of changes in equity as a capital reserve i.e. part of equity.

In these financial statements the above explained change in accounting policy has been accounted for retrospectively, with the restatement of the comparative information.

The effect of the change is recognition and presentation of Rs. 773.364 million as at June 30, 2017 (2016: Rs. 776.324 million) for revaluation surplus on property, plant and equipment as a capital reserve i.e. separate component of equity and derecognition of surplus on revaluation of property, plant and equipment of Rs. 773.364 million (2016: Rs. 776.324 million), previously presented below equity in the statement of financial position.

Statement of financial position

Retrospective Impact of change in accounting policy

	As at July 01, 2016			As at June 30, 2017		
	As previously reported on June 30, 2016	Adjustments increase / (decrease)	As restated on July 01, 2016	As previously reported on June 30, 2017	Adjustments increase / (decrease)	As restated on June 30, 2017
	.... (Rupees in '000s)			.... (Rupees in '000s)		
Surplus on revaluation of property plant and equipment (within the equity)	-	776,324	776,324	-	773,364	773,364
Surplus on revaluation of property plant and equipment (below equity)	776,324	(776,324)	-	773,364	(773,364)	-

There is no impact of the above restatement on the statement of profit or loss and statement of comprehensive income.

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4.26 Correction of prior period errors

During year the company corrected the following fundamental errors in the financial statements:

(a) In accordance with the requirement of IAS-40, office spaces held to earn rentals and for capital appreciation is to be recognized as investment properties. However, the Company had accounted for such investment properties in its operational assets in the year 2015 and before. Now these investment properties have been presented as per the requirement of IAS -40.

(b) The office spaces in LSE Building were given on 99 years lease to ex-members, which were presented as per IAS - 16, Property, plant and equipment in the year 2015 and before, now has been presented as per the requirements of IAS - 17 'Leases' in these financial statements.

(c) The share in other comprehensive income of CDCPL with respect to gain on revaluation of property, plant and equipment was not in line in 2017 as per requirements of IAS - 28 'Investment in associates and joint ventures'.

Since, these are material errors, 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:

A Statement of financial position

	As at July 01, 2016	Adjustments			As at July 01, 2017	Adjustments				
	As previously reported on June 30, 2016	Relating to investment property	Relating to recognition of finance lease	As restated on July 01, 2016	As previously reported on June 30, 2017	Surplus on revaluation of property and equipment net of deferred tax - associate	Deferred tax relating to finance lease	Relating to Investment property	Relating to recognition of finance lease	As restated on July 01, 2017
	(Rupees in '000s)									
Retained earnings	(212,855)	(15,852)	35,024	(193,683)	(301,058)	2,417	627	(16,673)	(141,607)	(456,294)
Deficit on revaluation of investments - associates	-	-	-	-	11,464	(2,417)	-	-	-	9,047
Revaluation surplus on property, plant and equipment - net of tax	(776,324)	11,339	11,370	(753,615)	(773,364)	(26,481)	-	10,951	10,273	(778,621)
Investment property	-	27,707	-	27,707	-	-	-	28,154	174,683	202,837
Building on freehold land - cost	131,987	(27,707)	(78,369)	25,911	134,116	-	-	(28,154)	(78,369)	27,593
Building on freehold land - accumulated depreciation	(2,780)	584	1,651	(545)	(9,329)	-	-	1,959	5,539	(1,831)
Deferred taxation	(58,460)	3,929	11,113	(43,418)	(76,876)	-	(627)	3,763	10,643	(63,097)
Long term lease money	(17,120)	-	17,120	-	(16,902)		-		16,902	-
FV gain on investment property	-	-	-	-	-			-		-
Receivables against assets subject to finance lease	-	-	2,091	2,091	-	-	-	-	1,936	1,936
Investment in associates	-	-	-	-	712,458	26,481	-	-	-	738,939
		-	-			-	-	-	-	

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B Statement of profit or loss for the year ended June 30, 2017

		As previously reported	Profit (Increase)/ Decrease	(Restated)
		.... (Rupees	in '000s)	....
Depreciation		15,254	(5,261)	9,993
Fair value gain on remeasurement of investment property		-	(174,683)	(174,683)
Reversal of lease income		(218)	218	-
Rental income - ex-members		(168)	168	-
Finance income on net investment in finance lease		-	(13)	(13)
Taxation		37,354	722	38,076
Profit for the year		(149,386)	(178,849)	(328,235)
Earning per share of Rs. 10 each - basic and diluted	*(Rupees)*	(1.17)	(1.39)	(2.56)

C Statement of comprehensive income for the year ended June 30, 2017

	As previously reported	Profit (Increase)/ Decrease	(Restated)
	.... (Rupees	in '000s)	....
Actuarial loss on employees' gratuity fund - associates	-	(2,417)	(2,417)
Share of the comprehensive loss from associates in respect of revaluation on available-for-sale investments	(3,011)	2,417	(594)
Surplus on revaluation of property, plant and equipment net of deferred tax - associates	-	(26,481)	(26,481)
	(3,011)	(26,481)	(29,492)

5 Property, plant and equipment

		2018	*Restated* 2017
		(Rupees	in '000s)
Property, plant and equipment	5.1	1,275,978	1,134,493
Capital work-in-progress	5.2	11,431	480,792
		1,287,409	1,615,285

Freehold land and building have been carried at revalued amounts determined by professional valuers (level 2 measurement under IFRS-13 'Fair Value Measurements'). The valuation is conducted by an independent valuer Unit -3 Consultants. who is approved by Pakistan Banks' Association (PBA) in any amount category. Fresh valuation exercises were carried out as on December 30, 2015 (Previous was done on June 21, 2012). The valuation experts used a market based approach to arrive at the fair value of the Company's properties. The basis used for revaluation were as follows:

Freehold land

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

Building 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.

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5.1 OPERATING FIXED ASSETS - TANGIBLE

	COST / REVALUED AMOUNT					ACCUMULATED DEPRECIATION					Book Value
	Balance as at 01-07-2017	Additions	Deletions	Transfer from CWIP	Balance as at 30-06-2018	Rate	Balance as at 01-07-2017	For the Year	Deletions	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	101,658	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	73,413
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)	-	33,961	10%	9,641	2,495	(706)	11,430	22,531
Arms and security equipments	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	1,259,879	2,229	(19,507)	164,781	1,407,382		125,386	24,887	(18,869)	131,404	1,275,978

	COST / REVALUED AMOUNT					ACCUMULATED DEPRECIATION					Book Value
	Balance as at 01-07-2016	Additions	Deletions	Transfer from CWIP	Balance as at 30-06-2017	Rate	Balance as at 01-07-2015	For the Year	Deletions	Balance as at 30-06-2017	as at 30-06-2017
Owned Assets											
Land freehold	1,058,590	-	-	-	1,058,590	-	-	-	-	-	1,058,590
Building on freehold land	25,911	-	-	1,682	27,593	5%	545	1,285	-	1,830	25,763
Computer and accessories	66,471	15	-	-	66,486	30%	60,616	1,779	-	62,395	4,091
Furniture and fixture	14,105	-	(171)	-	13,934	10%	6,575	752	(153)	7,174	6,760
Office equipment	7,385	63	(133)	-	7,315	20%	6,190	240	(55)	6,375	940
Electric fittings and appliances	32,815	124	-	-	32,939	20%	20,204	2,522	-	22,726	10,213
Vehicles	2,076	2,141	-	-	4,217	20%	1,559	459	-	2,018	2,199
Elevator	5,168	-	-	-	5,168	20%	4,880	58	-	4,938	230
Generator	34,750	-	-	-	34,750	10%	6,815	2,826	-	9,641	25,109
Arms and security equipments	2,873	-	-	-	2,873	10%	2,216	66	-	2,282	591
Library books	318	-	-	-	318	25%	307	3	-	310	8
Leasehold improvements	5,697	-	-	-	5,697	20%	5,697	-	-	5,697	-
Rupees in '000s - 2017	1,256,158	2,343	(304)	1,682	1,259,879		115,604	9,990	(208)	125,386	1,134,493

15.978

5.1.1 **Detail of disposals of property, plant and equipment**

Asset	Cost	Carrying amount	Sale price	Particulars of the purchaser	Mode of disposal	Relationship with the purchaser
	..............(Rupees in '000s).........					
Computer and accessories	16,301	105	453	Abdul Jabaar	Auction	Third party
Furniture and fixture	37	6	14	Raheel Ahmad	Auction	Third party
Electric fittings and appliances	1,731	100	318	Raheel Ahmad, Muhammad Gulzaar, Rana Mukhtar, Muhammad Jamshaid	Auction	Third party
Generator	1,097	390	206	Mukhtar Ahmad	Auction	Third party
Arms and security equipments	342	36	19	Raheel Ahmad	Auction	Third party
2018	19,508	637	1010			
2017	-	-	-			

5.1.2 Had the revaluation of these assets not been made, the carrying value of these assets as at June 30, 2018 would have been as under:

	2018	2017
	(Rupees in '000s)	
Free hold land	3,586	3,586
Building on free hold land	12,445	13,100
	16,031	16,686

5.1.3 Forced sale value and assessed value of these fixed assets as at the date of revaluation (i.e. December 30, 2015) was as under:

	Forced sale value	Assessed sale vale
Freehold land	846,872	1,058,590
Building on freehold land	20,655	25,819
	867,527	1,084,409

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	456,461	22,862	(164,781)	(17,890)	(286,748)	9,905
Advances for capital expenditure - buildings	2,071	2,271	(2,816)	-	-	1,526
2018	458,532	25,133	(167,597)	(17,890)	(286,748)	11,431
2017	382,229	158,249	(59,686)	-	-	480,792

Borrowing cost amounting to Rs. 1.373 million (2017: Rs. 14.547 million) has been capitalized during the year as a part of cost of building. Borrowing cost capitalized related to borrowings specifically obtained for this purpose is mentioned in note - 19.

	Note	2018	Restated 2017
		(Rupees in '000s)	
INVESTMENT PROPERTY - at fair value			
Carrying amount as at July 01,		202,837	27,707
Addition: Subsequent expenditure		-	447
Transferred from CWIP during the year		17,890	-
Fair value gain on revaluation		163,078	174,683
Carrying amount as at June 30,	6.1	383,805	202,837

6.1 This represents office spaces in North and South Towers held to earn rentals and for capital appreciation. The carrying value of the investment property is the fair value of the investment property based on the valuation carried by approved independent suitably qualified valuer Messrs Unicorn International Surveyors as on 05 September, 2018. Fair value was determined having regard to current market prices for comparable real estate, adjusted for any differences in nature, location and condition.

6.2 Forced sale value of the investment property is assessed at Rs. 326.234 million (2017: Rs. 172.411 million) at the reporting date.

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	Note	2018	2017
		(Rupees in '000s)	

7 INTANGIBLE ASSETS

	Note	2018	2017
Cost	7.1	18,139	18,139
Less: Accumulated amortization		17,994	17,683
Carrying amount as at July 01,		145	456
Amortization charge for the year		(145)	(311)
Carrying amount as at June 30,		-	145
Amortization rate per annum		33%	33%

7.1 This represents computer software and licenses, and relate to the IT department purchased in year 2014. These are fully amortized during the year and are still in use at the terminal date.

7.2 Amortization for the year is charged to 'administrative and general expenses' in the statement of profit or loss.

	Note	2018	Restated 2017
		(Rupees in '000s)	

8 INVESTMENT IN ASSOCIATES - *under equity method of accounting*

	Note	2018	Restated 2017
The Pakistan Credit Rating Agency Limited (PACRA)		66,643	50,297
Central Depository Company of Pakistan Limited (CDC)		412,927	367,306
National Clearing Company of Pakistan Limited (NCCPL)		307,068	321,336
Pakistan Mercantile Exchange Limited (PMEX)	8.3	-	-
	8.1	786,638	738,939

8.1 Reconciliation of changes in carrying value of investment in associates

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
Gain / (deficit) on revaluation of associates' available for sale investments	-	(23)	-	-	(23)
Actuarial loss on employees' gratuity fund	-	(2,954)	(2,772)	-	(5,727)
Dividend received during the year	(8,049)	(18,300)	(47,462)	-	(73,811)
Closing balance	66,643	412,927	307,068	-	786,638
Shareholding in %age	36%	10%	24%	7%	

2017

	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	46,408	283,535	270,222	-	600,165
Share of profit for the year	11,847	60,872	75,177	-	147,896
Gain / (deficit) on revaluation of associates' available for sale investments	91	(492)	(192)	-	(593)
Actuarial loss on employees' gratuity fund	-	(1,090)	(1,327)	-	(2,417)
Dividend received during the year	(8,049)	(2,000)	(22,544)	-	(32,593)
Surplus on revaluation of property and equipment of associated company (impact of correction of error note - 4.26)	-	26,481	-	-	26,481
Closing balance	50,297	367,306	321,336	-	738,939
Shareholding in %age	36%	10%	24%	7%	

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

8.3 The investments stand at nil value in PMEX because the accumulated share of loss of it exceeds the cost of investment. The company has not recognized profit for the current period amounting to Rs. 3.004 million (2017: loss of Rs. 1.057 million). While, the accumulated losses not recognized are Rs. 27.057 million as at June 30, 2018 (2017: Rs. 30.061 million). The share of profit will be recognized only after its share of profits exceeds the share of losses not recognized.

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

8.5 The company has the following shareholding structure in associates:

	2018		2017	
	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)	10,608,998	10%	10,000,000	10%
National Clearing Company of Pakistan Limited (NCCPL)	11,865,231	24%	11,865,231	24%
Pakistan Mercantile Exchange Limited (PMEX)	2,272,727	7%	2,272,727	7%

8.6 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.

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

	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**

	2017			
	Assets	Liabilities	Revenue	Profit / (loss)
	........................(Rupees	in '000s)........................		
The Pakistan Credit Rating Agency Limited (PACRA)	220,399	29,383	145,143	26,573
Central Depository Company of Pakistan Limited (CDC)	4,458,182	786,660	1,842,514	608,715
National Clearing Company of Pakistan Limited (NCCPL)	23,034,007	21,673,569	934,960	319,496
Pakistan Mercantile Exchange Limited (PMEX)	2,020,394	2,099,222	202,931	(14,574)

8.8 The balances of investment in associates have been presented based upon initialled accounts of CDC and NCCPL, whereas, PCRA and PMEX which has been presented based upon management accounts as at June 30, 2018. Any change in the audited financial statements of these companies will affect balance of these investment according to percentage of shareholding.

	Note	2018	Restated 2017
		(Rupees	in '000s)
9 NET INVESTMENT IN FINANCE LEASE			
Opening balance		1,936	2,091
Add: New lease during the year		2,194	-
Less: Rental received during the year		(144)	(155)
	9.1	3,986	1,936
Present value of minimum lease payments are as follow:			
Not later than one year		296	144
Later than one year but not later than five years		1,181	575
Later than five years		2,509	1,217
		3,986	1,936
Add: Finance income allocated to future periods		25,483	10,316
		29,469	12,252
Minimum lease payments are as follow:			
Not later than one year		343	168
Later than one year but not later than five years		1,717	839
Later than five years		27,409	11,245
		29,469	12,252

9.1 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	2018	Restated 2017
10 LONG TERM DEPOSITS	10.1	1,762	1,762

10.1 These represents security deposits given to companies against provision of utilities and services amounting to Rs. 1.224 million (2017 : Rs. 1.224 million), security deposits against trading floors in Sialkot amounting to Rs. 0.288 million (2017: Rs. 0288 million) and security deposit for MTS trading amounting to Rs. 0.250 million (2017: 0.250 million).

	Note	2018	Restated 2017
11 TRADE AND OTHER RECIEVABLES - considered good			
Trade receivables	11.1	5,640	10,680
Other receivables			
From related parties - secured	11.2	16,068	14,642
Accrued mark-up		3,509	5,563
Others	11.3	7,651	6,866
		32,868	37,751

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		Note	2018	2017
			(Rupees in '000s)	
11.1	**Trade receivables from ex - members**			
	Considered good		5,640	10,680
	Considered doubtful		9,099	3,050
	Less: Provision against doubtful receivables	11.1.1	(9,099)	(3,050)
			5,640	10,680
11.1.1	Movement for the year			
	Opening balance		3,050	3,050
	Provision for the year		6,049	-
	Closing balance		9,099	3,050

11.1.2 **Age analysis of other receivables from ex - members:**

Description	Not past due	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)...						
Trade receivables	-	459	597	1,081	1,195	2,308	5,640

		Note	2018	2017
			(Rupees in '000s)	
11.2	**Other receivables from related parties:**			
	MCF Trust Fund		157	1,479
	IPF Trust Fund		503	4,889
	TCF Trust Fund		761	7,499
	National Clearing Company of Pakistan Limited		14,362	490
	Central Depository Company of Pakistan Limited		156	156
	Pakistan Mercantile Exchange Limited		130	130
			16,068	14,642

11.2.1 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. 0.459 million, Rs. 0.542 million and Rs. 0.780 million respectively at the end of a month.

11.2.2 **Age analysis of other receivables from related parties:**

Name of related parties	Not past due	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	-	157	-	-	-	-	157
IPF Trust Fund	-	503	-	-	-	-	503
TCF Trust Fund	-	761	-	-	-	-	761
National Cleaming Company of Pakistan Limited	-	13,872	-	-	-	490	14,362
Central Depository Company of Pakistan Limited	-	-	-	-	-	156	156
Pakistan Mercantile Exchange Limited	-	-	-	-	-	130	130
	-	15,293	-	-	-	776	16,068

		Note	2018	2017
			(Rupees in '000s)	
11.3	Others:			
	-Considered good		7,651	6,866
	-Considered doubtful		818	818
			8,469	7,684
	Less: provision against doubtful receivables		818	818
			7,651	6,866
12	**ADVANCES AND PREPAYMENTS**			
	Considered good			
	Advances to employees - secured		422	504
	Prepaid expenses		1,303	11,310
	Due from others		191	1,746
			1,916	13,560
13	**SHORT TERM INVESTMENTS - held to maturity**			
	Investment in MTS	13.1	386,009	190,870
	Government treasury bills	13.2	165,651	234,497
	Term deposit receipts	13.3	29,319	50,000
			580,979	475,367

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13.1 These carry mark-up up to KIBOR + 8.50% p.a. (2017: KIBOR + 8%).

13.2 These carry mark-up @ 6.70% p.a. (2017: @ 6.01% 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.

13.3 These represent investments in local currency TDRs and are due to mature within next 11 months. These carry mark-up @ 6% p.a. (2017: @ 6%).

14 TAX REFUND DUE FROM GOVERNMENT

	Note	2018	2017
		(Rupees in '000s)	
Wealth tax paid:			
- under protest	14.1	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 during the year		63,974	53,267
Provision of income tax for the year		(35,837)	(19,032)
		34,933	41,031

14.1 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.

15 CASH AND BANK BALANCES

	Note	2018	2017
Cash in hand		100	100
Cash at banks on :			
-Current accounts		155	154
-Saving accounts	15.1	52,323	56,691
	15.2	52,478	56,845
		52,578	56,945

15.1 These carry mark-up @ 4.25% to 5.35% p.a. (2017: @ 3.75% to 5.35% p.a.).

15.2 This amount includes Rs. 15 million deposit with Bank Al-Habib Limited, as lien marked against long term financing as per terms of loan agreement.

16 SHARE CAPITAL

Authorized share capital

Authorized share capital comprises of 200,000,000 (2017: 200,000,000) Ordinary shares of Rs. 10 each.

Issued, subscribed and paid up capital

2018	2017		Note	2018	2017
(Number of shares)					
128,284,200	128,284,200	Ordinary shares of Rs. 10/- each issued for consideration other than cash	16.1	1,282,842	1,282,842

16.1 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.

16.2 No associated undertaking holds any share in the Company.

17 SURPLUS ON REVALUATION OF PROPERTY, PLANT AND EQUIPMENT

	Note	2018	*Restated* 2017
		(Rupees in '000s)	
The surplus revaluation is restated and now presented as a separate capital reserve in the financial statements:			
Gross			
Balance as at July 01, - previously reported		782,140	795,040
Impact of correction of errors (note - 4.26)		-	(37,751)
Balance as at July 01, - restated		782,140	757,289
Surplus on revaluation of property and equipment net of deferred tax - associate (impact of correction of error note - 4.26)		-	26,481
Incremental depreciation for the year		(1,779)	(1,630)
		780,361	782,140

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	Note	2018	Restated 2017
		(Rupees in '000s)	
Deferred tax attributed to			
Balance as at July 01, - previously reported		(3,519)	(18,716)
Impact of correction of errors (note - 4.26)		-	15,042
Balance as at July 01, - restated		(3,519)	(3,674)
Tax rate change adjustment		117	-
Incremental depreciation for the year		184	155
Balance as at June 30, - restated		(3,218)	(3,519)
Balance as at June 30, - previously reported		-	(17,925)
Impact of correction of errors (note - 4.26)		-	14,406
Balance as at June 30, - restated		-	(3,519)
Balance as at June 30, - restated		777,143	778,621

17.1 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.

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

18 LONG TERM LIABILITIES

	Note	2018	2017
Deposits against building rooms	18.1	-	255,656
Security deposits		955	2,110
Retention money		1,749	6,870
		2,704	264,636

18.1 This represents the amount of advance payments and instalments received from such parties with whom the Company has entered into lease agreement for 99 years of various rooms and floors of the building on commercial terms.

19 LONG TERM FINNACING

	Note	2018	2017
Loan from a commercial bank	19.1	100,000	200,000
Less: Current portion shown under current liabilities		(14,286)	-
		85,714	200,000

19.1 The Company obtained the loan from the commercial banks amounting to Rs. 100 million (2017: 200 million) for construction of South Tower.

Lender	Amount of loan outstanding (Rupees in '000s)	Rate of Interest / Mark-up	Number of Instalments for principal repayments	Interest/ Mark-up payable
Bank Al-Habib Limited	100,000	6 monthly KIBOR + 0.5%	14 equal instalments starting from December, 2018	Semi annually

19.2 A facility of Rs. 100 million (2017: 100 million) has been obtained secured against liquid security in shape of lien over Treasury Bills amounting to Rs. 120 million (2017: 120 million) held with Bank Al-Habib Limited and lien over bank balance amounting to Rs. 15 million (2017: Rs. 30 million). The repayment of loan shall start from December 2018.

19.3 Company repaid a loan facility amounting to Rs. 100 million taken from MCB Bank Limited along with accrued interest during the year.

	Note	2018	Restated 2017
		(Rupees in '000s)	
20 DEFERRED TAXATION	20.1	102,576	63,097

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:

20.1 Analysis of change in deferred tax:

	Accelerated tax depreciation	Accelerated tax amortization	Investments in associated companies	Net investment in finance lease	Long term employee benefits	Provision for doubtful debts and receivables	Tax credits	Surplus on revaluation of property, plant and equipment	Total
	(Rupees in '000s)								
Balance as at July 01, 2017 - previously reported	12,371	(465)	62,843	-	(327)	(2,310)	(13,162)	17,925	76,876
Impact of correction of errors (note - 4.26)	-	-	-	627	-	-	-	(14,406)	(13,779)
Balance as at July 01, 2017 - restated	12,371	(465)	62,843	627	(327)	(2,310)	(13,162)	3,519	63,097
Charge (credit) to profit or loss for the year	2,891	465	23,696	535	243	(881)	13,162	-	40,111
Realization of deferred tax on revaluation surplus	-	-	-	-	-	-	-	(184)	(184)
Rate change adjustment to revaluation surplus	-	-	-	-	-	-	-	(117)	(117)
Rate change adjustment to profit or loss for the year	(412)	-	-	(6)	11	77	-	-	(331)
June 30, 2018	14,850	-	86,539	1,156	(73)	(3,113)	-	3,218	102,576

20.2 The total deferred tax asset for unused tax credits as on terminal date are nil (2017: Rs. 13,162). These tax credits were expired during the year.

20.3 A change in the corporation income tax rate from 30 % to 29% was enacted through Finance Act, 2018, effective from the same date. Deferred tax assets and liabilities on temporary differences are measured at 29%.

21 TRADE AND OTHER PAYABLES

	Note	2018	2017
		(Rupees in '000s)	
Trade creditors		15,283	10,997
Accrued liabilities		10,188	9,180
Accrued mark-up		3,327	6,902
Due to members		2,440	2,601
Advance rent received from tenants	21.1	20,921	15,206
Defaulted members' membership sale proceeds	21.2	77,596	51,120
Advances received from members and companies		2,068	2,092
Retention money		-	8,737
		131,823	106,835

21.1 Advance rent received from tenants include advance received from National Clearing Company of Pakistan Limited (NCCPL) and Central Depository Company of Pakistan Limited (CDC), associated undertakings, amounting to Rs. 0.786 million and Rs. 0.312 million (2017: Rs. 0.786 million and Rs. 0.312) respectively against the offices rented out to these companies.

21.2 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.

22 UNPAID DIVIDEND

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

23 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 these of. 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, 2018 were Rs. 67.00 million (2017: Rs. 91.177 million).

	2018	2017
	(Rupees in '000s)	
24 REVENUE	21,767	7,770

24.1 This represents income earned on investment made in Margin Trading System (MTS) of National Clearing Company of Pakistan Limited (NCCPL).

25 RENTAL INCOME

	Note	2018	Restated 2017
Tenants		49,870	47,789
Associated undertakings	25.1	2,920	2,826
Ex - members		-	386
Reversal of rental income (impact of restatement note - 4.26)		-	(386)
		52,790	50,615

25.1 During the year the Company earned rental income from Central Depository Company of Pakistan Limited and National Clearing Company of Pakistan Limited amounting to Rs. 0.537 million and 2.92 million (2017: Rs. 0.924 million and Rs. 2.165 million) respectively.

26 OTHER INCOME

	Note	2018	2017
Income from financial assets			
Short term investments			
Profit on saving bank accounts		1,437	5,966
Term deposits receipts		1,441	7,540
Treasury bills		14,972	13,738
		17,850	27,244
Finance income on net investment in finance lease (impact of restatement note - 4.26)		24	13
		17,874	27,257
Income from non - financial assets			
Fund management fee	26.1	19,420	3,267
Room maintenance fee		17,597	10,948
Gain on disposal of property, plant and equipment		373	62
Software revenue		4,369	1,208
Miscellaneous		4,973	9,438
		46,732	24,923
		64,606	52,180

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26.1 This represents fund management & operational fee charged to Members' Contribution Fund, Investors Protection Fund and TREC Holders' Contribution fund trust for the year ended June 30, 2018. Fund management & operational fee is calculated at the rate of 2.00% (2017: 1.5% to 2%) on closing net assets of the fund as per management accounts.

	Note	2018	2017
		(Rupees in '000s)	
27 GAIN ON RECOGNITION OF FINANCE LEASE	27.1	94,325	-

27.1 This gain is related to spaces in South Tower given on 99 years leases through lease agreements and consequently Company booked a gain of Rs. 94.325 million over related construction cost of Rs. 286.748 million.

28 ADMINISTRATIVE AND GENERAL EXPENSES

	Note	2018	2017
Salaries and benefits	28.1	24,375	25,167
Information technology related expenses		1,827	988
Insurance		1,244	1,189
Travelling and conveyance		1,656	1,292
Printing and stationery		484	444
Utilities		5,869	4,577
Communication and public relations		1,683	1,806
Repair and maintenance		7,952	7,524
Legal and professional charges		1,594	174
Consultancy charges		1,259	1,707
MTS charges		2,921	987
Fee and subscription		685	618
Rent, rates and taxes		1,256	1,257
Security expenses		6,834	5,195
Marketing and advertisement		91	131
Auditors' remuneration	28.2	433	433
Board meetings fee expenses		3,045	2,265
Provision against doubtful trade and other receivables	11.1.1	6,049	-
Others		396	653
Depreciation	5.1	24,887	9,990
Amortization	7	145	311
		94,685	66,710

28.1 Salaries and benefits include Rs. 0.926 million (2017: Rs. 0.965 million) in respect of contribution to provident fund - a related party.

28.2 Auditors' remuneration

	2018	2017
Audit services		
Annual audit fee	263	250
Half yearly review fee	78	75
Out of pocket expenses	34	92
	375	417
Non - audit services		
Certifications for regulatory purposes	58	-
	433	417

29 FINANCE COST

	2018	2017
Mark-up on long term financing	8,269	-
Bank charges	84	124
	8,353	124

30 TAXATION

	Note	2018	Restated 2017
		(Rupees in '000s)	
Current	30.1	35,837	19,032
Deferred	20.1	39,596	19,044
		75,433	38,076

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

30.2 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:

	2017	2016	2015
	...............(Rupees in '000s).........		
As per tax assessment	18,101	24,779	33,958
As per accounts	18,938	24,668	31,967

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	Note	2018	2017
		(Rupees in '000s)	

31 DISCONTINUED OPERATIONS

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

31.1 Loss after taxation from discontinued operations for the year

	2018	2017
Loss on disposal of fixed assets	-	(539)
Loss before tax	-	(539)
Taxation	-	-
Loss after taxation	-	(539)

31.2 Liabilities of discontinued operations of stock exchange are as follows:

	2018	2017
Liabilities of discontinued operations of stock exchange	18,546	19,733

32 EARNINGS PER SHARE

Basic earnings / (loss) per share

		2018	Restated 2017
Profit after tax from continuing operations attributable to ordinary shareholders	*(Rupees in thousand)*	345,356	328,234
Loss after tax from discontinued operations attributable to ordinary shareholders	*(Rupees in thousand)*	-	(539)
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)*	2.69	2.56
Loss per share from discontinued operations	*(Rupees)*	-	(0.0042)
	(Rupees)	2.69	2.55

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, 2018 and June 30, 2017 which would have any effect on the earnings per share.

33 MOVEMENT IN WORKING CAPITAL

	2018	2017
(Increase) / decrease in current assets:		
- Stores and spares	(373)	1,286
- Trade and other receivables	3,220	9,247
- Advances and prepayments	11,644	(4,394)
	14,491	6,139
Increase / (decrease) in current liabilities:		
- Trade and other payables	25,452	(19,089)
	39,943	(12,950)

34 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 the related party	Relationship and percentage shareholding	Transactions during the year and year end balances	2018	2017
			(Rupees in '000s)	
National Clearing Company of Pakistan Limited	23.53%	Dividend received	47,461	22,544
		Rent received	1,649	5,778
		Deposits received	20,808	-
		Security deposits given	250	250
		Advance against exposure for trading	-	9,500
		Annual fee	250	250
		MTS income	21,767	7,770
		MTS documentation charges	-	5
		Provision of facilities	745	792
		Trading charges	2,457	675
		Other charges	213	57
Central Depository Company of Pakistan Limited	10%	Dividend received	18,300	2,000
		Deposits received	93,105	-
		Provision of facilities	1,758	390
Pakistan Credit Rating Agency Limited	36%	Dividend received	8,049	8,049
Board of Directors (nonexecutive)		Board meeting fee	3045	2,265
Staff retirement benefit plan - Provident Fund Trust	Trust	Contribution to Provident Fund Trust	926	965
MCF Trust Fund	Associate	Fund management fee	157	1,479
IPF Trust Fund	Associate	Fund management fee	503	4,889
TCF Trust Fund	Associate	Fund management fee	761	7,499

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35 REMUNERATION OF CHIEF EXECUTIVE, DIRECTORS AND EXECUTIVES

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

	2018	2017
	(Rupees in '000s)	
Managerial remuneration	2,128	2,616
Company's contribution to the Provident fund	193	238
Bonus	-	-
Housing and utilities	1,590	1,629
	3,911	4,483
Number	1	1

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

36 **Financial risk management**

36.1 **Financial risk factors**

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

Risk management is carried out by the Board of Directors (the Board). The Board provides principles for overall risk management, as well as policies covering specific areas such as foreign exchange risk, interest rate risk, credit risk and investment of excess liquidity. All treasury related transactions are carried out within the parameters of these policies.

(a) Market risk

i) Currency risk

Currency risk is the risk that the fair value or future cash flows of a financial instrument will fluctuate because of changes in foreign exchange rates. Currency risk arises mainly from future commercial transactions or receivables and payables that exist due to transactions in foreign currencies.

ii) Interest rate risk

Interest rate risk represents the risk that the fair value or future cash flows of a financial instrument will fluctuate because of changes in market interest rates.

The Company has no significant long-term interest-bearing assets and the Company's interest rate risk arises from short term investments. Investments obtained at variable rates expose the Company to cash flow interest rate risk.

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

	Note	2018	2017
		(Rupees '000)	
Financial assets			
Fixed rate instruments			
Bank balances - saving accounts		52,323	56,691
Short term investments		580,979	475,367
		633,302	532,058
Financial liabilities			
Floating rate instruments			
Long term finances		100,000	200,000

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

Cash flow sensitivity analysis for variable rate instruments

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

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

	Note	2018	2017
		(Rupees in '000s)	
Variable interest rate financial liabilities			
Increase of 100 basis points		1,000	2,000
Decrease of 100 basis points		(1,000)	(2,000)

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

(b) Credit risk

Credit risk represents the risk that one party to a financial instrument will cause a financial loss for the other party by failing to discharge an obligation. Company's credit risk is primarily attributable to its trade receivables and its balances at banks. The carrying amount of financial assets represents the maximum credit exposure. The maximum exposure to credit risk at the reporting date was as follows:

	Note	2018	*Restated* 2017
		(Rupees '000)	
Net investment in finance lease	9	3,986	1,936
Long term deposits	10	1,762	1,762
Trade and other receivables	11	32,868	37,751
Short term investments	13	580,979	475,367
Bank balances	15	52,478	56,845
		672,073	573,661

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

Banks	Rating Short term	Rating Long term	Rating agency	2018	2017
				(Rupees '000)	
MCB Bank Limited	A1+	AAA	PACRA	5,860	8,297
Bank Al Falah Limited	A1+	AA+	PACRA	1,400	2,372
Bank Al Habib Limited	A1+	AA+	PACRA	25,495	42,716
United Bank Limited	A-1+	AAA	JCR-VIS	5	-
Habib Bank Limited	A-1+	AAA	JCR-VIS	19,640	3,404
National Bank of Pakistan	A1+	AAA	PACRA	42	42
Summit Bank Limited	A-1	A-	JCR-VIS	36	14
				52,478	56,845

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

(c) Liquidity Risk

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

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 substantially all obligations / commitments of the Company are short term in nature and are restricted to the extent of available liquidity.

The following are the contractual maturities of financial liabilities as at June 30, 2018 including the discontinued operations:

	Carrying amount	Less than one year	More than one year but less than five years	More than five years
		(Rupees '000)		
Long term security deposits and retention money	8,980	8,980	-	-
Long term finance	100,000	14,286	71,429	14,286
Trade and other payables	131,823	131,823	-	-
Unpaid dividend	27,972	27,972	-	-
Liabilities from discontinued operations	18,546	18,546	-	-
	287,321	201,607	71,429	14,286

The following are the contractual maturities of financial liabilities as at June 30, 2017 including the discontinued operations:

	Carrying amount	Less than one year	More than one year but less than five years	More than five years
		(Rupees in '000)		
Long term security deposits and retention money	2,704	2,704	-	-
Long term finance	200,000	3,571	142,858	53,571
Trade and other payables	106,835	106,835	-	-
Unpaid dividend	23,215	23,215	-	-
Liabilities from discontinued operations	19,733	19,733	-	-
2017 - Restated	309,539	156,058	142,858	53,571

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36.2 Fair value of financial instruments:

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 without any intention or requirement to curtail materially the scale of its operations or to undertake a transaction on adverse terms.

IFRS 13, 'Fair Value Measurements' requires the Company to classify fair value measurements using a fair value hierarchy that reflects the significance of the inputs used in making the measurements.

The fair value hierarchy has the following levels:

i Quoted prices (unadjusted) in active markets for identical assets or liabilities that the entity can access at the measurement date (level 1).
ii Inputs other than quoted prices included within Level 1 that are observable for the asset or liability, either directly or indirectly (level 2).
iii Inputs for the asset or liability that are not based on observable market date(unobservable inputs) (level 3).

The Company has not disclosed the fair values of the financial assets and financial liabilities disclosed in Note 36.1 as these are for short term or reprice over short term. Therefore, their carrying amounts are reasonable approximation of fair value.

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.

36.3 Capital Risk Management

The Company's objectives when managing capital are to safeguard the Company's ability to continue as a going concern in order to provide returns for shareholders and benefits for other stakeholders and to maintain an optimal capital structure to reduce the cost of capital. In order to maintain or adjust the capital structure, the Company may adjust the amount of dividends paid to shareholders, return capital to shareholders through repurchase of shares, issue new shares or sell assets to reduce debt. Consistent with others in the industry and the requirements of the lenders, the Company monitors the capital structure on the basis of gearing ratio.

This ratio is calculated as debt divided by total capital. Debt is calculated as total borrowings including current and non-current borrowings, as disclosed in notes. Total capital is calculated as 'equity' shown in the statement of financial position plus debt. The gearing ratio decreased due to reclassification of revaluation surplus on property, plant and equipment to equity as well as repayment of long term finance during the year. The gearing ratio as at year ended June 30, 2018 and June 30, 2017

		Note	2018	Restated 2017
			(Rupees '000)	
Debt		19	100,000	200,000
Total equity			2,784,291	2,508,710
Total capital			2,884,291	2,708,710
Gearing ratio	Percentage		3%	7%

36.4 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

- 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

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37 NUMBER OF EMPLOYEES

	2018	2017
Total employees of the Company at the year end	42	38
Average employees of the Company during the year	40	38

	Note	2018	2017
		(Rupees '000)	
38 PROVIDENT FUND TRUST - related party			
Size of fund		6,659	5,587
Cost of investments made		4,929	4,000
Percentage of investments		74%	72%
Fair value of investments		4,929	4,000
Breakup of investment			
Government Treasury Bills		4,929	4,000
Bank balance		882	818

The figures for 2018 and 2017are 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.

39 EVENT AFTER THE END OF REPORTING DATE

On 01-NOV-18 the Board of Directors of the Company voted to declare a dividend of Rs. 0.50/- per share (2017: 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, 2018.

40 AUTHORIZATION FOR ISSUE

These financial statements have been authorized for issue by the Board of Directors of the Company in its meeting held on 01-NOV-2018

41 CORRESPONDING FIGURES

The fifth schedule to the Companies Act, 2017 has introduced certain presentation and classification requirements for the elements of financial statements. The preparation and presentation of these financial statements for the year ended June 30, 2018 is in accordance with requirements in Companies Act, 2017. Accordingly, the corresponding figures have been rearranged and reclassified, wherever considered necessary, to comply with the requirements of Companies Act, 2017. Following major reclassifications have been made during the year:

Description	Reclassified from	Reclassified to	2017	2016
			(Rupees '000)	
Unpaid dividend	Trade and other payables	Unpaid Dividend (presented on face of statement of financial position)	23,215	18,405
Other recievables	Other recievables	Trade and other recievables	12,428	23,489
Short term deposits	Short term deposits (presented on face of statement of financial position)	Advances, deposits and prepayments	11,310	3,935
Accrued liabilities	Trade and other payables	Accrued liabilities	9,180	32,639
Capital work in progress - civil work	Capital work in progress	Recievables from contractors	22,260	-
Due from associated companies	Advances, deposits and prepayments	Trade and other recievables	776	733
Due from members	Advances, deposits and prepayments	Trade and other recievables	10,680	12,851
Other income	Miscellaneous	Rooms maintenance fee	10,948	3,160
Other income	Miscellaneous	Gain on disposal of property, plant and equipment	62	435

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Managing Director

Chief Financial Officer

Director