

LSE FINANCIAL SERVICES LIMITED

FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 2020

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, 2020.

ECONOMIC OUTLOOK

After the initial negative impact of COVID-19 lockdown, the Government announced various relief packages and incentives to support the individuals, SMEs and other industries. A gradual recovery in Pakistan is expected in the fiscal year 2021 as the country's economy reopens.

FINANCIAL PERFORMANCE

Financial Highlights	2020 Rs. in '000'	2019 (Restated) Rs. in '000'
Revenue	175,848	184,268
Share of profit of Associates-net of tax	136,333	124,101
Total Revenue	312,181	308,369
Operating expenditures	110,312	107,975
Profit before Taxation	201,869	200,394
Taxation	(41,793)	(47,095)
Net Profit for the period	160,076	153,299
Earnings Per Share (EPS)	Rs. 1.25	Rs. 1.19

During the year ended June 30, 2020, LSE Financial Services Ltd. (LSEFSL) earned total revenue of Rs 312.181 million including share of profit of Associates-net tax as compared to Rs. 308.369 million last year, registered an increase of Rs. 3.812 million or 1.24 %. The revenue comprises on income from margin trading system, rent from investment property, profit from bank deposits and T-bills, share of profits from the associated companies and other income. The operating expenses and finance cost were Rs. 110.312 million, i.e., an increase by Rs. 2.337 million or 2.16% from last year's comparative period. Administrative expense includes provision of Rs. 4.999 million relating to supply of utilities and service maintenance charges. Expenses relating to Margin Trading System, Legal & professional, Utilities and property taxes are also showing minor movement as compared to the last year. The Company earned a profit before taxation of Rs. 201.869 million for the period under review, which is increased by Rs. 1.475 million or 0.74 %, as compared to corresponding previous period. Furthermore, profit after tax is also increased by Rs. 6.777 million or 4.42% from last year and has reached Rs. 160.076 million.

Earnings per Share- (Basic & Diluted) for the period ended June 30, 2020 was recorded as Rs. 1.25 per share against Rs. 1.19 per share last year, which is increased by Rs. 0.06 or 5 %. Further, the net asset value per share of LSEFSL is Rs. 23.23/-.

ASSOCIATED UNDERTAKINGS PERFORMANCE

During the period under review, associated companies, announced dividend worth Rs. 31.790 million as compared to Rs. 29.328 million in last year. During the period, CDC declared bonus shares @ 33.3333 % and paid cash dividend of Rs. 18.375 million to LSEFSL. PACRA declared Rs. 13.415 million dividends during the period. Whereas, NCCPL issued 5.932 million ordinary shares as bonus share in favor of LSEFSL.

EXTERNAL AUDITORS

M/s Kreston Hyder Bhimji & Co., Chartered Accountants, retiring auditors of the Company, being eligible, offer themselves for reappointment. The Board has recommended appointment of M/s Kreston Hyder Bhimji & Co., Chartered Accountants, as Auditors for the year ending June 30, 2021 at a mutually agreed fee.

INTERNAL FINANCIAL CONTROL

The Company has completely outsourced its internal audit function to M/s. BDO Ebrahim & Co., Chartered Accountants.

The Board has adequately ensured that the system of internal financial controls is sound in design and has been effectively implemented and monitored through outsourced Internal Auditors. The existing internal control system is adequate.

CREDIT RATING

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

PROPOSED FINAL CASH DIVIDEND

In view of profitable results of the Company, the directors have recommended a final cash dividend of Rs. 0.70 per share, i.e. 7%, for the year ended June 30, 2020, for the approval of the general body in the forthcoming AGM (2019: Rs. 0.80 per share, i.e., @ 8%). The amount of un-appropriated profit has been transferred to Company's Reserve account after accounting for the financial impact of final cash dividend.

The fully funded retirement benefit plan i.e. the provident fund of the employees is maintained by the trustees of the fund who get them audited on yearly basis. The trustees have informed the company that as per the audited financial statements 2020, the total assets of the fund is as follows:

Provident Fund Rs. 11.114 million (2019: Rs. 7.820 million)

CSR POLICY

The Company is committed to undertake Corporate Social Responsibility (CSR) activities. The objective of the CSR Policy approved by the Board is to lay down the guiding principles in undertaking various programs and projects by the Company relating to CSR. The corporate social responsibility commitments of LSEFSL shall focus on education, healthcare, environment, community development and disaster relief. LSEFSL endeavors to ensure that it qualifies as a responsible corporate citizen. For this purpose, the amount of profit generated from the unpaid dividend account maintained by the Company under the law shall be used by the Company for its corporate social responsibility initiatives.

