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 PERFORAMCE
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.

FUTURE OUTLOOK

Keeping in view and requirement of NBFC license and its regulations, the Company has prepared Business Plan and shall issue loans as financing against shares to the market participants. The credit department has been established and loan disbursement shall be started in the FY 2020-21.

In compliance with the section 227 of the Companies Act, 2017 the followings are hereby disclosed:

1. The names of directors of the Company are given hereunder:

1)	Mr. Rashid Rahman Mir	Chairman (Independent Director)
2)	Mr. Muhammad Sibghatullah Khalid	CEO/MD
3)	Mr. Ali Mehdi	(Independent Director)
4)	Mr. Ammar ul Haq	
5)	Mr. Asif Baig Mirza	
6)	Mr. Jahanzeb Mirza	
7)	Ms. Javaria Malik	(Independent Director)
8)	Mr. Khalid Waheed	
9)	Mr. Omar Khalil Malik	

2. The Company has been granted a license by SECP to carry out Investment Finance Services as NBFC. Apart from conducting financing business as a Financier in the Margin Trading System of NCCPL, the Company has established a Credit Department to start MSMEs financing.

3. The business of Investment Finance Service undertaken by the Company is exposed to several threats such as credit risk, liquidity risk, operational risk, market risk and regulatory risk etc. Risk management policies and procedures adopted by the Company enable it to proactively manage uncertainty and changes in the internal and external environment to limit negative impacts and capitalize on opportunities. The profitability of the Company is also influenced by the overall economic, geo-political condition of the Country, policies of the Government and the performance of the associated companies as well as the capital markets.

4. During the financial year, there has been no change in the nature of the business of the company or any other company in which the company has interest.

5. The information about the pattern of holding of the shares of the Company is attached hereto.

6. At present the Chief Executive/Managing Director is the only executive director of the Company and he is paid the salary and such other benefits as approved by the Board under the Articles and Association and as per HR Manual of the Company. No other director is being paid any extra remuneration by the Company, except the meeting fee for attending the Board and Committee meetings.

Chief Executive Officer **Director**

LSE Financial Services Ltd.

Pattern of Shareholding as on June 30, 2020

Number of Shareholders	Shareholdings	Total shares held
14	1 to 100	697
2	101 to 500	391
5	501 to 1,000	4,987
5	1,001 to 5,000	11,730
2	5,001 to 10,000	14,700
3	10,001 to 50,000	111,875
11	50,001 to 600,000	3,944,500
2	600,001 to 800,000	1,456,360
122	800,001 to 900,000	102,963,448
1	900,001 to 1,000,000	988,987
3	1,000,001 to 5,000,000	4,820,875
2	5,000,001 to 7,500,000	13,965,650
172		**128,284,200**

LSE Financial Services Ltd.

Categories of shareholders as on June 30, 2020

Categories of shareholders	Number of Shareholders	Shares held	%
Directors, Chief Executive Officer and their spouse and minor children:	6		
Mr. Asif Baig Mirza		100	0.000078
Mr. Ammar ul Haq		100	0.000078
Mr. Jahanzeb Mirza		1	0.000001
Mr. Khalid Waheed		1,000	0.000780
Mr. Omar Khalil Malik		100	0.000078
Mr. Rashid Rahman Mir		1	0.000001
Associated Companies, undertakings and related parties:	4		
ABM Securities (Pvt.) Ltd.		843,875	0.657817
Al-Haq Securities (Pvt.) Ltd.		843,875	0.657817
Networth Securities Ltd.		843,875	0.657817
S.D. Mirza Securities (Pvt.) Ltd.		843,975	0.657895
NIT & ICP	-	-	-
Banks Development Financial Institutions, Non Banking Financial Institutions:	2		
Allied Bank Ltd.		843,975	0.657895
SME Bank Ltd.		843,975	0.657895
Modaraba and Mutual Funds	1	843,975	0.657895
General Public:			
Local (Individuals)	48	23,267,798	18.137696
Foreign	-	-	
Others:			
Joint Stock Companies	108	95,130,675	74.156190
Gratuity Fund	1	1,687,950	1.315789
Superannuation Fund	1	1,444,975	1.126386
Escrow Account	1	843,975	0.657895
Total	**172**	**128,284,200**	**100**

Shareholders holding 10% or more: **Nil**

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, 2020, 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, 2020 and of the profit, the comprehensive income, the changes in equity and its cash flows for the year then ended.

Basis for Opinion

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

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

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

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

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

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.

KRESTON
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CHARTERED ACCOUNTANTS

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Auditors' Responsibilities for the Audit of the Financial Statements

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

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

- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Company's internal control.
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by management.
- Conclude on the appropriateness of management's use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Company's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Company to cease to continue as a going concern.
- Evaluate the overall presentation, structure and content of the financial statements, including the disclosures, and whether the financial statements represent the underlying transactions and events in a manner that achieves fair presentation.

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

Report on Other Legal and Regulatory Requirements:

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

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

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

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

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

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

LAHORE: OCTOBER 06, 2020

KRESTON HYDER BHIMJI& CO
CHARTERED ACCOUNTANTS

LSE FINANCIAL SERVICES LIMITED

STATEMENT OF FINANCIAL POSITION AS ON JUNE 30, 2020

	Note	June 30, 2020	Restated June 30, 2019	Restated July 01, 2018
		......(Rupees in '000s)......		
ASSETS				
NON-CURRENT ASSETS				
Property, plant and equipment	5	**1,268,499**	1,282,831	1,287,409
Investment property	6	**378,431**	383,805	383,805
Investments accounted for using the equity method	7	**996,289**	882,958	796,058
Net investment in finance lease	8	**4,282**	3,690	3,986
Financial assets	9	**52,300**	-	-
Long term deposits	10	**1,762**	1,762	1,762
		2,701,563	2,555,046	2,473,020
CURRENT ASSETS				
Inventory		**1,778**	924	1,038
Trade and other receivables	11	**22,417**	15,147	32,868
Advances and prepayments	12	**2,945**	2,343	1,916
Financial assets	9	**414,867**	440,110	580,979
Tax refunds due from Government - net	13	**35,908**	33,451	34,933
Cash and bank balances	14	**69,732**	106,814	52,578
		547,647	598,789	704,312
		3,249,210	3,153,835	3,177,332
EQUITY AND LIABILITIES				
SHARE CAPITAL AND RESERVES				
Share capital				
Issued, subscribed and paid-up share capital	15	**1,282,842**	1,282,842	1,282,842
Capital reserves				
Revaluation surplus on property, plant and equipment	16	**786,403**	779,597	777,143
Gain on available for sale investments		**4,964**	-	-
		791,367	779,597	777,143
Revenue reserves				
Retained earnings		**906,245**	846,813	763,958
Total equity		**2,980,454**	2,909,252	2,823,943
NON-CURRENT LIABILITIES				
Long term liabilities		-	-	2,704
Long term financing		-	-	85,714
Deferred tax	17	**121,760**	97,072	72,347
		121,760	97,072	160,765
CURRENT LIABILITIES				
Trade and other payables	18	**113,788**	116,417	150,367
Current portion of long term financing		-	-	14,286
Unpaid dividend	19	**26,476**	27,523	26,611
Unclaimed dividend	19	**6,732**	3,571	1,360
		146,996	147,511	192,624
CONTINGENCIES AND COMMITMENTS	20			
		3,249,210	3,153,835	3,177,332

The annexed notes 1 to 37 form an integral part of these financial statements.

Lahore

Chief Executive Officer

Chief Financial Officer

Director

LSE FINANCIAL SERVICES LIMITED

STATEMENT OF PROFIT OR LOSS FOR THE YEAR ENDED JUNE 30, 2020

	Note	June 30, 2020	Restated June 30, 2019
		............(Rupees	in '000s)............
REVENUE	21	137,442	138,091
OTHER INCOME	22	38,406	46,177
OPERATING EXPENSES			
Administrative and general expenses	23	(110,270)	(98,971)
OPERATING PROFIT		65,578	85,297
Finance cost	24	(42)	(9,004)
Share of profit of associates accounted for using the equity method - net of tax	7	136,333	124,101
PROFIT BEFORE TAXATION		201,869	200,394
Taxation	25	(41,793)	(47,095)
PROFIT AFTER TAXATION		160,076	153,299
EARNINGS PER SHARE OF RS. 10 EACH - basic and diluted	26	1.25	1.19

The annexed notes 1 to 37 form an integral part of these financial statements.

Lahore

Chief Executive Officer

Chief Financial Officer

Director

LSE FINANCIAL SERVICES LIMITED

STATEMENT OF COMPREHENSIVE INCOME FOR THE YEAR ENDED JUNE 30, 2020

	Note	June 30, 2020	Restated June 30, 2019
		(Rupees in '000s)	
PROFIT FOR THE YEAR		160,076	153,299
Other comprehensive income / (loss)			
Items that are or may be subsequently reclassified to statement of profit or loss:			
Unrealized gain on investments classified as available for sale		6,991	-
Impact of deferred tax		(2,027)	-
		4,964	-
Items that will never be reclassified to statement of profit or loss:			
Revaluation surplus on property, plant and equipment		-	5,234
Impact of deferred tax		-	(1,208)
Share of other comprehensive income of associate		301	-
Revaluation surplus on property, plant and equipment net of tax - associate		8,505	-
Actuarial loss on employees' retirement benefits net of tax- associates		(18)	(4,050)
		8,788	(24)
TOTAL COMPREHENSIVE INCOME FOR THE YEAR		173,829	153,275

153,274

The annexed notes 1 to 37 form an integral part of these financial statements.

Lahore

Chief Executive Officer

Chief Financial Officer

Director

LSE FINANCIAL SERVICES LIMITED

STATEMENT OF CHANGES IN EQUITY FOR THE YEAR ENDED JUNE 30, 2020

	SHARE CAPITAL	CAPITAL RESERVES			REVENUE RESER\	TOTAL EQUITY
	Issued, subscribed and paid up share capital - ordinary shares	Revaluation surplus on Property, Plant and Equipment - net of tax	Gain / loss) on available for sale Investments - net of tax	Total	Retained earnings	
	..........(Rupees in '000s)..........					
Balance as at June 30, 2018 - previously reported	1,282,842	777,143	(9,070)	768,073	765,020	2,815,935
Impact of correction of error (note - 4.22)	-	-	9,070	9,070	(1,062)	8,008
Balance as at July 01, 2018 - restated	1,282,842	777,143	-	777,143	763,958	2,823,943
Profit for the year - restated	-	-	-	-	153,299	153,299
Other comprehensive loss net of tax - restated	-	4,026	-	4,026	(4,050)	(24)
Total comprehensive income for the year - restated	-	4,026	-	4,026	149,249	153,275
Transferred to retained earnings on account of incremental depreciation - net of tax	-	(1,572)	-	(1,572)	1,572	-
Transaction with owners:						
Cash dividend paid (Rs. 0.50 per share) for the year ended June 30, 2018	-	-	-	-	(64,142)	(64,142)
Balance as at June 30, 2019	1,282,842	779,597	-	779,597	850,636	2,913,075
Balance as at June 30, 2019 - previously reported	1,282,842	779,597	(9,010)	770,587	858,141	2,911,571
Impact of correction of error (note - 4.22)	-	-	9,010	9,010	(11,328)	(2,318)
Balance as at July 01, 2019 - restated	1,282,842	779,597	-	779,597	846,813	2,909,253
Profit for the year	-	-	-	-	160,076	160,076
Other comprehensive income / (loss) - net of tax	-	8,505	4,964	13,469	283	13,752
Total comprehensive income for the year		8,505	4,964	13,469	160,360	173,829
Transferred to retained earnings on account of incremental depreciation - net of tax	-	(1,699)	-	(1,699)	1,699	-
Transaction with owners:						
Cash dividend paid (Rs. 0.80 per share) for the year ended June 30, 2019	-	-	-	-	(102,627)	(102,627)
Balance as at June 30, 2020	1,282,842	786,403	4,964	791,367	906,245	2,984,276

The annexed notes 1 to 37 form an integral part of these financial statements.

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Lahore

Chief Executive Officer

Chief Financial Officer

Director

LSE FINANCIAL SERVICES LIMITED

STATEMENT OF CASH FLOWS FOR THE YEAR ENDED JUNE 30, 2020

	Note	June 30, 2020	Restated June 30, 2019
		(Rupees in '000s)	
Cash flows from operating activities			
Profit before tax		201,869	200,394
Adjustments for non - cash and other items:			
Depreciation		23,715	26,112
Share of profit of associates		(136,333)	(124,101)
Return on investments		(20,505)	(19,530)
Finance income on net investment in finance lease		(935)	(48)
Lease rentals		(45,997)	(52,565)
Fair value loss on remeasurement of investment property		5,374	-
Gain on investment measured at fair value through profit or loss		-	(18,932)
(Loss) / gain on disposal of property, plant and equipment		18	(480)
Employees' welfare fund		225	175
Provision against earned leaves		577	486
Allowance for impairment against trade receivables		4,999	2,571
Finance cost		42	9,004
Loss before working capital changes		(168,820)	(177,308)
Movement in working capital	29	29,825	33,133
Cash generated from operations		62,874	56,220
Employees' welfare fund paid		(225)	(175)
Earned leaves paid		(551)	(260)
Finance cost paid		(42)	(12,331)
Income tax paid		(21,589)	(22,096)
Net cash generated from operating activities		40,467	21,358
Cash flows from investing activities			
Fixed capital expenditure incurred		(9,558)	(16,449)
Proceed from disposal of property, plant and equipment		157	630
Net investment in finance lease		343	344
Investments matured during the year		26,582	170,402
Investments made during the year		(46,649)	(10,601)
Profit received on saving bank accounts and term deposits		20,299	20,244
Dividend received		31,790	29,328
Net cash generated from investing activities		22,964	193,898
Cash flows from financing activities			
Dividend paid		(100,513)	(61,020)
Repayment of long term financing		-	(100,000)
Net cash used in financing activities		(100,513)	(161,020)
Net (decrease) / increase in cash and cash equivalents		(37,082)	54,236
Cash and cash equivalents at the beginning of the year		106,814	52,578
Cash and cash equivalents at the end of the year	14	69,732	106,814

The annexed notes 1 to 37 form an integral part of these financial statements.

Lahore

Chief Executive Officer

Chief Financial Officer

Director

LSE FINANCIAL SERVICES LIMITED
NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED JUNE 30, 2020

1 CORPORATE AND GENERAL INFORMATION

1.1 Legal status and operations

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

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

1.2 Discontinuing Operations

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

The JCR-VIS Credit Rating Company Limited has reaffirm long term and short term credit ratings of the Company as "A" and "A-1" respectively with stable outlook on November 05, 2019.

The Company has obtained sufficient insurance coverage against any losses that may be incurred as a result of employees' fraud or gross negligence.

These financial statements are of the individual entity i.e. LSE Financial Services Limited.

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, provisions of and directives issued under the Companies Act, 2017, the Non-Banking Finance Companies (Establishment and Regulation) Rules, 2003 and Non-Banking Finance Companies and Notified Entities Regulations, 2008 .

Where provisions of and directives issued under the Companies Act, 2017 differ from the IFRS Standards, the provisions of and directives issued under the Companies Act, 2017, the Non-Banking Finance Companies (Establishment and Regulation) Rules, 2003 and Non-Banking Finance Companies and Notified Entities Regulations, 2008 have been followed.

2.2 Basis of measurement

These financial statements have been prepared following accrual basis of accounting except for cash flow statement.
Inventory which is valued at lower of cost computed under FIFO basis or Net Realizable Value (NRV) in accordance with IAS 2;
Freehold land and building on freehold land which stands at revalued amount in accordance with IAS 16; and
Certain financial instruments which are carried at their fair value in accordance with IAS 39.

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:

o Useful lives, residual values and depreciation method of property, plant and equipment
o Determination of fair value of property, plant and equipment
o Fair value of investment property
o Useful lives, residual values and amortization method of intangible assets
o Fair value of equity shares
o Provision against doubtful trade and other receivables
o Impairment loss of non-financial assets other than stores and spares
o Estimation of provisions
o Estimation of contingent liabilities

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- o Current income tax expense, provision for current tax and recognition of deferred taxasset (for carried forward tax losses)
- o Classifications

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 AND AMENDED STANDARDS AND INTERPRETATIONS

3.1 Standards, interpretations and amendments to published approved accounting standards that are effective and relevant

IFRS 9 'Financial Instruments' (effective for annual periods beginning on or after 01 July 2018 but deferred by SECP till June 30, 2020 for NBFCs). IFRS 9 replaces the existing guidance in IAS 39 Financial Instruments: Recognition and Measurement. IFRS 9 includes revised guidance on the classification and measurement of financial instruments, a new expected credit loss model for calculating impairment on financial assets, and new general hedge accounting requirements. It also carries forward the guidance on recognition and derecognition of financial instruments from IAS 39. The Company is currently in the process of analysing the potential impact of changes required in classification and measurement of financial instruments and the impact of expected loss model on adoption of the standard.

3.2 Standards, interpretations and amendments to published approved accounting standards that are effective but not relevant.

The new standards, amendments and interpretations that are mandatory for accounting periods beginning on or after July 1, 2019 are considered not to be relevant for the Company's financial statements and hence have not been detailed here.

3.3 New accounting standards and amendments to standards not yet effective.

The following Standards, interpretations and amendments of published approved accounting standards that are effective for accounting periods, beginning on or after the date mentioned against each of them.

		Effective for the period beginning on or after
IAS-1	Presentation of Financial Statements & Accounting Policies, IAS 8 Changes in Accounting Estimates and Error - Amendments regarding the definition of "material"	January 01, 2020
IAS-1	Presentation of Financial Statements & Accounting Policies -Amendments regarding the classification of liabilities	January 01, 2023
IAS-16	Property, Plant and Equipment- Amendments prohibiting a company from deducting from the cost of property, plant and equipment amounts received from selling items produced while the company is preparing the asset for its intended use	January 01, 2022
IAS-37	Provisions, Contingent Liabilities and Contingent Assets-Amendments regarding the costs to include when assessing whether a contract is onerous	January 01, 2022
IAS-41	Agriculture-Amendments resulting from Annual Improvements to IFRS Standards 2018-2020 (taxation in fair value measurements)	January 01, 2020
IFRS-1	First-time Adoption of International Financial Reporting Standards- Amendments resulting from Annual Improvements to IFRS Standards 2018-2020 (subsidiary as a first-time adopter)	January 01, 2022
IFRS-3	Business Combinations - Amendments updating a reference to the Conceptual Framework	January 01, 2022
IFRS-3	Business Combinations - Investments in Associates and Joint Ventures amendments resulting from Annual Improvements 2014-2016 Cycle clarifying certain fair value measurements	January 01, 2020
IFRS-4	Insurance Contracts - Amendments regarding the expiry date of the deferral approach	January 01, 2023
IFRS-9	Financial Instruments - Amendments regarding pre-replacement issues in the context of the IBOR reform	January 01, 2020
IFRS-9	Financial Instruments -Amendments resulting from Annual Improvements to IFRS Standards 2018-2020 (fees in the '10 per cent' test for derecognition of financial liabilities)	January 01, 2022
IFRS-7	Financial Instruments: Disclosures - Amendments regarding pre-replacement issues in the context of the IBOR	January 01, 2020
IFRS-16	Leases -Amendment to provide lessees with an exemption from assessing whether a COVID-19-related rent concession is a lease modification	June 01, 2020
	Revised Conceptual	January 01, 2020

3.4 New Standards issued by IASB but not yet been notified / adopted by SECP

Following new standards issued by IASB but not yet effective:

		Effective for the period beginning on or after
IFRS - 1	First Time Adoption of IFRS	January 01, 2004
IFRS - 17	Insurance Contracts	January 01, 2021

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4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

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

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 years.

Deferred

- Deferred tax is accounted for using the balance sheet liability method in respect of all temporary differences arising from differences between the carrying amount of assets and liabilities in the financial statements and the corresponding tax bases used in the computation of the taxable profit.
- Deferred tax liabilities are generally recognized for all taxable temporary differences and deferred tax assets are recognized to the extent that it is probable that taxable profits will be available against which deductible temporary differences, unused tax losses and tax credits can be utilized.
- Deferred tax is calculated at the rates that are expected to apply to the period when the differences reverse based on tax rates that have been enacted or substantively enacted by the 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 free hold land and building on free hold land which are stated at revalued amount, being the fair value at the date of their revaluation, less any subsequent accumulated impairment losses and any subsequent accumulated depreciation and subsequent accumulated impairment losses respectively.

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 retained earnings.

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 statement of 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 retained earnings.

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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 leases".

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. Fair value gain / loss is included in other income.

Judgment and estimates

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

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. 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 Investments accounted for using the equity method

The Company's interest in equity-accounted investees represents interest in associates. Associates are those entities in which the Company has significant influence, but not control or joint control, over the financial and operating policies. Interests in associates are accounted for using the equity method. These are initially recognized at cost, which includes transaction costs. Subsequent to initial recognition, the financial statements include the Company's share of the profit or loss and OCI of equity-accounted investees, until the date on which significant influence ceases.

4.7 Inventory

Inventory represents usable stores and spares and are valued principally on First in First Out Basis (FIFO), while items considered obsolete are carried at nil value.

4.8 Trade and other receivables

Measurement

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

Impairment

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

Judgments and estimates

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

4.9 Financial instruments

The Company classifies non-derivative financial assets into the following categories: financial assets at FVTPL, held-to-maturity financial assets, loans and receivables and available-for-sale financial assets.

The Company classifies non-derivative financial liabilities into the following categories: financial liabilities at FVTPL and other financial liabilities.

Non-derivative financial assets and financial liabilities - recognition and derecognition

The Company initially recognises loans and receivables and debt securities issued on the date when they are originated. All other financial assets and financial liabilities are initially recognized on the trade date when the entity becomes a party to the contractual provisions of the instrument.

The Company derecognises a financial asset when the contractual rights to the cash flows from the assets expire, or it transfer the rights to receive the contractual cash flows in a transaction in which substantially all the risks and rewards of ownership of the financial asset are transferred, or it neither transfers nor retains substantially all of the risk and rewards of ownership and does not retain control over the transferred asset. Any interest in such derecognised financial assets that is created or retained by the Company is recognised as a separate asset or liability.

The Company derecognises a financial liabilities (or a portion thereof) when its contractual obligations are discharged, cancelled or expires.

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Financial assets and liabilities are offset and the net amount reported in the statement of financial position when, and only when, the Company currently has a legally enforceable right to offset the recognised amounts, and there is an intention to settle on a net basis or realise the asset and settle the liability simultaneously.

Non-derivative financial assets - measurement

Financial assets at FVTPL	A financial asset is classified as at FVTPL if it is classified as held-for-trading or it is designated as such on initial recognition. Directly attributable transaction costs are recognized in profit or loss as incurred. Financial asset is classified as at FVTPL are measured at fair value and changes therein, including any interest or dividend income, recognized in statement of profit or loss.
Held-to-maturity financial assets	These assets are initially measured at fair value plus any directly attributable transaction costs. Subsequent to initial recognition, they are measured at amortized cost using the effective interest method.
Loans and receivables	These assets are initially measured at fair value plus any directly attributable transaction costs. Subsequent to initial recognition, they are measured at amortized cost using the effective interest method.
Available-for-sale financial assets	These assets are initially measured at fair value plus any directly attributable transaction costs. Subsequent to initial recognition, they are measured at fair value and changes therein, other than impairment losses, interest income and foreign currency differences on debt instruments, are recognised in OCI and accumulated in fair value reserves. When the assets are derecognised, the gain or loss accumulated in equity is reclassified to statement of profit or loss.

Non-derivative financial liabilities - measurement

A financial liability is classified as at FVTPL if it is classified as held-for-trading or is designated as such on initial recognition. Directly attributable transaction costs are recognized in profit or loss as incurred. Financial liabilities at FVTPL are measured at fair value and changes therein, including any interest expense, are recognized in statement of profit or loss.

Other non-derivative financial liabilities are initially measured at fair value less any directly attributable transaction costs. Subsequent to initial recognition, these liabilities are measured at amortized cost using effective interest method.

4.10 Impairment

Non-derivative financial assets

Financial assets not classified as at FVTPL, including an interest in equity-accounted investee, are assessed at each reporting date to determine whether there is objective evidence of impairment.

Objective evidence that financial assets are impaired includes:

- Default or delinquency be a debtor;
- Restructuring of an amount due to the Company on terms that the Company would not consider otherwise;
- Indications that a debtor or issuer will enter bankruptcy;
- Adverse changes in the payment status of borrowers or issuer;
- The disappearance of an active market for a security because of financial difficulties; or
- Observable data indicating that there is a measurable decrease in the expected cash flows from group of financial assets.

For an investment in equity security, objective evidence of impairment includes a significant or prolonged decline in its fair value below its cost. The Company considers a decline of % to be significant and a period of nine month to be prolonged.

Financial assets measured at amortized cost	An impairment loss is calculated as the difference between an asset's carrying amount and the present value of the estimated future cash flows discounted at the asset's original effective interest rate. Losses are recognized in statement of profit or loss and reflected in an allowance account. When the Company considers that there are no realistic prospects of recover of the asset, the relevant amounts are written off. If the amount of impairment loss subsequently decreases and the decrease can be related objectively to an event occurring after the impairment was recognized, then the previously recognized impairment loss is reversed through statement of profit or loss.
Equity-accounted invest	An impairment loss in respect of an equity-accounted investee is measured by comparing the recoverable amount of the investment with its carrying amount. An impairment loss is recognised in statement of profit or loss, and is reversed if there has been a favourable change in the estimates used to determine the recoverable amount.

Impairment of non-financial assets

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.

4.11 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.

4.12 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.

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4.13 Trade and other payables

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

4.14 Provisions

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

4.15 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.

4.16 Contingencies and commitments

A contingent liability is disclosed when:

- 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
- there is present obligation that arises from past events but it is not probable that an outflow of resources embodying economic benefits will be required to settle the obligation or the amount of the obligation cannot be measured with sufficient reliability.

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

4.17 Revenue recognition

Revenue is measured based on the consideration specified in a contract with a customer. The Company recognises revenue when it transfers control over a good or service to a customer as follow:

Room maintenance services	The revenue is recognised based on the actual service provided to the end of the reporting period as a proportion of the total services to be provided because the customer receives and uses the benefits simultaneously. Revenue is recognised in the amount to which the Company has a right to invoice. Customers are invoiced on a monthly basis and consideration is payable with in ten days from the invoice date.
Software services	Revenue is recognised in the amount to which the Company has a right to invoice. Customers are invoiced on a monthly basis and consideration is payable with in ten days from the invoice date. The revenue is recognised based on the actual service provided to the end of the reporting period as a proportion of the total services to be provided because the customer receives and uses the benefits simultaneously.
Funds management fee	Income from trusts operations is recognized on the basis of average monthly net asset value of the funds.
Finance lease income	The Company follows the 'financing method' in accounting for recognition of finance lease. The total unearned finance income i.e. the excess of minimum lease payments over the cost of the leased asset is deferred and then amortized over the term of the lease, so as to produce a systematic return on the net investment in finance leases.
Return on MTS investments and fixed income securities	Return on MTS investments and fixed income securities is recognized on a time proportionate basis over the term of the investments that takes into account the effective interest method.
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.
Other income	Other income, if any, is recognized on accrual basis.

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

4.18 Dividend

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

4.19 Earnings per share (EPS)

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

4.20 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.

4.21 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.

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