



# LSE Financial Services Ltd.

## Directors' Review Report

Dear Shareholders,

The Board of Directors is pleased to present its report along with the unaudited accounts of your Company for the half year ended December 31, 2017:

Financial Highlights	Dec-2017 Rs. in '000'	Dec-2016 Rs. in '000'
Revenue	70,239	60,878
Share of profit of Associates-net of tax	67,923	60,633
Expenditure	(50,386)	(34,466)
<b>Profit before Taxation</b>	<b>87,776</b>	<b>87,045</b>
Taxation	49,801	22,434
<b>Net Profit for the period</b>	<b>37,975</b>	<b>64,611</b>
<b>Earnings Per Share (EPS)</b>	<b>RS. 0.30</b>	Rs. 0.50

### PERFORMANCE REVIEW

During the half year ended on December 31, 2017, LSEFSL earned total revenue of Rs 138.162 million including share of profit of Associates, as compared to Rs. 121.511 million last year's comparative period, i.e., an increase of 16.651 million or 14%. The revenue was generated from rent, profit from bank deposits, investments, income from MTS, share of profits from the Associated Companies and other income. The administrative expenses were Rs. 50.306 million, i.e., up by Rs. 15.921 million or 46% from last year's comparative period, primarily due to increase in depreciation expense of Rs. 10.2 million and finance cost of Rs. 3.35 million after capitalization of South Tower. The Company earned a profit before taxation of Rs. 87.776 million for the period under review, which is up by Rs. 0.731 million or 1%, as compared to the corresponding period. Furthermore, profit after tax is Rs. 37.975 million down by Rs. 26.636 million or 41% from last year's comparative period

Earnings per Share (EPS) - (Basic & Diluted) for the half year ended December 31, 2017 was recorded as Rs. 0.30 per share against Rs. 0.50 per share of last year's comparative period, down by Rs. 0.20 or 40%.

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

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

Chief Executive/Managing Director

Director

**LSE Financial Services Limited**

CONDENSED INTERIM FINANCIAL INFORMATION  
FOR THE HALF YEAR ENDED DECEMBER 31, 2017

**AUDITORS' REPORT TO THE MEMBERS ON REVIEW OF  
CONDENSED INTERIM FINANCIAL INFORMATION**

**Introduction**

We have reviewed the accompanying condensed interim balance sheet of **LSE Financial Services Limited ("the Company")** as at December 31, 2017, and the related condensed interim profit and loss account, condensed interim statement of comprehensive income, condensed interim cash flow statement and condensed interim statement of changes in equity together with the notes forming part thereof for the half year then ended (here-in-after referred to as the "condensed interim financial information"). Management is responsible for the preparation and presentation of this condensed interim financial information in accordance with approved accounting standards as applicable in Pakistan for interim financial reporting. Our responsibility is to express a conclusion on this condensed interim financial information based on our review.

**Scope of Review**

We conducted our review in accordance with International Standard on Review Engagements 2410, "Review of Interim Financial Information Performed by the Independent Auditor of the Entity." A review of interim financial information consists of making inquiries, primarily of persons responsible for financial and accounting matters, and applying analytical and other review procedures. A review is substantially less in scope than an audit conducted in accordance with International Standards on Auditing and consequently does not enable us to obtain assurance that we would become aware of all significant matters that might be identified in an audit. Accordingly, we do not express an audit opinion.

**Conclusion**

Based on our review, nothing has come to our attention that causes us to believe that the accompanying condensed interim financial information as of and for the half year ended December 31, 2017 is not prepared, in all material respects, in accordance with approved accounting standards as applicable in Pakistan for interim financial reporting.

**Other matters**

The figures of the condensed interim profit and loss account and condensed interim statement of comprehensive income for the quarter ended December 31, 2017 have not been reviewed and we do not express a conclusion on them.

Lahore:

19 MAR 2018

  
KRESTON HYDER BHIMJI & CO.  
CHARTERED ACCOUNTANTS  
Engagement Partner - Shabir Ahmad, FCA



**LSE FINANCIAL SERVICES LIMITED**  
**CONDENSED INTERIM BALANCE SHEET AS AT DECEMBER 31, 2017**

	December 31, 2017	June 30, 2017	December 31, 2017	June 30, 2017
	Unaudited	Audited	Unaudited	Audited
	(Rupees in thousands)		(Rupees in thousands)	
	Note		Note	
<b>EQUITY AND LIABILITIES</b>				
<b>SHARE CAPITAL AND RESERVES</b>				
Authorized share capital 200,000,000 (June 30, 2017: 200,000,000) ordinary shares of Rs. 10 each		2,000,000		2,000,000
Issued, subscribed and paid up capital 128,284,200 (June 30, 2017: 128,284,200) ordinary shares of Rs 10 each		1,282,842		1,282,842
Loss on revaluation of available for sale investments - net		(11,489)		(11,464)
Unappropriated profit		276,695		301,060
Surplus on revaluation of fixed assets account		1,548,048		1,572,438
		771,562		773,364
<b>NON-CURRENT LIABILITIES</b>				
Long term liabilities	6	373,423		281,319
Long term finances	7	182,143		200,000
Deferred taxation		106,167		76,876
		661,733		558,195
<b>CURRENT LIABILITIES</b>				
Trade and other payables		124,718		114,843
Current portion of long term liabilities		30,278		15,424
		154,996		130,267
Liabilities against discontinued operations	17	18,172		19,731
<b>CONTINGENCIES AND COMMITMENTS</b>				
	9	3,154,511		3,053,996
		<b>2,472,098</b>		<b>2,429,569</b>
		<b>1,716,308</b>		<b>1,715,205</b>
		22		145
		754,006		712,457
		1,762		1,762
		<b>682,413</b>		<b>624,427</b>
		555,086		475,367
		13,391		13,867
		10,582		14,325
		11,765		10,414
		10,089		11,809
		33,033		41,032
		47,839		56,945
		<b>628</b>		<b>668</b>
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**LSE FINANCIAL SERVICES LIMITED**  
**CONDENSED INTERIM PROFIT AND LOSS ACCOUNT FOR THE HALF YEAR ENDED DECEMBER 31, 2017 (UNAUDITED)**


	Note	For the quarter ended		For the half year ended	
		December 31, 2017 (Rupees in thousands)	December 31, 2016	December 31, 2017 (Rupees in thousands)	December 31, 2016
<b>CONTINUING OPERATIONS :</b>					
<b>INCOME</b>					
Rental income		14,235	12,421	27,862	26,007
Profit on PLS bank accounts		784	1,188	1,483	3,083
Software revenue		1,224	332	2,591	608
Return on investments	18	8,338	6,727	16,670	14,828
Other income		13,570	7,709	21,633	16,352
		<b>38,151</b>	<b>28,377</b>	<b>70,239</b>	<b>60,878</b>
<b>OPERATING EXPENSES</b>					
Administrative expenses		(27,789)	(15,838)	(46,140)	(33,430)
Other charges		(284)	(335)	(838)	(934)
<b>OPERATING PROFIT</b>		<b>10,078</b>	<b>12,204</b>	<b>23,261</b>	<b>26,514</b>
Finance cost		(3,378)	(87)	(3,408)	(102)
Share of profit of associates - net of tax	11	31,013	34,506	67,923	60,633
<b>PROFIT BEFORE TAXATION</b>		<b>37,713</b>	<b>46,623</b>	<b>87,776</b>	<b>87,045</b>
Taxation					
- Current		15,197	8,226	20,510	13,428
- Deferred		23,540	5,802	29,291	9,006
		<b>38,737</b>	<b>14,028</b>	<b>49,801</b>	<b>22,434</b>
<b>PROFIT / (LOSS) AFTER TAXATION</b>		<b>(1,024)</b>	<b>32,595</b>	<b>37,975</b>	<b>64,611</b>
<b>DISCONTINUING OPERATIONS:</b>					
Loss for the period from discontinued operations	17	-	(539)	-	(539)
<b>PROFIT / (LOSS) AFTER TAXATION</b>		<b>(1,024)</b>	<b>32,056</b>	<b>37,975</b>	<b>64,072</b>
Earnings / (loss) per share-basic and diluted					
Continued operations	Rupees	(0.01)	0.25	0.30	0.50
Discontinued operations	Rupees	-	(0.0042)	-	(0.0042)
	Rupees	<b>(0.01)</b>	<b>0.25</b>	<b>0.30</b>	<b>0.50</b>

The annexed notes 1 to 24 form an integral part of this condensed interim financial information.

Lahore

  
 Managing Director

  
 Chief Financial Officer

  
 Director

**LSE FINANCIAL SERVICES LIMITED**  
**CONDENSED INTERIM STATEMENT OF COMPREHENSIVE INCOME FOR THE HALF YEAR ENDED DECEMBER 31, 2017 (UNAUDITED)**

	For the quarter ended		For the half year ended	
	December 31, 2017	December 31, 2016	December 31, 2017	December 31, 2016
	(Rupees in thousands)		(Rupees in thousands)	
Profit / (loss) for the period	(1,024)	32,056	37,975	64,072
<b>Other comprehensive income / (loss)</b>				
<i>Items that may be reclassified to profit or loss account subsequently</i>				
Share of other comprehensive income of equity method investments in respect of loss on revaluation of 'available for sale' investments - net of tax	(25)	(509)	(25)	(509)
<b>Total comprehensive income / (loss)</b>	<u>(1,049)</u>	<u>31,547</u>	<u>37,950</u>	<u>63,563</u>
<i>Attributable to:</i>				
Continued operations	(1,049)	32,086	37,950	63,563
Discontinued operations	-	(539)	-	(539)
	<u>(1,049)</u>	<u>31,547</u>	<u>37,950</u>	<u>63,024</u>

The annexed notes 1 to 24 form an integral part of this condensed interim financial information.

Lahore

  
 Farid Habib  
 Managing Director

  
 Chief Financial Officer

  
 Director

15.08.17

**LSE FINANCIAL SERVICES LIMITED**  
**CONDENSED INTERIM CASH FLOW STATEMENT FOR THE HALF YEAR ENDED DECEMBER 31, 2017 (UNAUDITED)**

	Note	December 31, 2017	December 31, 2016
		(Rupees in thousand)	
<b>CASH FLOWS FROM OPERATING ACTIVITIES</b>			
Profit before taxation		87,776	86,506
<b>Adjustments for non cash expenses and other items:</b>			
Depreciation		16,894	7,576
Amortization of intangibles		123	158
Share of profit of associates		(67,923)	(60,633)
Return on bank deposits and investments		(18,153)	(17,911)
Lease rentals		(27,862)	(26,007)
Gain on disposal of operating fixed assets		(23)	539
Employee welfare fund		74	-
Finance cost		3,408	102
<b>Loss before working capital changes</b>		<b>(5,686)</b>	<b>(9,670)</b>
<b>Increase / (decrease) in working capital</b>	21	<b>8,983</b>	<b>(40,046)</b>
		<b>3,297</b>	<b>(49,716)</b>
Receipts in respect of:			
Movement in advances against South Tower		92,225	-
Movement in advances for lease of building rooms		24,673	34,152
Retention money		68	2,965
		<b>116,966</b>	<b>37,117</b>
<b>Cash generated from / (used in) operations</b>		<b>120,263</b>	<b>(12,599)</b>
Employees' welfare fund paid		(74)	(38)
Leave fare assistance paid		-	(94)
Finance cost paid		(3,408)	(102)
Income tax paid		(12,511)	(15,726)
<b>Net cash generated from / (used in) operating activities</b>		<b>104,270</b>	<b>(28,559)</b>
<b>CASH FLOWS FROM INVESTING ACTIVITIES</b>			
Fixed capital expenditure		(18,634)	(56,604)
Proceeds from disposal of operating fixed assets		656	2,717
Movement in short term investment		(79,719)	67,928
Dividend received		26,349	32,593
Profit received on bank deposits and short term investment		18,316	16,820
<b>Net cash (used in) / generated from investing activities</b>		<b>(53,032)</b>	<b>63,454</b>
<b>CASH FLOWS FROM FINANCING ACTIVITIES</b>			
Dividend paid		(60,344)	(59,332)
<b>Net cash used in financing activities</b>		<b>(60,344)</b>	<b>(59,332)</b>
<b>NET DECREASE IN CASH AND CASH EQUIVALENTS</b>		<b>(9,106)</b>	<b>(24,437)</b>
<b>CASH AND CASH EQUIVALENTS AT THE BEGINNING OF THE PERIOD</b>		<b>56,945</b>	<b>86,851</b>
<b>CASH AND CASH EQUIVALENTS AT THE END OF THE PERIOD</b>	16	<b>47,839</b>	<b>62,414</b>

The annexed notes 1 to 24 form an integral part of this condensed interim financial information.

Lahore

*Yasir Malik*  
**Managing Director**

*ceft*  
**Chief Financial Officer**

15/03/17  
*S. I. I. I.*  
**Director**





**LSE FINANCIAL SERVICES LIMITED**  
**NOTES TO THE CONDENSED INTERIM FINANCIAL INFORMATION**  
**FOR THE HALF YEAR ENDED DECEMBER 31, 2017 (UNAUDITED)**

**1 LEGAL STATUS AND NATURE OF BUSINESS**

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 a Non-Banking Finance Company (NBFC) under the name LSE Financial Services Limited.

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

**2 BASIS OF PREPARATION**

This condensed interim financial information has been prepared in accordance with approved accounting standards as applicable in Pakistan for interim financial reporting. As per the requirements of circular No. CLD/CCD/PR(11)/2017 dated July 20, 2017 and circular No. 23 of 2017 dated October 4, 2017 issued by the Securities & Exchange Commission of Pakistan (SECP), the Company has prepared this condensed interim financial information in accordance with the provisions of the repealed Companies Ordinance, 1984 (the Ordinance). Accordingly, approved accounting standards for interim financial reporting comprise of International Accounting Standard 34, 'Interim Financial Reporting' and provisions of and directives issued under the Ordinance. In case requirements differ, the provisions of or directives issued under the Ordinance prevail.

This condensed interim financial information do not include all the information and disclosures required in the annual audited financial statements and should be read in conjunction with the Company's annual audited financial statements for the year ended June 30, 2017. The figures included in the condensed interim profit and loss account for the quarters ended December 31, 2017 and 2016 and in the notes forming part thereof have not been reviewed by the auditors of the Company, as they have reviewed the accumulated figures for the half years ended December 31, 2017 and

**3 SIGNIFICANT ACCOUNTING POLICIES**

The accounting policies adopted for the preparation of this condensed interim financial information are the same as those applied in the preparation of preceding annual financial statements of the company except as follows:

**3.1 Taxation**

Income tax expense is recognised based on management's best estimate of the weighted average annual income tax rate expected for the full financial year.

**4 CHANGE IN ACCOUNTING STANDARDS, INTERPRETATIONS AND AMENDMENTS TO PUBLISHED APPROVED ACCOUNTING STANDARDS**

**a) Amendments to published approved accounting standards which are effective during the half year ended December 31, 2017**

There are certain amendments to approved accounting standards which are mandatory for the Company's annual accounting period which began on July 1, 2017. However, these do not have any significant impact on the Company's financial reporting and, therefore, have not been detailed in this condensed interim financial information.

**b) Standards and amendments to published approved accounting standards that are not yet effective**

There are certain new standards and amendments to the approved accounting standards that will be mandatory for the Company's annual accounting periods beginning on or after July 1, 2018. However, these amendments will not have any significant impact on the financial reporting of the Company and, therefore, have not been disclosed in this condensed interim financial information. During the current period the SECP has adopted IFRS 9 'Financial Instruments' and IFRS 15 'Revenue from Customers', the impacts of which on the Company's future financial statements are being assessed. Further, certain new standards are yet to be adopted by the Securities and Exchange Commission of Pakistan.

In addition to the foregoing, the Companies Act, 2017 which is not effective on this condensed interim financial information has added certain disclosure requirements which will be applicable in the future.

**5 CRITICAL ACCOUNTING ESTIMATES AND JUDGMENTS**

The preparation of condensed interim financial information requires management to make judgements, estimates and assumptions that affect the application of accounting policies and the reported amounts. Actual results may differ from these judgements, estimates and assumptions. However, the management believes that the change in outcome of judgements, estimates and assumptions would not have a material impact on the amounts disclosed in this condensed interim financial information.

Judgements and estimates made by the management in the preparation of condensed interim financial information are the same as those applied in the Company's annual audited financial statements for the year ended June 30, 2017.

*HS-ABZ*

	December 31, 2017 Unaudited	June 30, 2017 Audited
<b>(Rupees in thousand)</b>		
<b>6 LONG TERM LIABILITIES</b>		
Advances for lease of building rooms	16,575	16,684
Advances against South Tower	347,880	255,655
Security deposits	2,030	2,110
Retention money	6,938	6,870
	<u>373,423</u>	<u>281,319</u>
<b>7 LONG TERM FINANCES</b>		
Long term loans from financial institutions	200,000	200,000
Less: current portion transferred to current liabilities	(17,857)	-
	<u>182,143</u>	<u>200,000</u>
<b>8 TRADE AND OTHER PAYABLES</b>		
Accrued Liabilities	29,722	20,177
Accrued interest	5,008	6,902
Due to ex - members	2,601	2,601
Defaulted ex - members' membership sale proceeds	51,120	51,120
Advances received from ex - members and companies	1,828	2,092
Retention money	7,426	8,736
Unclaimed dividend	27,013	23,215
	<u>124,718</u>	<u>114,843</u>

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

#### 9 CONTINGENCIES AND COMMITMENTS

##### 9.1 Contingencies

There are no significant changes in the status of contingencies as reported in the annual financial statements of the company for the year ended June 30, 2017.

##### 9.2 Commitments

Commitments for capital expenditure outstanding at December 31, 2017 were Rs. 66.999 million (June 30, 2017: Rs. 91.177 million).

#### 10 PROPERTY AND EQUIPMENT

Property and equipment	10.1	1,700,421	1,233,517
Capital work-in-progress	10.2	15,887	481,688
		<u>1,716,308</u>	<u>1,715,205</u>
<b>10.1 Property and equipment</b>			
Opening Net Book Value (NBV)		1,233,517	1,244,395
Add: Additions during the period / year	10.1.1	375	4,472
Add: Transfers during the period / year	10.2	484,055	-
		<u>1,717,947</u>	<u>1,248,867</u>
Less: Disposals during the period / year (WDV)		632	96
Less: Depreciation charged during the period / year		16,894	15,254
		<u>17,526</u>	<u>15,350</u>
		<u>1,700,421</u>	<u>1,233,517</u>

##### 10.1.1 The following additions / disposals were made during the period in operating fixed assets:

	Transfer Cost	Additions Cost	Disposals Cost
Building	373,141	-	-
Electric fittings and appliances	97,485	34	1,393
Elevators	13,429	-	-
Office equipment	-	34	-
Generators	-	307	1,097
Arms and security equipments	-	-	343
Furniture and fixture	-	-	37
Computer and accessories	-	-	16,300
	<u>484,055</u>	<u>375</u>	<u>19,170</u>

##### 10.2 Capital work-in-progress

Opening Balance	Additions	Transfer to operating fixed	Closing Balance
----- (Rupees in '000s) -----			
478,721	15,983	(484,055)	10,649
2,967	2,271	-	5,238
<u>481,688</u>	<u>18,254</u>	<u>(484,055)</u>	<u>15,887</u>

MS-D/BV

