

Directors' Report

The Board of Directors is pleased to present its report along with the condensed interim unaudited financial statements for the six months ended December 31, 2019.

Financial Results

The Company recorded a net profit of Rs. 118.78 million for the six months ended December 31, 2019 with EPS of Re. 0.32 per share which is 33% higher than the EPS of Re. 0.24 earned in comparative period. The operating revenue of the Company for the period recorded an increase of 11% over the comparative period. Other income amounting to Rs. 46.38 million witnessed an increase of 46% over the comparative period figure of other income i.e. Rs 31.77 million. The increase is mainly on account of increase in profit on bank deposits & investments. Administrative expenses for the period were controlled and decreased by 6%.

The Balance sheet footing of December 31, 2019 remained on strong footing at Rs. 5,538.33 million.

Business Overview

The ISE Towers REIT Scheme is like a flagship project for the Company and the Company is endeavoring hard to accomplish this project. In this regard, all formalities for obtaining completion certificate have been fulfilled by the Company and the matter is in final stages of the Building Control Section of the civic regulatory body for its formal approval. Besides, ground work for IPO is also ready and soon after completion certificate is received, REIT Scheme will be launched. Side by side, the Company has also been exploring many other options in order to launch developmental REIT Scheme through joint venture and in this regard, a few projects are under discussion with the potential investors.

The REIT Sector, in line with vision of the Government to document the economy, can be very instrumental to regularize and document the real estate sector. Real estate sector in Pakistan has impressive figures over the past decade and it is most vibrant sector of the economy, however level playing field is required to REIT Sector in the form of tax incentives, regulatory reforms and financing at relatively low cost. The Company in this regard has submitted comprehensive proposals to FBR and Securities and Exchange Commission of Pakistan (SECP) to harmonize the relevant taxation regime and regulatory framework. Moreover, REIT Sector has now created a joint forum for formulating the strategy to have balanced taxation and regulatory regimes.

The Company has also been exploring various opportunities for diversifying its business activities within its domain and as a first step, the Company has entered into a Share Purchase Agreement with MCB Bank Limited for acquisition of its subsidiary MCB Financial Services Limited, a Trustee Company in collaboration with an IT company M/s Infotech (Private) Limited in the equity ratio of 10:90 respectively. In this regard, approval of transactions from SECP, being prerequisite, has been received on February 20, 2020.

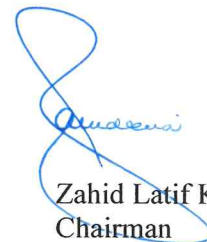
Acknowledgement

In the end, the Board wishes to thank all the stakeholders of the Company, Government of Pakistan and Securities & Exchange Commission of Pakistan for their patronage and support. The Board also wishes to place appreciation to the staff of the company for their dedicated services.

On behalf of Board of Directors



Sagheer Mushtaq
Acting Chief Executive Officer



Zahid Latif Khan
Chairman

Islamabad, February 28, 2020



ISE TOWERS REIT MANAGEMENT COMPANY LIMITED

INTERIM FINANCIAL STATEMENTS

**FOR THE SIX MONTH ENDED
DECEMBER 31, 2019**

BDO Ebrahim & Co. Chartered Accountants

BDO Ebrahim & Co., a Pakistan registered partnership firm, is a member of BDO International Limited, a UK company limited by guarantee, and forms part of the international BDO network of independent member firms.

INDEPENDENT AUDITORS REVIEW REPORT TO THE MEMBERS OF ISE TOWERS REIT MANAGEMENT COMPANY LIMITED

Report on review of Interim Financial Statements

Introduction

We have reviewed the accompanying condensed interim statement of financial position of ISE Towers REIT Management Company Limited ("the Company") as at December 31, 2019 and the related condensed interim statement of profit or loss, condensed interim statement of comprehensive income, condensed interim statement of changes in equity, condensed interim statement of cash flows and notes to the interim financial statements for the six month period then ended (herein after referred to as the "interim financial statements"). Management is responsible for the preparation and presentation of these interim financial statements in accordance with accounting and reporting standards as applicable in Pakistan for interim financial reporting. Our responsibility is to express a conclusion on these interim financial statements based on our review.

Scope of Review

We conducted our review in accordance with the International Standards on Review Engagements 2410, "Review of Interim Financial Information performed by the Independent Auditor of the Entity." A review of interim financial statements consists of making enquiries, 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 interim financial statements are not prepared, in all material respects, in accordance with the accounting and financial reporting standards as applicable in Pakistan for interim financial reporting.

The figures for the quarter ended December 31, 2019 and December 31, 2018 in the condensed interim statement of profit or loss and condensed interim statement of comprehensive income have not been reviewed and we do not express a conclusion on them.

The engagement partner on the review resulting in this independent auditors review report is Abdul Qadeer.

ISLAMABAD

DATED: 28 FEB 2020


BDO EBRAHIM & CO.
CHARTERED ACCOUNTANTS


BDO Ebrahim & Co. Chartered Accountants

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ISE TOWERS REIT MANAGEMENT COMPANY LIMITED
CONDENSED INTERIM STATEMENT OF FINANCIAL POSITION (UN-AUDITED)
AS AT DECEMBER 31, 2019

	Note	December 31, 2019 (Rupees in '000) Unaudited	June 30, 2019 Audited
ASSETS			
NON-CURRENT ASSETS			
Property and equipment	6	961,952	919,793
Intangible assets		702	730
Investment property		3,743,586	3,743,586
Long term investments	7	319,994	300,262
Long term security deposits and advances		14,739	14,876
Deferred tax		87,746	87,561
		<u>5,128,719</u>	<u>5,066,808</u>
CURRENT ASSETS			
Account receivables	8	73	1,393
Advances, deposits and prepayments	9	6,268	6,387
Interest accrued		6,443	4,471
Other receivables	10	47,956	47,651
Tax refund due from government - net	11	44,906	54,759
Short term investment - held to maturity	12	243,881	316,876
Cash and bank balances	13	60,088	41,422
		<u>409,615</u>	<u>472,959</u>
TOTAL ASSETS		<u><u>5,538,334</u></u>	<u><u>5,539,767</u></u>
EQUITY AND LIABILITIES			
SHARE CAPITAL & RESERVES			
Share capital	14	3,671,870	3,671,870
Surplus on revaluation of property and equipment		204,476	205,862
Other reserves	15	1,479,576	1,443,747
		<u>5,355,922</u>	<u>5,321,479</u>
NON-CURRENT LIABILITIES			
Advances, deposits and other receipts		17,152	17,754
Deferred liabilities		15,046	14,920
		32,198	32,674
CURRENT LIABILITIES			
Accrued and other payables	16	54,017	49,371
Advances and deposits	17	90,519	131,962
Unclaimed dividend		5,678	4,281
		150,214	185,614
CONTINGENCIES AND COMMITMENTS	18	-	-
TOTAL EQUITY AND LIABILITIES		<u><u>5,538,334</u></u>	<u><u>5,539,767</u></u>

The annexed notes from 1 to 28 form an integral part of these interim financial statements.


CHAIRMAN


CHIEF EXECUTIVE OFFICER

ISE TOWERS REIT MANAGEMENT COMPANY LIMITED
CONDENSED INTERIM STATEMENT OF PROFIT OR LOSS (UN-AUDITED)
FOR THE SIX MONTHS ENDED DECEMBER 31, 2019

	Note	Six months ended December 31,		Three months ended December 31,	
		2019	2018	2019	2018
(Rupees in '000)					
Income					
Operating income	19	136,398	122,972	68,259	62,150
Administrative expenses					
Depreciation / amortization	20	(31,091)	(34,591)	(14,094)	(17,297)
Others	20	(16,388)	(17,390)	(8,378)	(10,292)
		(47,479)	(51,981)	(22,472)	(27,589)
Other operating income	21	46,376	31,773	30,809	19,334
Financial charges		(46)	(35)	(19)	(24)
Operating profit		135,249	102,729	76,577	53,871
Share of profits from associated companies		15,911	13,277	10,983	7,322
Profit before taxation		151,160	116,006	87,560	61,193
Taxation		(32,379)	(28,026)	(17,064)	(14,947)
Profit after taxation		118,781	87,980	70,496	46,246
Earning per share					
- basic and diluted		0.32	0.24	0.19	0.13

The annexed notes from 1 to 28 form an integral part of these interim financial statements.

Reviewed.


CHAIRMAN


CHIEF EXECUTIVE OFFICER

ISE TOWERS REIT MANAGEMENT COMPANY LIMITED
CONDENSED INTERIM STATEMENT OF COMPREHENSIVE INCOME (UN-AUDITED)
FOR THE SIX MONTHS ENDED DECEMBER 31, 2019

Six months ended December 31,		Three months ended December 31,	
2019	2018	2019	2018
(Rupees in '000)			

Profit after taxation	118,781	87,980	70,496	46,246
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Other comprehensive income

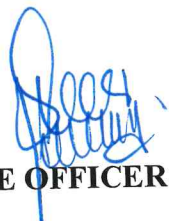
**Items that may be reclassified
subsequently to statement of profit or
loss:**

Surplus on remeasurement of FVOCI investments	3,819	5,116	3,563	4,294
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Total comprehensive income for the period	122,600	93,096	74,059	50,540
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The annexed notes from 1 to 28 form an integral part of these interim financial statements.


CHAIRMAN


CHIEF EXECUTIVE OFFICER


ISE TOWERS REIT MANAGEMENT COMPANY LIMITED
CONDENSED INTERIM STATEMENT OF CHANGES IN EQUITY (UNAUDITED)
FOR THE SIX MONTHS ENDED DECEMBER 31, 2019


	Capital reserve		Total capital reserves	Revenue reserves				Total revenue reserves	Total
	Issued, subscribed and paid up capital	Revaluation surplus on property and equipment		Reserve for replacement of fixed assets	Surplus on remeasurement of available for sale investments to fair value	Unrealized surplus on remeasurement of associate's investments	Accumulated profit		

(Rupees in '000)

Balance as at July 01, 2018 (audited)	3,671,870	209,068	67,280	276,348	55,514	425	1,170,368	1,226,307	5,174,525
Total comprehensive income for the period:									
Profit for the period after taxation	-	-	-	-	-	-	87,980	87,980	87,980
Amount collected for asset replacement reserve	-	-	16,180	16,180	-	-	(16,180)	(16,180)	-
Transferred from surplus on revaluation of operating fixed assets on account of incremental depreciation - net of deferred tax	-	(1,603)	-	(1,603)	-	-	1,603	1,603	-
Surplus on remeasurement of FVTOCI investment	-	-	-	-	5,116	-	-	5,116	5,116
Transaction with owners									
Final dividend for the year ended June 30, 2018 at Rs. 0.15 per share	-	-	-	-	-	-	(55,078)	(55,078)	(55,078)
Balance as at December 31, 2018 (unaudited)	3,671,870	207,465	83,460	290,925	60,630	425	1,188,693	1,249,748	5,212,543
Balance as at July 01, 2019 (audited)	3,671,870	205,862	62,118	267,980	67,788	425	1,313,415	1,381,628	5,321,478
Total comprehensive income for the period:									
Profit for the period after taxation	-	-	-	-	-	-	118,781	118,781	118,781
Amount collected for asset replacement reserve	-	-	22,361	22,361	-	-	(22,361)	(22,361)	-
Amount utilized from fixed assets replacement reserve	-	-	(19,787)	(19,787)	-	-	19,787	19,787	-
Transferred from surplus on revaluation of operating fixed assets on account of incremental depreciation - net of deferred tax	-	(1,386)	-	(1,386)	3,819	-	1,386	1,386	-
Surplus on remeasurement of FVTOCI investment	-	-	-	-	-	-	-	-	3,819
Transaction with owners									
Final dividend for the year ended June 30, 2019 at Rs. 0.24 per share	-	-	-	-	-	-	(88,156)	(88,156)	(88,156)
Balance as at December 31, 2019 (unaudited)	3,671,870	204,476	64,692	269,168	71,607	425	1,342,852	1,414,884	5,355,922

The annexed notes from 1 to 28 form an integral part of these interim financial statements.


CHAIRMAN



CHIEF EXECUTIVE OFFICER

ISE TOWERS REIT MANAGEMENT COMPANY LIMITED
CONDENSED INTERIM STATEMENT OF CASH FLOWS (UN-AUDITED)
FOR THE SIX MONTHS ENDED DECEMBER 31, 2019

	Note	December 31,	December 31,
		2019	2018
(Rupees in '000)			
CASH FLOW FROM OPERATING ACTIVITIES			
Cash generated from operations	23	105,314	89,297
Gratuity paid		(1,769)	(769)
Compensated absences paid		(1,144)	(433)
Income tax paid		(22,711)	(30,198)
Net cash generated from operating activities		79,690	57,897
CASH FLOW FROM INVESTING ACTIVITIES			
Capital expenditure		(72,991)	(3,514)
Proceeds from sale of assets		1,776	-
Interest received		19,909	7,509
Investment encashed during the period		72,995	9,792
Dividend received		4,694	3,978
Net cash generated from investing activities		26,383	17,765
CASH FLOW FROM FINANCING ACTIVITIES			
Advances, deposits and other receipts		(602)	(2,584)
Dividend paid		(86,759)	(57,371)
Financial charges paid		(46)	(35)
Net cash used in financing activities		(87,407)	(59,990)
Net increase in cash and cash equivalents		18,666	15,672
Cash and cash equivalents at beginning of the period		41,422	27,848
Cash and cash equivalents at end of the period		60,088	43,520

The annexed notes from 1 to 28 form an integral part of these interim financial statements.


CHAIRMAN


CHIEF EXECUTIVE OFFICER

ISE TOWERS REIT MANAGEMENT COMPANY LIMITED
NOTES TO THE CONDENSED INTERIM FINANCIAL STATEMENTS (UN-AUDITED)
FOR THE SIX MONTHS ENDED DECEMBER 31, 2019

1 CORPORATE AND GENERAL INFORMATION

- 1.1 ISE Towers REIT Management Company Limited ("the Company") was incorporated in Islamabad, Pakistan on October 25, 1989, under the repealed Companies Ordinance, 1984 replaced with the enactment of the Companies Act, 2017 on May 30, 2017, as a company limited by guarantee for the purpose of carrying out business of stock exchange under the name Islamabad Stock Exchange (ISE). On August 27, 2012 the ISE, in accordance with the Stock Exchanges (Corporatisation, Demutualization and Integration) Act, 2012 (the Act), was converted into a public company limited by shares on issuance of certificate of re-registration by the Registrar of Companies.
- 1.2 ISE entered into a Memorandum of Understanding (MoU) on August 25, 2015 with Karachi Stock Exchange Limited (KSE) and Lahore Stock Exchange Limited (LSE) 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). Accordingly the ISE proposed a scheme of integration in its AGM on October 27, 2015 to shift the stock exchange related business, the core business of the ISE, to PSX and change the name and scope of the Company subject to approval of the scheme by Securities and Exchange Commission of Pakistan (SECP). Accordingly, the agreed assets / liabilities of stock exchange business transferred to PSX with effect from January 11, 2016.
- 1.3 SECP has approved the scheme of integration under Stock Exchanges (Corporatisation, Demutualization and Integration) Act, 2012 through its order number 01/2016 dated January 11, 2016. As a consequence of this approval of integration, the name and scope of the ISE has been changed. The new name of the Company is "ISE Towers REIT Management Company Limited".
- 1.4 On January 11, 2016, ISE changed its name and scope of business and got converted from Stock Exchange to a REIT Management Company under the repealed Companies Ordinance, 1984, as a consequence of Securities and Exchange Commission of Pakistan's approval of scheme of integration under the Act. The Company licensed as a Non-Banking Finance Company (NBFC) under Non-Banking Finance Companies (Establishment and Regulation) Rules, 2003 by Securities and Exchange Commission of Pakistan to form and launch Real Estate Investment Trust (REIT) under Real Estate Investment Trust Regulations, 2015.
- 1.5 The principal activities of the the Company is to launch and manage Real Estate Investment Trust (REIT) under REIT Regulations, 2015.

The geographical location and address of the Company's business unit is as under:

- The registered office and business unit of the Company is situated in ISE Tower, 55-B, Jinnah Avenue, Islamabad.

2 BASIS OF PREPARATION

2.1 Statement of compliance

These interim financial statements of the Company for the six months ended December 31, 2019 have been prepared in accordance with the requirements of the International Accounting Standard - 34: "Interim Financial Reporting" and provisions of and directives issued under the Companies Act, 2017. In case where requirements differ, the provisions or directives issued under the Companies Act, 2017 have been followed.

These interim financial statements do not include all the information required for annual financial statements and should be read in conjunction with the annual financial statements of the Company for the year ended June 30, 2019. Comparative condensed interim statement of financial position is extracted from annual audited financial statements for the year ended June 30, 2019 and comparative condensed interim statement of profit or loss, condensed interim statement of comprehensive income, condensed interim statement of changes in equity and condensed interim statement of cash flows are extracted from unaudited condensed interim financial statements for the six months ended December 31, 2018.

These interim financial statements are unaudited but subject to the limited scope review by auditors and is being submitted to the shareholders as required under section 237 of the Companies Act, 2017.

2.2 Basis of measurement

These interim financial statements have been prepared under the historical cost convention except for some operating fixed assets which have been stated at revalued amount, investment property at fair value, investments classified as fair value through other comprehensive income (FVTOCI) and employee benefits at present value.

These interim financial statements have been prepared following the accrual basis of accounting except for cash flow information.

2.3 Functional and presentation currency

These interim financial statements have been presented in Pak Rupees, which is the functional and presentation currency of the Company.

3 ACCOUNTING POLICIES

The accounting policies adopted and methods of computation followed in the preparation of these interim financial statements, financial risk management objectives and policies and capital management policies are same as those applied in the preparation of financial statements for the year ended June 30, 2019, except:

Proviso.

a) IFRS 16- Leases

IFRS 16 'Leases' was issued on January 01, 2016. This standard is adopted locally by the Securities and Exchange Commission of Pakistan and is effective for accounting periods beginning on or after January 1, 2019. IFRS 16 replaced IAS 17 'Leases', IFRIC 4 'Determining whether an Arrangement contains a Lease' and SIC-27 'Evaluating the Substance of Transactions Involving the Legal Form of a Lease'. The Company applied IFRS 16 with a date of initial application of January 01, 2019

IFRS 16 provides a single lessee accounting model, requiring the recognition of assets and liabilities for all leases, together with options to exclude leases where the lease term is 12 months or less, or where the underlying asset is of low value. IFRS 16 substantially carries forward the lessor accounting in IAS 17, with the distinction between operating leases and finance leases being retained. However, IFRS 16 has changed and expanded the disclosures required, in particular with regard to how a lessor manages the risk arising from its residual interest in leased assets.

The Company's lease recognition policy is in line with the requirements of IFRS 16 and accordingly, there is no significant impact on these condensed interim financial statements on the date of initial recognition. The Company does not have significant leasing activities acting as a lessee.

4 TAXATION

The provision for taxation for the six months ended December 31, 2019 has been made using the effective tax rate applicable to expected total annual earnings.

5 KEY JUDGEMENTS AND ESTIMATES

The preparation of interim financial statements require management to make judgments, estimates and assumptions that affect the application of accounting policies and the reported amounts of assets and liabilities, income and expenses. Actual results may differ from these estimates. The significant judgments made by management in applying the Company's accounting policies and key sources of estimation of uncertainty are the same as those that were applied to the financial statements for the year ended June 30, 2019.

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	Note	December 31,	June 30,
		2019	2019
		(Rupees in '000)	
		Unaudited	Audited
6	PROPERTY AND EQUIPMENT		
	Operating assets	6.1 893,907	900,076
	Capital work in progress	6.2 68,045	19,717
		<u>961,952</u>	<u>919,793</u>
6.1	Operating assets		
	Opening written down value	900,076	930,139
	Additions during the period / year	6.1.1 25,547	42,069
	Depreciation charge for the period / year	(30,937)	(68,079)
	Deletions (net book value) during the period / year	(779)	(3,331)
	Write off (net book value)	-	(722)
	Closing written down value	<u>893,907</u>	<u>900,076</u>
6.1.1	Additions during the period / year		
	Electrical equipment	-	401
	Elevators	19,787	38,462
	Security equipment	756	2,207
	IT equipment	-	45
	Security system	104	75
	Furniture & fixture	203	-
	Office equipment	113	608
	Vehicles	4,454	71
	Computers & accessories	130	200
		<u>25,547</u>	<u>42,069</u>
6.2	Capital work in progress		
	Electrical equipment	224	-
	Elevators	67,021	19,516
	Security equipment	41	-
	Security systems	411	88
	Office equipment	348	113
		<u>68,045</u>	<u>19,717</u>
7	LONG TERM INVESTMENTS		
	Long term investments-under equity method	7.1 196,469	180,555
	Long term investments-FVTOCI	7.2 123,525	119,707
		<u>319,994</u>	<u>300,262</u>

12/25/2019

		December 31, 2019	June 30, 2019
		(Rupees in '000)	
	Note	Unaudited	Audited
7.1 Long term investments-under equity method			
National Clearing Company of Pakistan Limited (NCCPL)		190,675	175,626
Pakistan Mercantile Exchange Limited (PMEX)	7.1.1	5,794	4,929
		<u>196,469</u>	<u>180,555</u>
7.1.1 Pakistan Mercantile Exchange Limited (PMEX)			
Investment - at cost		61,886	61,886
Share in post acquisition loss brought forward		(61,886)	(61,886)
Share in profits for the year - net of unrecognized accumulated losses of previous years		5,794	4,929
		<u>5,794</u>	<u>4,929</u>
7.1.2 The balances of long term investments have been presented based upon initialled accounts of associated companies.			
7.2 Long term investments- FVTOCI			
Central Depository Company of Pakistan Limited	7.2.1	117,816	114,641
VIS Credit Rating Company Limited (VIS)	7.2.2	5,709	5,066
		<u>123,525</u>	<u>119,707</u>
7.2.1 Central Depository Company of Pakistan Limited			
Investment - at cost		47,163	47,163
Fair value adjustment		70,653	67,478
		<u>117,816</u>	<u>114,641</u>
7.2.1.1 This represents investment in 3.75 million (June 30, 2019: 3.75 million) ordinary shares of Central Depository Company of Pakistan Limited. The fair value of these securities are based on their break up value as these securities are neither listed nor market prices are available. Gain on remeasurement of equity investment - FVOCI has been recognized directly in equity through other comprehensive income. Cost of these investments at year end amounted to Rs. 2.50 million (June 30, 2019: 2.50 million).			
		December 31, 2019	June 30, 2019
		(Rupees in '000)	
	Note	Unaudited	Audited
7.2.2 VIS Credit Rating Company Limited (VIS)			
Investment - at cost		4,756	4,756
Fair value adjustment		953	310
		<u>5,709</u>	<u>5,066</u>

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7.2.3 The balances of long term investments have been presented based on management accounts for the half year ended December 31, 2019.

		December 31, 2019	June 30, 2019
		(Rupees in '000)	
	Note	Unaudited	Audited
8	ACCOUNT RECEIVABLES		
	(Unsecured)		
	Considered good		
	Due from building tenants	73	1,393
	Considered doubtful based on expected credit loss (ECL)	167	167
		<u>240</u>	<u>1,560</u>
	Allowance for ECL	(167)	(167)
		<u>73</u>	<u>1,393</u>
9	ADVANCES, DEPOSITS AND PREPAYMENTS		
	Considered good		
	Advances to staff	768	551
	Advances to contractor	4,776	3,906
	Deposits and prepayments	724	1,930
	Considered doubtful based on expected credit loss (ECL)	225	225
		<u>6,493</u>	<u>6,612</u>
	Allowance for ECL	(225)	(225)
		<u>6,268</u>	<u>6,387</u>
10	OTHER RECEIVABLES		
	Considered good		
	Receivable from building occupants	10.1 44,518	45,243
	Due from sub lessee	10.2 500	500
	Others	2,938	1,908
		<u>47,956</u>	<u>47,651</u>
	Considered doubtful based on expected credit loss (ECL)	1,040	1,040
		<u>48,996</u>	<u>48,691</u>
	Allowance for Expected Credit Losses	(1,040)	(1,040)
		<u>47,956</u>	<u>47,651</u>

10.1 This represents receivables from occupants of building on account of utilities and other maintenance services.

10.2 This represents receivables from a party to whom office space in ISE Towers have been sold/sub leased.

	Note	December 31,	June 30,
		2019	2019
		(Rupees in '000)	
		Unaudited	Audited
11 TAX REFUND DUE FROM GOVERNMENT - NET			
Income tax - opening		54,759	47,431
Advance - Income tax paid during the period		22,711	65,854
		<u>77,470</u>	<u>113,285</u>
Provision for taxation for the period		(32,564)	(58,526)
Income tax - closing		<u>44,906</u>	<u>54,759</u>

12 SHORT TERM INVESTMENT

Held to maturity			
Treasury Bills	12.1	243,881	262,876
Term Deposit Receipts		-	54,000
		<u>243,881</u>	<u>316,876</u>

12.1 This represents investment in treasury bills (T-Bills) having maturity between January 02, 2020 to March 12, 2020 and carries average yield rate of 13.14% per annum (June 30, 2019: 11.84%).

	Note	December 31,	June 30,
		2019	2019
		(Rupees in '000)	
		Unaudited	Audited
13 CASH AND BANK BALANCES			
Cash at banks			
Saving accounts			
- Local currency	13.1	59,724	41,065
- Foreign currency (USD)		351	356
		<u>60,075</u>	<u>41,421</u>
Cash in hand		13	1
		<u>60,088</u>	<u>41,422</u>

13.1 Balances in PLS accounts carry effective interest rate is 11.5% (June 30, 2019: 10.25%) per annum.

Balances

		December 31, 2019 (Rupees in '000) Unaudited	June 30, 2019 Audited
14	SHARE CAPITAL		
14.1	Issued, subscribed and paid up capital:		
	Number of ordinary shares of Rs.10/-each		
	<u>31-Dec-19</u> <u>30-Jun-19</u>		
	Ordinary shares issued for consideration other than cash		
	<u>367,186,963</u> <u>367,186,963</u>	<u>3,671,870</u>	<u>3,671,870</u>

14.2 Authorized share capital

Authorized share capital represents 700,000,000 (June 30, 2019: 700,000,000) ordinary shares of Rs. 10 each amounting to Rs. 7,000,000,000 (June 30, 2019: Rs. 7,000,000,000).

		December 31, 2019 (Rupees in '000) Unaudited	June 30, 2019 Audited
15	RESERVES		
	Reserve for replacement of fixed assets	64,692	62,118
	Surplus on remeasurement of available for sale investment to fair value	71,607	67,788
	Unrealized surplus on remeasurement of investments	425	426
	Accumulated profit	<u>1,342,852</u>	<u>1,313,415</u>
		<u>1,479,576</u>	<u>1,443,747</u>

15.1 Reserve for replacement of fixed assets

This represents the reserve created for replacement of fixed assets or any part thereof, relating to ISE Towers. Contribution to the reserve is made at a fixed rate by the tenants/occupants. The Company also set aside/contribute equivalent amount to this reserve from its accumulated profit.

		December 31, 2019 (Rupees in '000) Unaudited	June 30, 2019 Audited
16	ACCRUED AND OTHER PAYABLES		
	Proceeds from sale of assets of members in default	12,548	9,312
	Payable to sub lessees	11,375	11,375
	Accrued liabilities	18,231	17,152

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	December 31, 2019	June 30, 2019
	(Rupees in '000)	
Note	Unaudited	Audited
Withholding tax payable	164	82
Other payables	11,699	11,450
	<u>54,017</u>	<u>49,371</u>

17 ADVANCES AND DEPOSITS

Deposit from members against exposure	-	325
Current portion of advance rent	79,998	117,987
Clearing house deposits	-	3,210
Security deposits	68	68
Retention money	10,079	9,998
Others	374	374
	<u>90,519</u>	<u>131,962</u>

18 CONTINGENCIES AND COMMITMENTS

18.1 Contingencies

a) Legal case against the Company:

There has been no significant change in the status of contingent liabilities disclosed as at June 30, 2019.

b) Legal cases against the Company while operating as Stock Exchange:

There has been no significant change in the status of contingent liabilities disclosed as at June 30, 2019.

c) Tax contingencies

There has been no significant change in the status of tax contingencies disclosed as at June 30, 2019.

18.2 Commitment

There has been no significant change in the status of commitments disclosed as at June 30, 2019, except for the following;

Company's commitments for capital expenditure are Rs. 136.22 million (2019: Rs. 195.06 million). *pksew*

	Six months ended December 31,		Three months ended December 31,	
	2019	2018	2019	2018
Note	(Rupees in '000)			
	Unaudited			

19 OPERATING INCOME

Rental income from investment property	132,420	119,154	66,330	60,200
Other rentals	3,978	3,818	1,929	1,950
	<u>136,398</u>	<u>122,972</u>	<u>68,259</u>	<u>62,150</u>

20 OTHER ADMINISTRATIVE EXPENSES

Salaries and benefits	6,159	7,128	2,948	3,489
Directors' remuneration	1,450	260	950	170
Travelling and lodging	164	211	108	82
Postage, telephone and fax	314	331	178	148
Printing and stationery	562	584	497	532
News papers, books and periodicals	24	21	10	14
Publicity and advertisements	130	-	130	-
Rent, rates and taxes	1,972	1,892	992	1,387
Legal and professional charges	869	862	476	407
Auditors' remuneration	185	120	185	120
Contract services	139	352	69	162
Repairs and maintenance	120	443	104	385
Meetings and entertainment	605	669	289	518
MIS / technology charges	260	202	139	113
Electricity, gas and water	1,412	1,108	344	651
Insurance	1,372	1,627	634	808
Service charges	-	1,013	-	1,013
Corporate social responsibility	500	500	250	250
Miscellaneous	151	67	75	43
	<u>16,388</u>	<u>17,390</u>	<u>8,378</u>	<u>10,292</u>

21 OTHER OPERATING INCOME

Income from financial assets:

Profit on bank deposits & investment	21,887	8,381	10,634	4,530
Exchange (loss) / gain	(6)	45	(2)	33
Dividend received	4,694	3,978	4,694	3,978

Income from non financial assets:

Gain on disposal of operating fixed assets	997	-	-	-
Room transfer fee	629	1,001	428	161
Others	21.1 18,175	18,368	15,055	10,632
	<u>46,376</u>	<u>31,773</u>	<u>30,809</u>	<u>19,334</u>

21.1 This includes fixed asset replacement revenue amounting to Rs. 10.469 million, car parking fee amounting to Rs. 7.091 million and split unit charges amounting Rs. 1.768 million.

Six months ended December 31,		Three months ended December 31,	
2019	2018	2019	2018
(Rupees in '000)			

22 EARNING PER SHARE - BASIC AND DILUTED

Profit after tax	118,781	87,980	70,496	46,246
Weighted average number of shares in issue during the period (No. of shares)	367,186,963	367,186,963	367,186,963	367,186,963
Basic and diluted earning per share (Rupees)	0.32	0.24	0.19	0.13

22.1 There is no dilutive effect on basic earnings per share of the company.

	Note	December 31, 2019 (Rupees in '000) ----- Unaudited -----	December 31, 2018
23 CASH GENERATED FROM OPERATIONS			
Profit before taxation		151,160	116,006
<i>Adjustment for non-cash charges and other items:</i>			
Depreciation/amortization		31,091	34,591
Profit on bank deposits & investment		(21,887)	(8,381)
Exchange loss/(gain)		6	(45)
Dividend income		(4,694)	(3,978)
Gain on sale of operating assets		(997)	-
Share of profits from associated companies		(15,911)	(13,277)
Gain on reclassification of investment		-	(11)
Provision for gratuity		1,455	1,153
Provision for compensated absences		743	552
Financial charges		46	35
Working capital changes	23.1	(35,698)	(37,348)
		<u>105,314</u>	<u>89,297</u>
23.1 Changes in working capital			
Decrease / (increase) in current assets			
Account receivables		1,320	(782)
Advances, deposits and prepayments including long term advance		84	556
Other receivables		(305)	(5,915)
Increase / (decrease) in current liabilities			
Accrued and other payables		4,646	1,411
Advances and deposits		(41,443)	(32,618)
		<u>(35,698)</u>	<u>(37,348)</u>

24 RELATED PARTY TRANSACTIONS

Related parties include associated companies, directors and key management personnel. Investments in and balances with associated companies and other related parties are disclosed in the relevant notes to this financial statements. Transactions with related parties are as follows:

December 31, December 31,
2019 2018
(Rupees in '000)
----- Unaudited -----

Transactions with associates

Associate companies (related parties by virtue of common directors ship)

National Clearing Company of Pakistan Limited

Expenses incurred on behalf of associate	-	348
Utility charges	1,516	868
Amount received against utility charges	1,531	1,164

Pakistan Mercantile Exchange Limited (PMEX)

Utility charges	172	154
Amount received against utility charges	176	133

Transactions with directors

Utility charges	1,457	1,281
Amount received against utility charges	1,456	1,308

24.1 Remuneration of chief executive officer, executives and directors

	December 31,		December 31,		December 31,		December 31,	
	2019	2018	2019	2018	2019	2018	2019	2018
	Chief Executive Officer		Executives		Directors		Total	
(Rupees in '000)								
Managerial remuneration	1,848	1,816	1,661	3,265	-	-	3,509	5,081
Gratuity paid	300	-	1,134	-	-	-	1,434	-
Meeting fees	-	-	-	-	1,450	260	1,450	260
	<u>2,148</u>	<u>1,816</u>	<u>2,795</u>	<u>3,265</u>	<u>1,450</u>	<u>260</u>	<u>6,393</u>	<u>5,341</u>

Number of persons	1	1	1	3	10	10	12	14
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25 FAIR VALUE MEASUREMENT

The carrying values of all financial assets and liabilities reflected in the financial statements approximate their fair values. Fair value is the amount for which an asset could be exchanged, or a liability settled, between knowledgeable, willing parties, in an arm's length transaction.

The Company uses the following hierarchy for determining and disclosing the fair value of financial instruments by valuation technique:

Below.

- quoted prices (unadjusted) in active markets for identical assets or liabilities (level 1);
- inputs other than quoted prices included within level 1 that are observable for the asset or liability, either directly (i.e; as prices) or indirectly (i.e., derived from prices) (level 2); and
- inputs for the asset or liability that are not based on observable market data (unobservable inputs) (level 3).

The management assessed that the carrying value of cash and short term deposits, account receivables, other receivables trade and other payables and other current liabilities approximate their fair values largely due to the short term maturities of these instruments. Fair value is determined on the basis of objective evidence at each reporting date.

Transfers during the period

During the six month period ended December 31, 2019, there were no transfers into or out of Level 3 fair value measurements.

As at December 31, 2019 and June 30, 2019 the Company held financial instruments carried at fair value which comprising long term investment - FVTOCI. Moreover, Investment property is measured at fair value.

25.1 Investments of the Company carried at fair value are categorised as follows:

		As at December 31, 2019			
		Level 1	Level 2	Level 3	Total
		-----Rupees-----			
Assets					
Financial assets at fair value through other comprehensive income		-	-	123,525	123,525

		As at June 30, 2019			
		Level 1	Level 2	Level 3	Total
		-----Rupees-----			
Assets					
Financial assets at fair value through other comprehensive income		-	-	119,707	119,707

25.2 The investment property was valued on June 30, 2018 carried out by external independent valuer M/s Asif Associates (Private) Limited.

		As at December 31, 2019			
		Level 1	Level 2	Level 3	Total
		-----Rupees-----			
Assets					
Investment in property carried at fair value		-	-	3,743,586	3,743,586

- quoted prices (unadjusted) in active markets for identical assets or liabilities (level 1);
- inputs other than quoted prices included within level 1 that are observable for the asset or liability, either directly (i.e; as prices) or indirectly (i.e., derived from prices) (level 2); and
- inputs for the asset or liability that are not based on observable market data (unobservable inputs) (level 3).

The management assessed that the carrying value of cash and short term deposits, account receivables, other receivables trade and other payables and other current liabilities approximate their fair values largely due to the short term maturities of these instruments. Fair value is determined on the basis of objective evidence at each reporting date.

Transfers during the period

During the six month period ended December 31, 2019, there were no transfers into or out of Level 3 fair value measurements.

As at December 31, 2019 and June 30, 2019 the Company held financial instruments carried at fair value which comprising long term investment - FVTOCI. Moreover, Investment property is measured at fair value.

25.1 Investments of the Company carried at fair value are categorised as follows:

As at December 31, 2019			
Level 1	Level 2	Level 3	Total
-----Rupees-----			

Assets

Financial assets at fair value through other comprehensive income

-	-	123,525	123,525
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As at June 30, 2019			
Level 1	Level 2	Level 3	Total
-----Rupees-----			

Assets

Financial assets at fair value through other comprehensive income

-	-	119,707	119,707
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25.2 The investment property was valued on June 30, 2018 carried out by external independent valuer M/s Asif Associates (Private) Limited.

As at December 31, 2019			
Level 1	Level 2	Level 3	Total
-----Rupees-----			

Assets

Investment in property carried at fair value

-	-	3,743,586	3,743,586
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As at June 30, 2019			
Level 1	Level 2	Level 3	Total
-----Rupees-----			
Assets			
Investment in property carried at fair value	-	-	3,743,586
			3,743,586

25.3 Valuation techniques used to derive level 3 fair values - Investment in property

In the absence of current prices in an active market, the fair value is determined by taking into account the following factors:

- Cost of construction
- Quality of maintenance
- Physical condition
- Market price analysis

A reconciliation from opening balances to closing balances of fair value measurements categorised in level 3 is provided below:

	December 31, 2019 (Rupees in '000) Unaudited	June 30, 2019 (Rupees in '000) Audited
Opening balance (level 3 recurring fair values)	3,743,586	3,743,586
Fair value gain arised during the year	-	
Closing balance (level 3 recurring fair values)	<u>3,743,586</u>	<u>3,743,586</u>

There were no transfers between levels 2 and 3 for recurring fair value measurements during the period

The Company has revalued its leasehold land, buildings on June 30, 2018 by independent valuer M/s Asif Associates (Private) Limited on the basis of market value. The fair value of free hold land and buildings is a level 3 recurring fair value measurement.

26 CORRESPONDING FIGURES

The corresponding figures have been rearranged and reclassified, wherever considered necessary for the purposes of comparison and better presentation. Following major reclassification has been made in these financial statements on account of change in the presentation of balances which were disclosed as net figures previously.

Reclassification from	Reclassification to	Amount (Rupees in '000)
Accrued and other payables	Other receivables	1,286,730
Other receivables	Accrued and other payables	2,867,875

27 DATE OF AUTHORIZATION

These interim financial statements were authorized for issue on 28 FEB 2020.

28 GENERAL

Figures have been rounded off to the nearest thousand.

Advised.



CHAIRMAN



CHIEF EXECUTIVE OFFICER