



**ISE TOWERS REIT MANAGEMENT
COMPANY LIMITED**

**ISE
REIT**

**THE
TOWERS
OFFICE**

**ANNUAL
REPORT
2019**



**ISE
REIT**

VISION

To be the leading and most reliable, innovative and forward looking real estate investment trust in Pakistan delivering value to its shareholders ensuring sustainable returns, and commitment to all stakeholders by providing state of the art property solutions.

MISSION

- To achieve excellence in quality and service being provided to users of ISE REIT properties.
- To continuously improve and embrace latest technology and systems for providing a modern work space.
- To provide best value in returns with long term sustainability to our shareholders and investors.
- To provide excellent growth opportunities to our employees, suppliers and vendors and work towards common objective of mutual development.

OUR CORE VALUES

Our core values include:

Highest standards of ethics & integrity;

Commitment to all stakeholders;

Commitment to improved environment;

Commitment to our team with open communication;

Equal opportunity and fairness to all.



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**COMPANY
INFORMATION**

ISE TOWERS
55-B JINNAH AVENUE



BOARD OF DIRECTORS

Mr. Zahid Latif Khan	Chairman – Non Executive Director (NED)
Mr. Sagheer Mushtaq	Chief Executive Officer (CEO) - Acting
Mr. Adil Khan Swati	Non Executive Director (NED)
Mr. Aftab Ahmad Ch.	Independent Director (ID)/Real Estate Expert (REE)
Mr. Faisal Naseem	Non Executive Director (NED)
Mr. Farrukh Younas Khan	Non Executive Director (NED)
Ms. Farzin Khan	Independent Director (ID)
Mr. Masoom Akhtar	Independent Director (ID)
Mian Humayun Parvez	Non Executive Director (NED)
Mr. Mukhtar Hussain Jaffery	Non Executive Director (NED)
Mr. Sohail Altaf	Non Executive Director (NED)

Company Secretary/Internal Auditor

Mr. Zeeshan Shafique

Bankers

Allied Bank Limited
Askari Bank Limited
Bank Alfalah Limited
MCB Bank Limited
JS Bank Limited

Summit Bank Limited
United Bank Limited
National Bank of Pakistan
Samba Bank Limited

Auditors

BDO Ebrahim & Co. Chartered Accountants

Legal Advisors


M/s. Hassan & Hassan (Advocates)
M/s. Hassan Kaunain Nafees (Legal Practitioners and Advisers)


Share Registrar:

Central Depository Company of Pakistan Limited
CDC House, 99-B, Block B, S.M.C.H.S. Main Shahr-e-Faisal, Karachi.

Registered Office

55-B, ISE Towers, Jinnah Avenue, Islamabad-44000, Pakistan

 Tel: +(92-51) 111 473 473

 Fax: +(92-51) 111 473 329

 E-mail: info@isereit.com.pk

 URL: www.isereit.com.pk

BOARD OF DIRECTORS



Zahid Latif Khan
Chairman &
Non Executive Director (NED)

Mr. Zahid Latif Khan is the Chairman and nonexecutive Director of ISE Towers REIT Management Company Limited. He has already served as NED and Chairman of the Board of the Company during 2016-19 term. He is also the Chairman and Chief Executive Officer of M/s Zahid Latif Khan Securities (Private) Limited, a leading corporate brokerage house of Pakistan Stock Exchange having a wide branches network in Islamabad and adjoining areas. Besides running a corporate brokerage entity, Mr. Zahid also has the distinction of serving as Board member of other capital market institutions such as Islamabad Stock Exchange, Pakistan Mercantile Exchange Limited and NCEL Building Management Limited.

Mr. Zahid has played very effective role on the Boards of capital market institutions. He has been quite instrumental in implementation of modern corporate governance standards and advancing the idea of corporate social responsibility. In addition to his regular contributions at the Board level for

policies framing, Mr. Zahid has the distinction of playing key role in the establishment of Unified Trading Platform between Lahore & Islamabad Stock Exchanges, and operational launch of the Pakistan Mercantile Exchange, both of which are considered to be the landmark initiatives at the capital market landscape of the country.

The most prominent and landmark initiative taken by him has resulted in the integration of securities market of Pakistan. He has played very effective role towards creation of Pakistan Stock Exchange which has emerged after integration of stock exchanges of Karachi, Lahore and Islamabad. This measure has done away the market fragmentation and as a result the concept of one country, one exchange and one price has flourished. In addition to his valuable contributions in the corporate sector, Mr. Zahid Latif Khan has also played very dynamic role for the service of business/community. He has been the President of Rawalpindi Chamber of Commerce & Industries (RCCI) during the term 2017-18. He remained very instrumental in this capacity to help resolve the issues relating to the business community.

Mr. Zahid has a diversified experience of the stock brokerage business spanning over a period of twenty-five years. During his association with the securities industry, Mr. Zahid has achieved extensive hands on familiarity with multifaceted operational aspects such as Initial Public Offerings, Book Buildings, Risk Management Operations, Buy Back Pricing Models, Customer Account Relationships, Order Executions and Clearing & Settlement functions, etc. As the Chairman & CEO of his securities firm, Mr. Zahid has expanded the network of retail brokerage outlets which has seen remarkable growth in the business of his firm besides promoting the culture of stock investments amongst the smaller investors.

Mr. Zahid, having good academic back ground, also participated in various other domestic and international training programs, seminars and conferences. Mr. Zahid is also a graduate of National Security Workshop (NSW) organized by National Defense University for the leading parliamentarians, bureaucrats, armed forces officers and business leaders in Pakistan. He is a certified director by the Institute of Cost and Management Accountant of Pakistan (ICMA), a duly licensed body for the purpose by SECP in terms of Code of Corporate Governance. Besides the above, Mr. Zahid also takes time out for delivering lectures on stock market issues to various educational institutions, trade bodies and investors' gatherings in Pakistan. Mr. Zahid travels extensively and has undertaken many study visits to the leading stock markets and financial institutions of the world.

BOARD OF DIRECTORS



Sagheer Mushtaq
Chief Executive Officer

and systems and effective compliance function. Earlier to joining the Company, has was associated with Pakistan Stock Exchange as Regional Head of Islamabad and Lahore region.

He is a member of Institute of Cost & Management Accountants of Pakistan and is also a commerce graduate from Bahauddin Zakariya University Multan.



Mukhtar Hussain Jaffery
Non Executive Director

establish the Pakistan Stock Exchange and Mr. Jaffery played a leading role for that integration. Simultaneously the Company with new name and scope initiated its business as ISE Towers REIT Management Company Limited. He is also a member of Human Resource and Remuneration and Audit Committees of the Board.

He took initial training in accounting, audit, tax and financial management from A.F. Ferguson & Co., Chartered Accountants (member firm of PWC), Karachi and qualified as a chartered accountant in 1968 from the Institute of Chartered of Accountants of Pakistan, presently holding FCA certification. He attended courses on: financial management, risk based audits, forensic accounting, procurement audits, etc offered by ICAP, AICPA, LUMS, and other institutes. He got certification in Financial and HR Management from Institute of Management of University of Alberta, Canada. In addition to these professional qualifications, he also regularly attends professional courses and seminars on different professional subjects as a part of Continuing Professional Development program.

Before joining a professional firm Mr. Jaffery had gained extensive experience of working in oil and gas industry and has served Attock Oil Group of Companies for more than twenty years and lastly he joined Oil and Gas Company Limited (OGDCL) and served there as CFO. Mr. Jaffery has also served on the Boards of Attock Refinery Limited (ARL) and Islamabad Electric Supply Company (IESCO) representing general public interest.

He served oil and gas industry for a considerable period and gained extensive experience in working in senior positions with Attock Oil Group of Companies and Oil & Gas Development Company Ltd. He remained on the Board of Directors of a number of private and public companies including Islamabad Electric Supply Company as Independent Director representing public interest.

At present he is also working as a Senior Partner with Naveed Zafar Ashfaq Jaffery & Co., Chartered Accountants. The firm has offices in Karachi, Lahore, and Islamabad. He has wide exposure and has gained extensive working experience in undertaking various large assignments in Central Asian Countries and Pakistan.

Whilst, working with various donating agencies as a Project Financial Consultant he conducted reviews of various projects in public and private sectors and Public Financial Management Systems and Ex-Post examination of different projects funded by such agencies. He has expertise in investigation and forensic accounting and in his professional capacity has conducted a number of comprehensive investigations of large companies in public and private sectors on behalf of SECP and others.

BOARD OF DIRECTORS



Sohail Altaf
Non Executive Director

Mr. Sohail Altaf is an elected Non Executive Director . He has already served as NED on the Board of the Company during 2016-19 term. Mr. Sohail Altaf is the Chief Executive of Central Motors, Rawalpindi.

Mr. Sohail is a Life Member of Federation of Pakistan Chamber of Commerce and Industry since 1998. He is Member of various trade and commercial bodies such as PAK AFGHAN Trade Committee, PAK CHINA Business Council, Board of Investment, Standing Committee on Arts & Culture, Rawalpindi Chamber of Commerce & Industry, Federal Tax Ombudsman (FTO) Advisory Committee. He has been the President Pakistan Vocational Training Institute and Rawalpindi Chamber of Commerce and Industry. He also held the position of Vice President & Zonal Chairman, Federation of Pakistan Chambers of Commerce & Industry, Islamabad Office and also led its various bodies and standing committees. Earlier he was a Pilot Officer in Pakistan Air Force. He

is a famous figure in business circles of Pakistan. He has been the part of various official delegations of Pakistan lead by heads of Government and Federal Ministries and visited Iran, Afghanistan, Thailand and Bangladesh. He also represented Pakistan Trade Delegations to Australia, Singapore, Thailand, Indonesia, Malaysia, Kazakhstan, Kyrgyzstan, Japan, Saudi Arabia, Turkey, Greece, UAE, Italy, Argentina, Brazil, USA, UK, Jordan, Cyprus, Sri Lanka, Yemen, China, Egypt and Vietnam.

He has also participated in First National Security Workshop held under the auspices of National Defense College spanning over six weeks. He also won Life Time achievement award of the year 2015 by Rawalpindi Chamber of Commerce and Industry. The President of Pakistan awarded Gold Medal to him in recognition of Meritorious Services for Business Community at FPCCI Award Ceremony on 27th August 2002. The Prime Minister of Pakistan also awarded him Gold Medal in recognition of meritorious services for business community at FPCCI Award Ceremony on 09th August 2004.



Farrukh Younas Khan
Non Executive Director

Mr. Farrukh Younas Khan is an elected Non-Executive Director of the Board of ISE Towers REIT Management Company Limited. He has already served as NED on the Board of the Company during 2016-19 term. Besides, being a member of the Board of Directors, he is also a member of the HRR Committee, Audit Committee, Risk Management Committee and the Building Management and Revenue Generation Committee of ISE Towers REIT Management Company. He is the Chief Executive of Y S Stocks (Pvt) Limited. He had been running a brokerage house of Pakistan Stock Exchange Limited. He was also the Chief Executive and Director of MF Stocks (Pvt) Limited.

Mr. Farrukh Younas Khan has been in the business of stocks/securities for twenty-eight years, at Lahore Stock Exchange, Islamabad Stock Exchange and Pakistan Stock Exchange. He has been an elected Director of former Islamabad Stock Exchange thrice. He was also a member of the Demutualization Committee of the Islamabad Stock Exchange. As a member of the said Committee he devotedly participated in the proceedings of the Committee for the corporatization, demutualization and finally integration of ISE. He was also the member of the Arbitration Committee of the Islamabad Stock Exchange.

He is also Corporate Member of various Committees of Rawalpindi Chamber of Commerce and Industry (RCCI). Besides he remained the Chairman of Capital and Mercantile Market of RCCI. He was also the member of Administration and Banking Committees of RCCI.

Mr. Farrukh holds vast exposure in the field of administration, arbitration, building management, business management, banking operations and human resource management. He has participated in various professional training courses and seminars. He is an effective negotiator and possesses excellent relationship building, interpersonal, organizational, analytical and leadership skills.

BOARD OF DIRECTORS



Aftab Ahmad Ch.
Independent Director

Mr. Aftab is an Independent and Real Estate expert Director on the Board of ISE Towers REIT Management Company Limited. He has already served as Independent and Real Estate expert Director of Company during 2016-19 term. He is also the member of the Human Resource and Remuneration Committee and Risk Management Committee of the Company. He is also serving as the Director on the Board of Pakistan Mercantile Exchange. Besides, he also acts as the Honorary Secretary General of the South Asian Federation of Exchanges. He is also involved in international capital market consulting and IPO advisory work. As an independent director, he has played very productive role for the development of the Company. He is a certified Director from LUMS, an institute accredited by SECP for Directors Training Programme. Mr. Aftab has earlier worked as the Senior Policy Advisor for USAID Pakistan's Financial Market Development Project, which focused on modernizing and strengthening the domestic markets

for Sovereign & Corporate Debt, Commodity Trading & Warehousing Receipt Finance, SME Capital Raising & Private Equity, as well as Innovative SME Lending Techniques.

Before joining FMD, Mr. Aftab served as the CEO of Lahore and Islamabad Stock Exchanges, and COO/CEO Designate of National Asset Management Company in Pakistan., He has also been a Board/Committee member of some other capital market entities and bodies, such as; Federation of Euro Asian Stock Exchanges (FEAS), National Commodity Exchange, Pakistan Credit Rating Agency, VIS Credit Rating company, Institute of Capital Market and Pakistan Institute of Corporate Governance.

Both at LSE and ISE, Mr. Aftab was instrumental in improving the market oversight and regulatory enforcement standards and led to the creation of a Unified Trading Platform between these exchanges. He also initiated the long-stalled construction of ISE Towers and LSE Plaza respectively, leading to the financial consolidation of these exchanges. He has also been the main driving force in bringing SAFE to its heightened level of recognition and progress where he vigorously pursued the objectives of cross border investments, regional financial integration, regulatory harmonization, development/launch of SAFE-Dow Jones index and the start of the Pakistani and Mauritius based funds linked to the respective country sub-indices of DJ SAFE index.

Mr. Aftab has also worked on few advisory/consulting assignments related to the capital markets, infrastructure and corporate finance etc in the South Asian region such as for Infrastructure Project Development Facility in Pakistan, restructuring & privatization of Maldives Stock Exchange and Depository Company; system requirement identification for Chittagong Stock Exchange, Nepal Stock Exchange and the demutualization plan for the Chittagong Stock Exchange.

Mr. Aftab has about 30 years' experience in a variety of progressive assignments at different entities both within and outside Pakistan. He started his career as a commissioned officer, which he resigned subsequent to his MBA degree while on extra ordinary leave. He has also worked on a logistics assignment during United Nations Operations in Somalia (UNOSOM). Mr. Aftab holds an MBA degree from Nicholls State University, Thibodaux and is also a graduate of the Executive Management Program from the Stanford University, USA.

BOARD OF DIRECTORS



Farzin Khan

Independent Director

Ms. Farzin is presently serving as National Programme Manager – Anti Corruption/AML at United Nations Office on Drugs & Crime (UNODC) Pakistan. Previously, she has served as Deputy Chief of Project for USAID’s Financial Market Development (FMD) Project Islamabad. In her recent roles with leading donors in the development sector, she has handled extensive support portfolios at national level for various regulatory and financial institutions and gained extensive experience of Financial Oversight & Regulation, Compliance & Corporate Governance, Stakeholder Communications & Advocacy as well as Project Management & Strategic Policy Planning.

Ms. Farzin has twelve plus years of local and regional experience across legal & regulatory enforcement agencies, regional governmental bodies and donor sectors. She has successfully demonstrated her hands-on experience of policy level strategic interventions, institutional conflict management and working with senior executives, corporate boards, advisory committees. She is known for her developed & experienced communications & advocacy skills for external relations management especially with government agencies and regulatory bodies. She also enjoyed international and regional exposure through extensive travels, direct interactions and contacts with business professionals in Pakistan, South Asia and other business capitals.

During her professional career, she has held positions like the Deputy Secretary General of the South Asian Federation of Exchanges (SAFE)-an industry association comprising of 24 securities market institutions from South Asia as well as from Mauritius and UAE. Besides this, she also undertakes various advisory, consulting and research assignments related to capital markets, corporate governance, business development and regional economic networks. In her earlier assignments, Ms. Farzin worked in a number of national level regulatory institutions such as the Competition Commission of Pakistan as well as the Securities and Exchange Commission. During her initial career, Ms. Farzin also worked with many financial consumers while performing as the relationship associate in the domestic banking industry.

Farzin has valuable experience of working with a variety of domestic and international capital market institutions including the stock & commodity exchanges, the depository & clearing entities, credit rating agencies, investment banks and the brokerage industry etc. Besides this, she also has an elaborate outlook as an advocacy and international relations expert relating to competition and consumer protection laws, regulatory systems, regional trade/commerce/industry networks and international financial matters including regional economic integration. As an independent consultant, Ms. Farzin is known for her astute project management skills duly focusing on regular progress of the projects and developing turn-key solutions for successful implementation. As a professional manager, she has very strong and effective financial, human resource and administrative management skills and has successfully organized and managed numerous international events and capacity building programs including the oversight of the marketing campaigns, activities and initiatives.

In recent years Ms. Farzin has worked on a number of corporate governance assignments and successfully graduated as a Certified Director from the Lahore University of Management Sciences (LUMS) as per SECP approved program. She is an active member of the Women on Board Pakistan initiative, the first ever effort in Pakistan to increase the number of women professionals in senior board level positions. She speaks regularly at seminars and events at regional and national level on her areas of expertise as well as growing role of Women in financial world.

Ms. Farzin has an extensive educational and training background. She holds an MBA in Finance as well as a Masters in Financial Management from the University of Bedfordshire Business School, United Kingdom, besides having attended many other career development programs, seminars and conferences. She also has the distinction of being an IVLP Scholar under the United States funded Program on Financial Reforms. Alongside her professional accomplishments, she is happily married since thirteen years and has a ten years old son. In her own words, she greatly values work life balance and promotes organizational commitment for promoting both gender equality and an enabling rather encouraging environment for female professionals.

BOARD OF DIRECTORS



Masoom Akhtar
Independent Director

Mr. Masoom Akhtar B.Com, FCIS, FCA is a senior partner of a leading firm of Chartered Accountants that has offices in all major cities of the country. He is an Independent Director and the Chairman of the Audit Committee of ISE Towers REIT Management Company Limited. He has already served as Director on the Board of the company and as Chairman of the Audit Committee during the term 2016-19. He has made valuable contributions in strengthening internal controls of the Company in his past tenure.

.He was admitted to fellowship of the Institute of Chartered Accountants of Pakistan (ICAP) in 1991, and is also a Certified Director from ICAP. With extensive experience of over 29 years in finance, taxation, audit/assurance and consulting, he has attained valuable expertise in investigation, dispute resolution and arbitration. He was on the panel of Advisory and Arbitration Committee of Islamabad Stock Exchange Company Limited as "industry expert" and played an active part in resolving a number of Arbitration cases. He currently serves on the Advisory and Arbitration Committee of Pakistan Stock Exchange and is also on the panel of the financial consultants of the World Bank. He has been associated with a number of projects of United Nations Development Program reviewing compliance of their internal controls etc. He assisted the sales tax appellate tribunal as commissioner in disposal of appeals. He has also served as a member of Continuing Professional Development Committee as well as Technical Advisory Committee of the Institute of Chartered Accountants of Pakistan.

With a vast experience in the field of real estate he is consistently providing consultancy for various projects including Asia's biggest real estate developers.



Faisal Naseem
Non Executive Director

Mr. Faisal Naseem is an elected Non-Executive Director of the Board of ISE Towers REIT Management Company. He has diversified experience, in stock exchange as a founder member of a brokerage house since 2003. He managed various projects in real-estate and construction. He has also established a food business UK. He is heading contracts, procurement, administration of Air Blue, a leading private sector airline in Pakistan. Besides that he is also serving community as volunteer through a NGO's projects.

Mr. Faisal Naseem has investments affiliation with Stock Exchange since 1998. He has been an active investor and have worked on the board of directors of a leading Brokerage house namely General Investment & Securities (Pvt) Limited since incorporation in March 2003. As a result he has got a rich experience and deep understanding of stocks investment and the challenges being faced by the investors and brokerage community.

He is also managing procurement, administration, legal and asset management of the airline where he has managed various key projects of the company including transport, assets acquisition, construction. In his versatile business and management experience, he has been a part of various business ventures, investments in international and domestic markets.

Business Establishment in the UK is one of the International Project Managed by Mr. Faisal Naseem. He has played a key role in the establishment of the high end restaurant in 2015, which is successfully in operation. Mr. Faisal Naseem is also a part of planning and establishment of flight kitchen currently operating in Islamabad , Lahore , Multan for providing in-flight meals to more than 10 local and international airlines.

Mr. Faisal Naseem, started his professional career as Manager Administration & HR, at Allied Software (Pvt) Ltd. He continuously served at the position from 1998 to 2001. He was involved in multiple tasks and provided his services in HR operations, procurement and administration.

Along with his professional career, Mr. Faisal Naseem has been actively involved in community support projects. His notable community involvement is with Fatima Welfare Foundation, a US Based NGO where he has participated in relief work in Kashmir after Earthquake in 2005. Along with that, he was a founder member of Helpcount.org deregister in 2013-2014, a local NGO established to support Swat IDP's & Flood victims in 2010. Mr. Faisal Naseem holds a bachelors degree in arts.

BOARD OF DIRECTORS



Mian Humayun Parvez
Non Executive Director

Mian Humayun Parvez is an elected Director of ISE Towers REIT Management Company. He belongs to an eminent business family. His grandfather, Mian Muhammad Aslam, a renowned businessman belonged to Hazaro, was elected as the president of Rawalpindi Chamber in 1960. His father, Mian Parvez Aslam, an eminent personality among the business community of Rawalpindi was also President of Rawalpindi Chamber. Mian Humayun Parvez being the third generation of this distinguished business family continued the family legacy to be the President of Rawalpindi Chamber of Commerce and Industry in 2015-16. After getting his early education in renowned educational institutions of Rawalpindi, he went to University of Arizona in Tucson, Arizona, USA for his engineering degree in the discipline of Industrial Engineering.

After completing his engineering qualification, he came back to Pakistan and joined a textile mill in the capacity of the production manager. After six years, working for the textile unit in Kasur, Punjab, he started his own business of stock trading by activating the Islamabad Stock Exchange brokerage house business in 1998 which was there since 1992. His brokerage firm of whom he was the Chief Executive Officer was a renowned corporate member representing his family business name of Mian Parvez Aslam Securities (Pvt) Limited, duly registered with Securities and Exchange Commission of Pakistan (SECP). He was member of different standing committees of the exchange and then in the year 2009, he was elected as director on the board of Islamabad Stock Exchange. When Islamabad Stock Exchange got demutualized in August, 2012 he was again elected as director on the first board of the demutualized exchange. It is worth mentioning here that his grandfather, Mian Muhammad Aslam, was one of the founder member of Rawalpindi Chamber of Commerce and Industry and his father, Mian Parvez Aslam, was one of the founder member and director on the first board of the Islamabad Stock Exchange. He had been certified as broker by Institute of Capital Markets (ICM). He is a certified director by Institute of Cost & Management Accountants of Pakistan (ICMAP) and also a lifetime member of Engineering Council of Pakistan. He participated as a representative of the private sector in the National Strategic Workshop (NSW-9) at National Defence University in Islamabad.

His Rawalpindi Chamber chapter started in 2011. He was elected as senior vice president for the period 2014-15 and elected as President of Rawalpindi Chamber for the period 2015-16. During his tenure as President, Rawalpindi Chamber became the first national chamber to organize the Achievement award internationally in Dubai, UAE. Brought into limelight the importance of trade with Central Asian States through the event 'FACTS' in collaboration with USAID program Pakistan Regional Economic Integration Activity (PREIA) and took a delegation to exhibit an expo and conference in Dushanbe, Tajikistan. The Chamber Police Coordination Committee (CPCC) was also formed by the Rawalpindi Chamber during his tenure to facilitate the issues of business community that are to be dealt by the police and vice versa.

After the merger of the stock exchanges in Pakistan, his company became a member of Pakistan Stock Exchange and shareholders of the new company ISE REIT Management Company Limited. He is also a director on the board of Mian Mohammed Din Mohammed Aslam (Pvt) Limited.

BOARD OF DIRECTORS



Adil Khan Swati
Non-Executive Director

Mr. Adil Khan Swati is an elected Non-Executive Director of the Board of ISE Towers REIT Management Company Limited. As Board member, Mr. Adil is playing a significant role for determining and implementing policies and making decisions for the development of the Company. He is also a member of Building Maintenance Committee of the Company. As a member of this Committee, he is making effective contributions for improvement of services standards of ISE Towers.

Mr. Adil Khan Swati has a diversified experience in Capital market, Commodity market, Manufacturing industry, Real Estate and Events Management Business. He has been managing Pine Group of Companies since 2009. He is holding portfolio of Pine Commodities (Private) Limited as Chief Executive Officer/Director since December 2009. He has been the Chief Executive of Pine Securities (Private) Limited, a corporate TREC holder of the Pakistan Stock Exchange Limited. Mr. Adil has successfully managed stock brokerage business since January 2010. Beside that he is also a Director of Pine Match (Private) Limited, a leading manufacturer of safety matches in Pakistan. He has made valuable contributions for strengthening the internal controls of the company. Recently he has also initiated a pharmacy business under the name and style of Pine Pharmacy with a vision to provide high quality medicines and surgical stuff at affordable prices.

Mr. Adil Khan Swati has been awarded Pakistan's Market Regulation & Commodity Broker's Certification from Institute of Capital Market (ICM). He has gained Masters degree in Business Administration from United Kingdom and has also studied various levels of Association of Chartered Certified Accountants (ACCA). He has served as an Audit Associates in BDO International, Chartered Accountants. During his experience as an audit associate he has gained hands on experience in multi-dimensional industries and financial institutes. Mr. Adil Khan Swati has excellent leadership, motivational, time management, analytical and interpersonal skills which make him a successful businessman.

Apart from business, Mr. Adil is a social activist. He likes to indulge in social causes. Green environment and poverty eradication are his special focus of attention. He has initiated multiple programs to help and empower poor masses for earning sustainable livelihood. His philanthropist activities are based on his philosophy to serve humanity.

Executive Management



Zeeshan Shafique
Company Secretary/IA

and also regularly attends courses and seminars on different professional subjects as a part of Continuing Professional Development program.

Prior to joining ISE REIT, he was associated with Premier Group of Companies (Pakistan's oldest Commerce & sugar industry since 1950) as Assistant General Manager, Internal Audit department.

Mr. Zeeshan Shafique, Associate Chartered Accountant (ACA), is the Company Secretary and Head of Internal Audit of ISE Towers REIT Management Company Limited. He joined the Company as Head of Internal Audit in February 2017 and appointed as Company Secretary on ad-hoc basis in September 2019. With cumulative work experience of over 9 years in audit / assurance, he gained expertise in external/internal auditing, internal controls evaluation and risk management.

He took initial training in accounting, auditing, taxation and financial management from A.F. Ferguson & Co. Chartered Accountants (member firm of PwC) Islamabad and qualified as a Chartered Accountant in 2015 from the Institute of Chartered Accountant of Pakistan. He obtained certifications in MS Office tools, presentation & communication skills



Syed Nayyer Ashfaq
Senior Manager
Operations & Facilities

Syed Nayyer Ashfaq has been associated with ISE Towers REIT Management Company Limited (Formerly Islamabad Stock Exchange Limited) from 1992 2001 and from 2006 to date as Senior Manager, Operations & Maintenance ISE Towers. He is Master of Business Administration. He also holds Diploma in Human Resource Function Professional (HRFP) from Shaheed Zulfiqar Ali Bhutto Institute of Science & Technology (SZABIST), Islamabad. He possesses excellent administration and management skills. He is the overall Incharge of Operations and Maintenance Department of the Company. Being the Senior Manager (Department of Operations and Maintenance-ISE Towers), his major responsibility is to ensure the smooth functioning/operations of ISE Towers.



Ghulam Sarwar
Chief Security Officer/
Manager HSE

Mr. Ghulam is the Chief Security Officer/Manager (HSE) ISE Towers REIT since October 2009. He is responsible for overall security and safety of the Towers. He prepared necessary SOPs and implemented and achieve the targeted results through physical/electronic security/safety. He is also responsible for keeping close liaison with the law enforcement agencies and issue security advisory to the Senior Management. Before joining the ISE, he has served in Airports Security Force Pakistan (ASF) for 31 years and retired as Chief Security Officer, Islamabad Airport in the rank of Director of ASF. During service in ASF, he held many operational, command and staff appointments including command of major civil airports of the Country. He also served in ASF as an Intelligence Head for ensuring timely dissemination of critical threat/security information to all concerned for proactive planning and preventing measures. He has participated in several securities, intelligence and bomb disposal courses locally and abroad.

A photograph of a human hand, palm up, holding a dark green rectangular sign. The sign has white text on it. The background is a light green gradient.

**NOTICE OF THIRTIETH
ANNUAL GENERAL
MEETING**

Notice of Thirtieth Annual General Meeting

Notice is hereby given that the Thirtieth Annual General Meeting of ISE Towers REIT Management Company Limited will be held on Monday, October 28, 2019 at 3:30 P.M. at ISE Towers Auditorium, 55-B, Jinnah Avenue, Islamabad to transact the following ordinary business:-

- 1) To confirm the minutes of Thirty Fourth Extra Ordinary General Meeting of the ISE Towers REIT Management Company Limited held on March 08, 2019.
- 2) To receive, consider and adopt the audited financial statements for the year ended June 30, 2019 together with the Directors' and Auditors' Reports.
- 3) To consider and approve final cash dividend at Re.0.24 per share i.e., 2.4% as recommended by the Board of Directors for the year ended June 30, 2019.
- 4) To appoint Auditors for the year ending on June 30, 2020 and to fix their remuneration. The retiring auditors M/s. BDO Ebrahim and Co., Chartered Accountants have given their consent for re-appointment.
- 5) To transact any other ordinary business with the permission of the Chair.

By order of the Board



(Zeeshan Shafique)
Company Secretary

Islamabad, October 04, 2019

Notes for the Members:

CLOSURE OF SHARE TRANSFER BOOKS:

- i. The share transfer books of the Company will remain closed and no transfer of shares will be accepted for registration from October 21, 2019 to October 28, 2019 (both days inclusive). Transfers received in order at the Shares Registrar Department of M/s Central Depository Company of Pakistan Limited, CDC House, 99-B, Block 'B', S.M.C.H.S., Main Shakra-e-Faisal, Karachi-74400, Pakistan by the close of business on October 20, 2019 will be treated in time for the purpose of entitlement to attend and vote at the meeting and the dividend, if approved by the meeting.
- ii. A member may appoint another member of ISE Towers REIT Management Company as proxy to attend and vote on his / her behalf. Proxies in order to be effective must be received at the Registered Office of the Company duly stamped and signed not less than 48 hours before the meeting i.e., on or before 3:30 p.m. October 26, 2019.
- iii. In case of individuals, the account holders or sub-account holders and/or the persons whose securities are in joint account and their registration details are uploaded as per the regulations, shall authenticate their identity by showing their original Computerized National Identity Card (CNIC) or original passport at the time of attending the meeting.
- iv. In case of corporate entities, the Board of Directors' resolution/power of attorney with specimen signature of the nominees shall be produced at the time of the meeting for participation in the AGM.

Notice of Thirtieth Annual General Meeting

FOR APPOINTING PROXIES:

- v. In case of individuals, the account holders or sub-account holders and/or the persons whose securities are in joint account and their registration details are uploaded as per the regulations, shall submit the proxy form as per the above requirements. The proxy form shall be witnessed by two persons whose names, addresses and CNIC numbers shall be mentioned on the form.
- vi. Attested copies of CNIC or the passport of the beneficial owners and the proxy shall be furnished with the proxy form.
- vii. The proxies shall produce their original CNIC or original passport at the time of meeting.
- viii. In case of corporate entities, the Board of Directors' resolution/power of attorney with specimen signature of the person nominated to represent and vote on behalf of the corporate entity, shall be submitted along with proxy form to the Company

DEDUCTION OF INCOME TAX FOR FILER AND NON FILER:

- ix. Tax at source will be deducted as prescribed for filer and non-filer of income tax returns in terms of section 150 of the Income Tax Ordinance, 2001.
- x. In case of Joint account, each holder is to be treated individually as either a filer or non-filer and tax will be deducted on the basis of shareholding of each joint holder as may be notified by the shareholder, in writing as follows, to our Share Registrar, or if no notification, each joint holder shall be assumed to have an equal number of shares.

Company Name	Folio/ CDS Account No	Total Shares	Principal Shareholder		Joint Shareholder	
			Name & CNIC No.	Shareholding proportion (No. of Shares)	Name & CNIC No.	Shareholding proportion (No. of Shares)

- xi. The CNIC number/NTN details are now mandatory and are required for checking the tax status as per the Active Taxpayers List (ATL) issued by Federal Board of Revenue (FBR) from time to time.

EXEMPTION FROM DEDUCTION OF INCOME TAX / ZAKAT:

- xii. Members seeking exemption from deduction of income tax or are eligible for deduction at a reduced rate, are requested to submit a valid tax exemption certificate or necessary documentary evidence as the case may be. Members desiring non-deduction of zakat are also requested to submit a valid declaration for non-deduction of zakat with their respective CDC accounts maintaining authorities before the book closure date i.e., on or before October 20, 2019.

TRANSMISSION OF ANNUAL REPORTS THROUGH E-MAIL:

- xiii. The SECP vide SRO 787 (1)/2014 dated September 08, 2014 has provided an option for shareholders to receive audited financial statements along with notice of Annual General Meeting electronically through email. Hence, members who are interested in receiving the annual reports and notice of Annual General Meeting electronically in future are requested to inform their email addresses along with consent form to the Company's Share Registrar. The Company shall, however additionally provide hard copies of the annual report to such members, on request, free of cost.

CHANGE OF ADDRESS:

- xiv. Members are requested to promptly notify any change of address to the Company's Share Registrar.

AVAILABILITY OF AUDITED FINANCIAL STATEMENTS ON COMPANY'S WEBSITE:

- xv. The audited financial statements of the Company for the year ended June 30, 2019 are also being made available on the Company's website www.isereit.com.pk in addition to annual and quarterly financial statements for the prior years.

PAYMENT OF DIVIDEND:

- xvi. In terms of Companies (Distribution of Dividend) Regulations, 2017, dividend payable in cash may be paid through either of the three modes chosen by the respective shareholder via its mandate viz. i) direct transfer into the designated bank account; or ii) dividend warrant; or iii) cross cheque. If any shareholder wishes to change the mandate provided, it shall do so in writing to the Registrar of the Company which shall become applicable and effective for any future cash dividend payouts. Moreover, if any shareholder wishes to get the cash dividend through electronic mode directly into bank account, such shareholder is requested to update requisite details as per following format with relevant CDC account maintaining authority:

Notice of Thirtieth Annual General Meeting

E - Dividend Mandate

I hereby communicate to receive my future dividends directly in my bank account as detailed below:

Shareholder's Detail

Name of shareholder:

Folio No./CDC Participants ID A/c No.:

CNIC No.:

Passport No. (in case of foreign shareholder):

Cell Number & Land Line Number:

Email Address (Mandatory):

Shareholder's Bank Detail

Title of Bank Account (Mandatory):

International Bank Account Number (IBAN) Mandatory (24 Digits)" P K _____

Bank's Name Branch Name and Address: _____

I hereby confirm that the above mentioned information is correct and in case of any change therein, I shall immediately communicate Broker/Participants/Investor Account Services of the Central Depository Company of Pakistan Limited / Share Registrar accordingly.

(Signature of shareholder)

- xvii. IT MAY KINDLY BE NOTED THAT THE COMPANY SHALL WITHHOLD THE PAYMENT OF DIVIDEND OF A MEMBER WHERE THE MEMBER HAS NOT PROVIDED THE COMPLETE INFORMATION OR DOCUMENTS AS SPECIFIED. The shareholders shall submit the Dividend Mandate Form, properly filled-in, to the relevant Broker/Participants/Investor Account Services of the Central Depository Company of Pakistan Limited where Member's CDC account is being maintained.
- xviii. The CDC account holders and sub-account holders are required to bring with them their Computerized National Identity Card along with the participant ID numbers and their account numbers in order to facilitate identification.
- xix. The Shareholders who could not collect their previous dividend are advised to contact the Company to collect their unclaimed dividend, if any. In compliance with Section 244 of Companies Act, 2017, after having completed the stipulated procedure, all such dividend outstanding for a period of 3 years or more from the date due and payable shall be deposited to the credit of Federal Government.
- xx. The Shareholders should also notify our Share Registrar M/s Central Depository Company of Pakistan Limited regarding any change in their addresses and ensure to submit copies of their up-to-date CNICs.



Zahid Latif Khan
Chairman

CHAIRMAN'S REVIEW

Dear Shareholders

I am pleased to welcome the members to the Thirtieth Annual General Meeting of ISE Towers REIT Management Company Limited and present the Company's annual report for the year ended June 30, 2019.

The Company showed consistently good performance and posted improved financial results in terms of revenues, profitability and return to the shareholders. The Board of Directors of the Company, this year too, decided to recommend final cash dividend of Re. 0.24 per share to its shareholders. The Company also contributed a sum of Rs. 57.99 million to the national exchequer on account of direct taxes.

This year, the country faced number of challenges including devaluation of Pak currency, high inflation rate, depressing economic conditions etc. The real estate sector also remained under tremendous pressure due to such factors. However, despite all these odds, ISE Towers has been enjoying hundred percent occupancy level.

The launch of REIT Scheme(s) has been the primary focus of the Board. The completion certificate of ISE Tower is at last leg, being pre-requisite for launch of REIT Scheme. Besides, all other formalities have been fulfilled. Immediately upon completion certification of ISE Towers, ISE Towers' properties will be converted into a Rental REIT Scheme. Side by side, the Company has been exploring other avenues to launch more REIT Schemes in joint venture. The Board has also been considering number of proposals for diversification of its businesses in order to strengthen its revenue streams and to create value for its stakeholders. I believe that all these initiatives will transform the Company as a leading RMC in the country.

The Company has also presented detailed proposals to the Government Institutions including Federal Board of Revenue, Securities and Exchange Commission of Pakistan and State Bank of Pakistan, suggesting the measures so as to groom this sector. Hopefully all these measures would pave the way for the growth of the REIT sector in Pakistan.

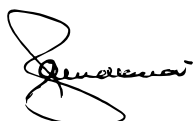
The Board has given special attention for the upkeep, safety and security of the ISE Towers and all possible efforts have been made to provide maximum comfort and safe working to the occupants and visitors. A Committee constituted by the Board works very hard and constantly makes recommendations in this regard. In line with the vision of the Board to provide maximum comfort to the valuable business partners at ISE Towers, three elevators have already been replaced with a good brand whereas remaining three elevators are also in replacement phase. After installation of new highly efficient elevators, vertical movement in ISE Towers would become much easier. The fire safety of the building and its occupants is the top priority and accordingly new fire safety measures are being taken in ISE Towers whereby a most modern smoke venting system, yard hydrants and gas detectors etc. are being added in the fire safety hardware installed in ISE Towers.

The Company has been complying with the Listed Companies (Code of Corporate Governance) Regulations, 2017 to the extent as applicable to the Company. The Board is supervising the affairs of the Company efficiently and effectively. The Audit Committee and Human Resource and Remuneration Committee of the Board are performing their respective functions in diligent manner. The Board has also constituted Risk Management Committee and Nomination Committee in terms of above Regulations. The Building Management Committee of the Company has also rendered valuable services for the better maintenance of ISE Towers.

The overall performance of the Board has been assessed satisfactory. The Board is also in the process of devising the mechanism for annual evaluation of the Board of Directors and its Committees. The Chief Executive Officer of the Company has been delivering his duties with best of his abilities.

I am extremely thankful to my fellow board members who contributed well in the Board matters. I would also like to place on record the immense contribution of the board members who retired during this year.

I would also like to thank the employees of the Company for their dedicated services. I am also grateful to Government of Pakistan, particularly the Ministry of Finance, Federal Board of Revenue and specially the Securities and Exchange Commission of Pakistan for their continued support extended to REIT Sector in general and to our company in particular. I am also grateful to the shareholders and our valued customers for their continued support.



Zahid Latif Khan
Chairman



A photograph of a human hand, palm up, holding a dark green rectangular sign. The sign has the words "DIRECTORS' REPORT" written in white, bold, sans-serif capital letters. The background is a light, solid green color.

**DIRECTORS'
REPORT**



Sagheer Mushtaq
Chief Executive Officer

DIRECTORS' REPORTS

The Board of Directors of ISE Towers REIT Management Company Limited (the Company) are pleased to present their report along with Audited Financial Statements for the year ended June 30, 2019.

Financial Overview

The Company recorded a net profit of Rs. 191.13 million for the year ended June 30, 2019 with EPS of Re. 0.52 per share. The EPS on account of distributable profit i.e. Re. 0.52 per share is 30% higher than last year EPS of distributable profit of Re. 0.40. The operating revenue of the Company for the year recorded an increase of 9.9% over the last year. The operating revenue amounted to Rs. 254.03 million as compared to comparative figure of Rs. 231.15 million. Other income amounting to Rs. 70.75 million witnessed a significant increase of 26.76% over the last year figure of other income i.e. Rs 55.82 million. The increase is mainly on account of increase in profit on bank deposits & investments. Administrative expenses for the year almost remained at par with the comparative period.

The Balance sheet of June 30, 2019 remained on strong footing with an increase of Rs. 181.51 million mainly on account of increase in long term and short term investments. The Company paid final dividend of Rs. 55.078 million for the year ended June 30, 2018 to its shareholders during the year.

Dividend

The Board has recommended a final cash dividend of Re. 0.24 per share (2.4%) for the year ended June 30, 2019 thereby appropriating an amount of Rs. 88.124 million out of un-appropriated profits.

Financial Highlights

Financial highlights of the Company for the last six years are provided at page 36 of the Annual Report.

Business Overview / Environment

Real Estate sector is the most heavily invested segment of the economy in the country, offering a huge potential for the nations' development. According to Lamudi Real Estate Market Report Pakistan 2015, the country's real estate market was worth around \$700 billion. Another real estate entity namely Graana considers the potential size of only the commercial real estate market to be in excess of \$1 trillion. The combined direct contribution of construction and housing sectors to the country's GDP has been higher than 9% over the past decade. In terms of construction sector spending on stand-alone basis, Pakistan spends about US\$5.2 billion annually and construction output accounts for 2.82% of the country's GDP. Net FDI for construction amounts to about US\$525.4 million. Around forty (40) industries are associated with the construction sector which has a spillover effect in a large number of vertically integrated sectors (such as cement, steel, wood, cables, ceramics, etc.).

The country has made only a limited progress in the development of social and economic infrastructure facilities, such as schools, hospitals, recreation and other commercially needed real estate. According to SBP, the critical insufficiency of other construction infrastructure like road & transport network etc., alone costs between 4-6% or about \$6bn annually to the country's GDP. Nearly one third of country's households is without adequate housing and nearly half of Pakistan's urban dwellers live in sub-standard settlements. Till 2019, the country's housing-deficiency was about 12mn houses. The annual demand is about 700,000 a year, whereas, supply of only about half against this demand is coming online. Besides the housing gap, the country's rental market is also under-developed leading to consumers' exploitation on account of increased cost of living. The Government has recently brought about changes in taxation and other laws to document this sector and now this sector is encouraged to have proper documentation in order to record cost on actual basis. RIET provides a good platform for that purpose

All these factors reflect the potential for development of Real Estate Investment Trust (REIT) Sector, however, REIT sector has been practically stalled, as since the introduction of REIT Regulations in the year 2008 only one REIT Scheme has been launched. A number of amendments in the regulations have been suggested by the Company to SECP.

The Real Estate Investment Trust (REIT) Schemes provide a transparent and well documented mechanism for investment in the real estate sector but due to range of limitations including absence of clean titles, restrictive building codes, problematic construction regulations, untold economic costs, imbalanced taxation regime, expensive financing, etc. growth of REIT Sector is not getting due momentum. The Finance Act, 2019 has enhanced the tax rate on REIT dividend income for corporate bodies from 15% to 25% that has made a significant impact on the development of REIT sector. While on other mutual funds this tax is only 15%. In order to boost this important sector of economy, such taxation anomalies must be done away with.

The Company has done an extensive work and suggested measures to FBR, SBP and SECP to harmonize the relevant rules and regulations in line with best international practices in order to support the REIT Sector.

Business Environment: The Islamabad, capital city, is one of the fast growing cities in Pakistan and particularly the blue area sector is the hub of business / commercial activities. Besides, the existing high rise building in close vicinity of ISE Towers, a few high rise buildings are under development in blue area sector which will ultimately pose competition to ISE Towers. The ISE Towers has been enjoying 100% occupancy level and considered as one of the best organized building in Islamabad. The Company poised to offer quality services to its valuable tenants / occupants in order to retain its tenancy level and improving its services by adding new safety equipment and through replacement of existing elevators. Besides, the Company is fully endeavored to continuously improve its services in order to maintain its prestige position.

Status of ISE Towers REIT Scheme(s)

The ISE Towers REIT scheme is like a flagship of the Company. The Company is endeavoring hard for making this project successful. This project has achieved significant progress in shape of obtaining approvals from Revenue Department, Estate Management Department, Sewage/Sanitation Directorate and the Emergency and Disaster Management Department of the civic body. Now matter of approval of Building Control Sections of the civic body is on its last legs. In addition to that Pakistan Environmental Protection Agency/Ministry of Climate Change has also issued ISE Towers a certificate of compliance with the environment plan which is also a part of the requirement for launch of a REIT Scheme in terms of REIT Regulations. After the approval of the civic regulatory body, ISE Towers REIT shall be launched in conducive market conditions.

For the launch of ISE Towers REIT, the properties owned by the Company in ISE Towers have been earmarked for transferring to the scheme. For this REIT formation, M/s. Next Capital Limited has been appointed a Financial Adviser and M/s. HKN Associates are the legal advisers of the Company. The SECP has accorded approval of the REIT properties allocated by the Company for this REIT Scheme and the Company is now in process to comply with requisite conditions laid down by the Commission. The funds generated from this scheme will be utilized to undertake new REIT projects.

Side by side, the Company is also evaluating some other real estate projects under REIT umbrella through joint ventures. The project in hospitality industry is under special focus. The Company is also planning to generate resources thereby disposing some of its financial assets for starting new projects.

Company is also looking into various opportunities for diversifying its business within its domain.

ISE Towers Operations

The ISE Towers is the prime asset of the Company. This state of the art building is equipped with most modern equipment. This building is managed by a dedicated team of professional staff. In order to ensure safety, security and high performance, strict monitoring of all electric and engineering installations of ISE Towers is ensured. In addition to that third party professional inspections are also conducted for the sake of safety and security of the occupants and visitors. In this regard, the performance and safety aspects of the engineering instruments as well environmental ambiance are regularly audited by M/s. SGS Pakistan. The functioning of all electric installations are also being inspected by the IESCO's accredited electrical inspection and testing firm on regular basis. The Company has implemented a comprehensive environmental plan with a vision to provide a clean environment in and around ISE Towers. In this regard ambient air, stack emission, noise, waste/drinking water and other hygiene aspects are being audited which reports are shared with Pakistan Environmental Protection Agency/Ministry of Climate Change on quarterly basis. The ISE Towers REIT Management Company is an ISO 9001:2015 certified entity. For the sake of providing healthier environment to its valuable clients, obtained the status of "a smoke free building" with the help of government of Pakistan.

The Board of Directors of the Company has constituted an Advisory Committee "Building Management Committee" for formulating the policy and procedures for smooth functioning of the building operations and revenue generation. The Composition of the Committee is as under:

1. Mr. Farrukh Younas Khan	NED / Chairman
2. Mr. Masoom Akhtar	ID
3. Mr. Adil Khan Swati	NED
4. Mian Humayun Parvez	NED
5. Mr. Faisal Naseem	NED
6. Mr. Sagheer Mushtaq	ACEO

Syed Nayyer Ashfaq, Senior Manager Operation & Maintenance is the Secretary to the Committee.

The Committee has done extensive work for devising policies and controls for improving the quality services in ISE Towers.

The ISE Towers has most modern security and surveillance systems. Such equipment includes integrated fire alarm system, CCTV cameras and smoke detectors, connected with main control room. Fire extinguishers, fire kits and fire hydrants, emergency exits/ sign, emergency stairs have been provided on each floor of ISE Towers for safety purposes. The Company is in process of installing a sophisticated smoke extraction and air pressurization system in the emergency stairs and lift lobbies of each floor in order to keep the emergency exit stairs smoke and trouble free. Moreover, some other measures are also under consideration in consultation with Emergency and Disaster Manager Department of the civic regulatory body so as to make ISE Towers a safe and sound place for its occupants. A project for replacement of elevators in ISE Towers is under progress. The first phase of this project for replacement of three lifts has been completed whereas the second phase is ongoing. Very soon most modern elevators would be in operation in ISE Towers.

The Company is fully focused to maintain high standards of Health, Safety & Environment in ISE Towers and leaving no stone unturned to serve the offices occupants and visitors.

Corporate Social Responsibility

In order to contribute towards society, the Company has adopted a Corporate Social Responsibility (CSR)

Policy. The Company as its CSR initiatives is poised to contribute for social causes such as education, skills development, sports, environmental protection, community support and health. In this regard, the Company has created a modest sized CSR Fund. The Company is making annual contribution of Rs.1.0 million on regular basis to replenish this Fund for social causes. This year too, the Company has arranged plantation of over 100 different species of trees in the vicinity of ISE Towers and is making continuous efforts for a greener environment.

Future Outlook

The Company has envisaged various REIT projects. The Board is continuously evaluating potential REIT projects with both short term and long term strategies. For the sake of funding of these projects much reliance is made on the forthcoming public issue of ISE REIT as well as on the funds to be generated through sale of equity investments of the Company.

The rental and developmental REITs in hospitality arena have remained under special focus of the Company. The Board of the Company is in process of evaluating various REIT projects in joint venture with other investors. The Company has examined certain hospitality REIT projects. Side by side, the Company is also considering diversification of business so as to mitigate risks. For the purpose, the Company is evaluating equity investment in a trustee / custodian business. The Company is poised to establish a Prop-Tech entity so as to initiate the business of digitizing the property instruments, valuation, custodian and allied services.

The ongoing economic slowdown has seriously affected the real estate sector of economy. This economic meltdown coupled with rising cost of financing and building up tensions on eastern border of the country are likely to create impacts on real estate as well as REIT sectors. In order to provide a growth momentum, the Company has proposed to the FBR for certain tax incentives. Besides, SBP has also been approached for providing finances on rebated rates to this well documented sector of economy. Despite difficult circumstances, the Company is endeavoring to deliver its best for adding value for all stakeholders and emerge as a prominent REIT management services Company of Pakistan.

Corporate Governance

ISE Towers REIT Management Company Limited is following the Listed Companies (Code of Corporate Governance) Regulations, 2017 as for a REIT management company its compliance is mandatory in terms of REIT Regulations, 2015. The Directors of the Company possess the required capability to discharge their responsibilities industriously and with high regards for corporate governance. A statement of compliance along with auditors' report thereon is attached with the report.

Board of Directors

The Board of Directors of the Company comprises eleven (11) members that includes seven (7) Non-Executive Directors (NEDs) having representation of shareholder and three (3) Independent Directors (IDs). The Chief Executive Officer is an ex-officio member of the Board. The term of the Board of Directors elected on February 15, 2016 also expired during the period under review and new election of Directors were held accordingly. Seven NEDs were elected for three years term on February 14, 2019 at 33rd Extra Ordinary General Meeting whereas on their nomination after a detailed due diligence process in terms of independence criteria set out in section 166 of the Companies Act 2017 and Listed Companies (Code of Corporate Governance) Regulations 2017 three (3) IDs were elected at 34th Extra Ordinary General Meeting held on March 08, 2019 for the same term. All the Directors as well as the CEO qualify the fit and proper criteria under REIT Regulations 2015. The Board in meeting held on February 14, 2019 elected Mr. Zahid Latif Khan, NED, as the Chairman of the Board for three years corresponding with the term of the Board.

Retirement of Chief Executive Officer

Mian Ayyaz Afzal who was serving as Chief Executive Officer (CEO) of the company since 2011 retired on October 31, 2018. In order to fill up the vacant position, the Board appointed Mr. Sagheer Mushtaq as officiating CEO. Prior to that he was serving the Company as Chief Operating Officer/Chief Financial Officer since January 2017. Mr. Sagheer Mushtaq possesses requisite qualification as well as skills and experience to handle the position of CEO of the Company. He also complies with the Fit and Proper Criteria under REIT Regulations 2015 and after necessary evaluation, his appointment has been approved by SECP in terms of Non-Banking Finance Companies (Establishment and Regulation) Rules, 2003.

Directors' Training Program

The Company in order to ensure good corporate governance has envisaged the need for effective training of its Directors. Accordingly, a memorandum of understanding was executed with Institute of Cost and Management Accountants of Pakistan, an institution duly accredited by SECP, for conducting Directors' training program. At present most of the Directors of the Company are adequately trained to perform their due role as a member of the Board whereas some qualify for exemption from this training program on account of their extensive experience of capital market. However, this training would be arranged shortly for the remaining Directors.

Meetings and Attendance

During the period 2018-19, eight (8) meetings of the Board of Directors of ISE Towers REIT Management Company were held out of which three (3) meetings were held during the tenure of previous Board. Two (2) meetings were held after election of seven (7) Non-Executive Directors Board on February 14, 2019 for the purpose of nomination of candidates for Independent Directors. Three (3) Independent Directors were elected on March 08, 2019. Thereafter three (3) more meetings of the newly elected Board were held. Directors' respective attendance in the Board meetings was as follows:

Sr. No.	Name of Directors	Status	No. of meetings attended/ meetings held during respective tenure in 2018-19
1	Mr. Zahid Latif Khan	Chairman and Non-Executive Director (NED) – Re-elected on February 14, 2019	8/8
2	Mian Ayyaz Afzal	Chief Executive Officer – Retired on October 31, 2018	2/2
3	Mr. Aftab Ahmad Ch.	Independent Director (ID) –Re-elected on March 08, 2019	4/6
4	Mr. Asif Saeed Malik	NED Retired on February 14, 2019	2/3
5	Ms. Ayla Majid	Female NED – Retired on February 14, 2019	2/3
6	Mr. Farrukh Younas Khan	NED – Re-elected on February 14, 2019	8/8
7	Mr. Masoom Akhtar	ID – Re-elected on March 08, 2019	6/6
8	Mr. Muhammad Farooq Ch.	ID – Retired on February 14, 2019	2/3
9	Mr. Sohail Altaf	NED – Re-elected on February 14, 2019	8/8
10	Syed Mukhtar Hussain Jaffery	NED –Re-elected on February 14, 2019	8/8
11	Mr. Zahid Mahmood	NED – Retired on February 14, 2019	3/3
12	Mr. Adil Khan Swati	NED - Elected on February 14, 2019	5/5
13	Mr. Faisal Naseem	NED - Elected on February 14, 2019	4/5
14	Ms. Farzin Khan	Female ID - Elected on March 08, 2019	2/3
15	Mian Humayun Parvez	NED - Elected on February 14, 2019	5/5
16	Mr. Sagheer Mushtaq	Appointed as Acting Chief Executive Officer w.e.f. November 01, 2019	6/6

Remuneration and other Benefits to the Board Members

The CEO of the Company is paid emoluments as per his service contract. All other Directors including the Chairman were paid for attending the Board meeting in terms of provisions of Code of Corporate Governance and Articles of Association of the Company.

Statutory and Advisory Committees of the Board

The Statutory and Advisory Committees constituted by the Board for the term 2016-19 were ceased to work and consequent upon conclusion of the term of the Board on February 14, 2019. The newly elected Board constituted the Statutory and Advisory Committees afresh for three years term 2019-22. A brief description of the proceedings of the Statutory Committees has been given hereunder:-

i. Audit Committee

The Audit Committee comprises of five Non-Executive Directors (NEDs) including one Independent Director (ID) who is the Chairman of the Committee. During the year, Audit Committee held four (4) meetings to review the financial statements, internal audit reports and compliance with best practices of Listed Companies (Code of Corporate Governance) Regulations, 2017. The Audit Committee also met with external auditors and internal auditor separately as per requirements of Corporate Governance Regulations. The Audit Committee is playing an effective role for establishing sound internal controls within the organization.

The following is the attendance status of the Audit Committee meetings:

Existing Members of the Committee	Status	Attendance
1. Mr. Masoom Akhtar	ID/Chairman	4/4
2. Syed Mukhtar Hussain Jaffery	NED	4/4
3. Mian Humayun Parvez	NED	1/1
4. Mr. Farrukh Younas Khan	NED	1/1
5. Mr. Adil Khan Swati	NED	1/1

Retiring Members of the Committee

1. Mr. Asif Saeed Malik	NED	2/3
2. Mr. Sohail Altaf	NED	1/3
3. Mr. Zahid Mahmood	NED	3/3

Mr. Zeeshan Shafique, Head of Internal Audit is the Secretary of the Audit Committee

ii. Human Resource and Remuneration Committee

The Human Resource and Remuneration (HRR) Committee comprises six members. This Committee is headed by an Independent Director. The HRR Committee reviews the human resource structure of the Company and ensures that human resource strategies are aligned to the overall corporate strategy. The Committee held four (4) meetings during FY 2018-19. The attendance status of the meetings of the Committee members is as under:

Existing Members of the Committee		Status	Attendance
1.	Mr. Aftab Ahmad Ch.	ID/- Chairman	1/4
2.	Mr. Zahid Latif Khan	NED	4/4
3.	Mr. Sohail Altaf	NED	4/4
4.	Syed Mukhtar Hussain Jaffery	NED	4/4
5.	Mr. Farrukh Younas Khan	NED	4/4
6.	Mr. Sagheer Mushtaq	ACEO	2/2

Retiring Members of the Committee

1.	Mian Ayyaz Afzal		2/2
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Mr. Zeeshan Shafique is the Secretary of this Committee.

No meetings of the following two Committees took place during the year:

iii. Nomination Committee

1.	Mr. Zahid Latif Khan	NED / Chairman
2.	Mr. Sohail Altaf	NED
3.	Syed Mukhtar Hussain Jaffery	NED
4.	Mian Huamyun Parvez	NED
5.	Mr. Faisal Naseem	NED
6.	Mr. Sagheer Mushtaq	ACEO

Mr. Zeeshan Shafique is the Secretary of this Committee

iv. Risk Management Committee

1.	Mr. Aftab Ahmad Ch.	ID/Chairman
2.	Mr. Farrukh Younas Khan	NED
3.	Syed Mukhtar Hussain Jaffery	NED
4.	Mr Sohail Altaf	NED
5.	Mr. Faisal Naseem	NED
6.	Ms. Farzin Khan	ID
7.	Mr. Sagheer Mushtaq	ACEO

Management Objective and Overall Corporate Strategy

The management has the objective to transform the culture of the Company into business oriented empowered and cross functional tiers in order to maximize returns for the shareholders. The Company's strategy is to maintain a strong capital base which is built on reserves so as to maintain investors and market confidence for growth of the business of the Company.

Internal Audit

The Internal Audit function of the Company is effectively operating within the framework prescribed in the Listed Companies (Code of Corporate Governance) Regulations,

2017 and the charter approved by the Audit Committee. The Board values the inputs and recommendations of the Internal Audit through its Audit Committee on the adequacy and effectiveness of internal controls in the Company and ensures appropriate actions.

Ethics and Compliance

Code of conduct has been disseminated to all Directors and employees of the Company in compliance with Listed Companies (Code of Corporate Governance) Regulations, 2017.

Legal Matters

At present only one legal case titled MRA Altec Construction (Pvt) Limited vs. ISE Towers REIT Management Company is pending for adjudication which is being pursued by the Company vigorously.

Appointment of Auditors

M/s BDO Ebrahim and Co, Chartered Accountants, auditors of the Company for the FY 2018-19 retire and being eligible, have offered themselves for reappointment for the term 2019-20. The Audit Committee and the Board recommends the re-appointment of M/s BDO Ebrahim and Co, Chartered Accountants as statutory auditors of the Company for the year 2019-20 at a remuneration of Rs. 550,000/- inclusive of the charges for review of half yearly limited audit and Corporate Governance practices in terms of Listed Companies (Code of Corporate Governance) Regulations, 2017.

The external auditors have been given satisfactory rating under the Quality Control Review Program of Institute of Chartered Accountants of Pakistan (ICAP). They have confirmed that their firm is in compliance with provisions of Listed Companies (Code of Corporate Governance) Regulations 2017 and International Federation of Accountants (IFAC) guidelines on Code of Ethics as adopted by the ICAP. This firm is also registered with Audit Oversight Board of Pakistan. The appointment of Auditors is subject to approval by the Annual General Meeting.

The external auditors have not been appointed to provide any other service which may impair their independence and they have confirmed having observed IFAC guidelines in this respect.

Corporate and Financial Reporting Framework

The Board is committed to ensure that requirements of code of corporate governance are fully met and the Directors are pleased to report that:

- (a) The financial statements, prepared by the management of the company, present its state of affairs fairly, the result of its operations, cash flows and changes in equity;
- (b) Proper books of account of the company have been maintained;
- (c) Appropriate accounting policies have been consistently applied in preparation of financial statements and accounting estimates are based on reasonable and prudent judgment;
- (d) International Financial Reporting Standards, as applicable in Pakistan, have been followed

in preparation of financial statements;

(e) The system of internal control is sound in design and has been effectively implemented and monitored;

(f) There are no significant doubts upon the company's ability to continue as a going concern;

(g) There has been no material departure from the best practices of corporate governance;

(h) Key operating and financial data for the last six years is given in the report.

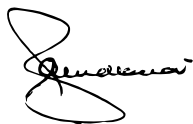
Pattern of Shareholding

The Pattern of Shareholding as at June 30, 2019 along with the necessary information is annexed to this report.

Acknowledgement

The Board of Directors of the Company is pleased to place on record its gratitude and acknowledges the valuable guidance and cooperation of SECP and other Government bodies. The Board would like to thank the cooperation of shareholders and assistance of the Committees for their support and valuable contributions. Their support helped the Board to a great extent to perform its duties more effectively. The Board also appreciates the dedication of the Management and the continued hard work by the employees.

For and on behalf of the Board



Zahid Latif Khan

Chairman

Islamabad, October 04, 2019



Sagheer Mushtaq

Acting Chief Executive Officer



A photograph of a human hand, palm up, holding a dark green rectangular box. The box contains the text 'FINANCIAL HIGHLIGHTS' in white, bold, uppercase letters. The background is a light green gradient.

**FINANCIAL
HIGHLIGHTS**

Financial Highlights

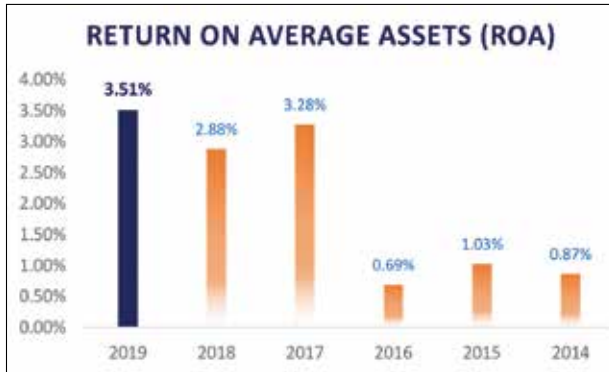
Six Years Performance	2019	2018	2017	2016	2015	2014
	Rupees in million					
Profit & Loss						
Revenue	324.78	286.97	264.60	243.36	200.96	249.77
Administrative expenses	104.35	102.73	105.50	115.90	13.23	143.83
Fair value gain	0.00	509.84	0.00	142.55	0.00	0.11
Finance cost	0.05	0.06	0.05	0.05	0.00	45.55
Income before taxation	249.12	712.89	210.54	286.53	214.52	46.11
Income after taxation	191.13	655.47	154.18	174.89	47.91	40.92
Net Profit	191.13	655.47	154.18	174.89	47.91	40.92
Information per ordinary share						
Dividend [Rs per share]	0.24	0.15	0.10	-	0.125	-
EPS [Rs per share]	0.52	0.40	0.42	0.09	0.13	0.11
Breakup value [Rs per share]	14.49	14.09	12.13	11.67	11.10	10.95
Balance Sheet						
Property and equipment	919.79	930.14	913.78	982.42	1,041.27	1,101.74
Intangible assets	0.73	0.70	0.27	0.33	3.01	5.25
Investment property	3,743.59	3,743.59	3,233.75	3,233.75	3,008.65	3,008.65
Long term investments	300.26	260.33	237.13	196.93	133.87	107.81
Total Current Assets	468.81	317.63	249.33	139.15	365.11	276.59
Total Assets	5,535.61	5,354.11	4,743.40	4,661.21	4,676.45	4,626.21
Equity + Revaluation Surplus	5,321.48	5,174.53	4,454.41	4,285.39	4,075.21	4,021.21
Total Non-Current Liabilities	32.67	37.69	46.50	112.66	204.78	160.67
Total Current Liabilities	181.46	141.89	242.49	263.16	396.46	444.33
Cash Flow Summary						
Net cash generated from operating activities	227.84	68.72	172.09	61.03	156.03	33.91
Net cash used in investing activities	(154.13)	(80.58)	(62.70)	(16.18)	4.62	115.01
Net cash used in financing activities	(60.13)	(47.62)	(65.87)	(247.66)	(109.53)	(220.75)
Net increase / (decrease) in cash and cash equivalents	13.57	(59.48)	43.52	(202.82)	51.11	(71.83)

Key Financials

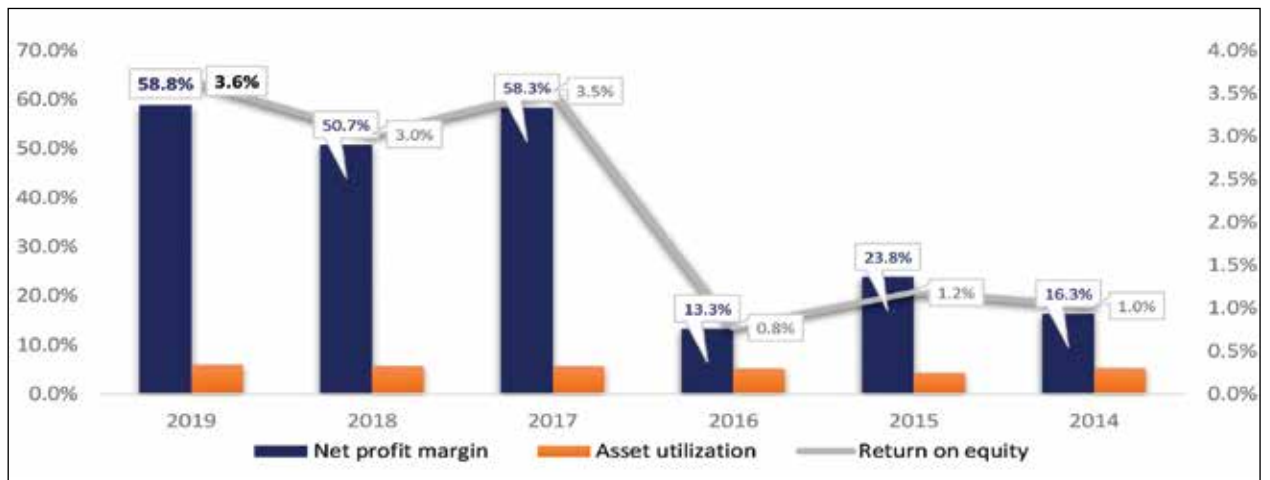


PBT and PAT are exclusive of unrealised fair value gain

Ratio Analysis

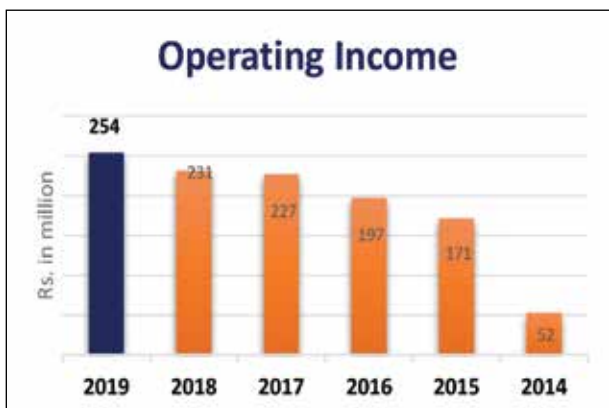


Dupont Analysis



Return/profit margin are exclusive of unrealised fair value gain

Trend Analysis (2014- 2019)

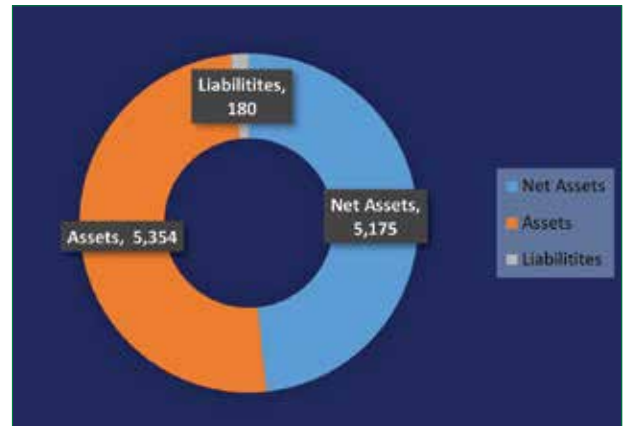


PAT and EPS are exclusive of unrealised fair value gain

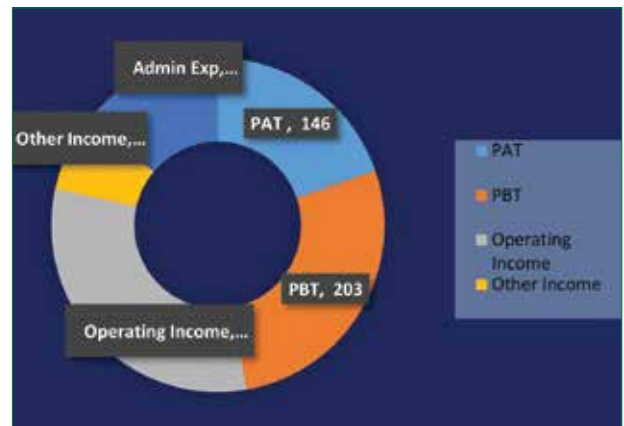
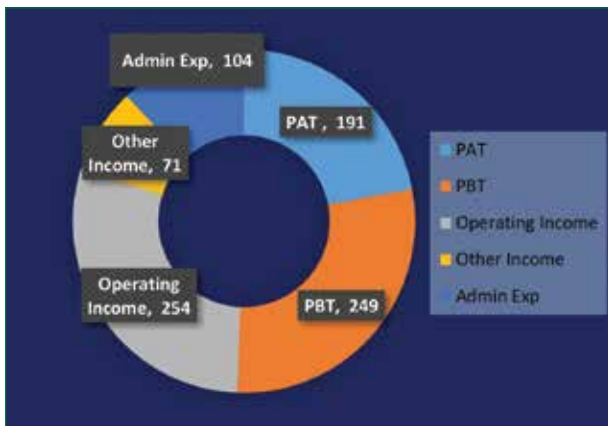
2019

2018

Financial Position

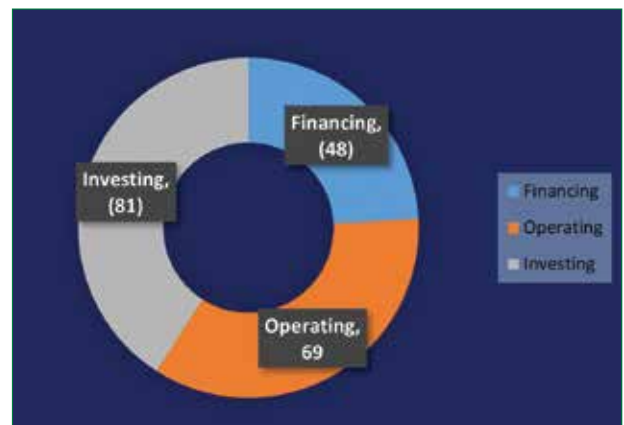
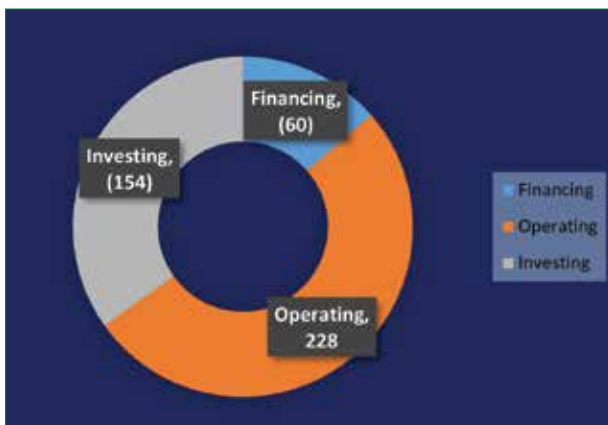


Financial Performance



PBT and PAT are exclusive of unrealised fair value gain

Cash Flow



Figures are in million

A photograph of a human hand, palm up, holding a dark green rectangular sign. The sign contains white text. The background is a light green gradient.

**STATEMENT OF COMPLIANCE
WITH THE LISTED COMPANIES
(Code of Corporate
Governance) Regulations,
2017**

REVIEW REPORT TO THE MEMBERS ON STATEMENT OF COMPLIANCE WITH THE LISTED COMPANIES (CODE OF CORPORATE GOVERNANCE) REGULATIONS, 2017

We have reviewed the enclosed Statement of Compliance with the Listed Companies (Code of Corporate Governance) Regulations, 2017 (the Regulations) prepared by the Board of Directors of ISE Towers REIT Management Company Limited (the Company) for the year ended June 30, 2019 in accordance with the requirements of regulation 40 of the Regulations.

The responsibility for compliance with the Regulations is that of the Board of Directors of the Company. Our responsibility is to review whether the Statement of Compliance reflects the status of the Company's compliance with the provisions of the Regulations and report if it does not and to highlight any non-compliance with the requirements of the Regulations. A review is limited primarily to inquiries of the Company's personnel and review of various documents prepared by the Company to comply with the Regulations.

As a part of our audit of the financial statements we are required to obtain an understanding of the accounting and internal control systems sufficient to plan the audit and develop an effective audit approach. We are not required to consider whether the Board of Directors' statement on internal control covers all risks and controls or to form an opinion on the effectiveness of such internal controls, the Company's corporate governance procedures and risks.

The Regulations require the Company to place before the Audit Committee, and upon recommendation of the Audit Committee, place before the Board of Directors for their review and approval, its related party transactions and also ensure compliance with the requirements of section 208 of the Companies Act, 2017. We are only required and have ensured compliance of this requirement to the extent of the approval of the related party transactions by the Board of Directors upon recommendation of the Audit Committee. We have not carried out procedures to assess and determine the Company's process for identification of related parties and that whether the related party transactions were undertaken at arm's length price or not.

Based on our review, nothing has come to our attention which causes us to believe that the Statement of Compliance does not appropriately reflect the Company's compliance, in all material respects, with the requirements contained in the Regulations as applicable to the Company for the year ended June 30, 2019.

ISLAMABAD

DATED: October 4th, 2019



CHARTERED ACCOUNTANTS
Engagement Partner: Abdul Qadeer

Statement of Compliance with Listed Companies (Code of Corporate Governance) Regulations, 2017

Name of company: ISE TOWERS REIT MANAGEMENT COMPANY LIMITED

Year ending: June 30, 2019

The company has complied with the requirements of the Regulations in the following manner:

1. The total number of directors are eleven (11) as per the following:
 - a. Male: 10
 - b. Female: 1
2. The board of the Company was reconstituted by two extraordinary general meetings held on February 14, 2019 and March 8, 2019. In the first meeting Non Executive directors were elected for three years term whereas in the following extra ordinary general meeting Independent Directors were elected in terms of provisions of Companies Act, 2017. The composition of board is as follows:

a) Independent Directors

- i. Mr. Aftab Ahmad Ch.
- ii. Mr. Masoom Akhtar
- iii. Ms. Farzin Khan

b) Other Non-executive Director

- i. Mr. Zahid Latif Khan (Chairman)
- ii. Mr. Adil Khan Swati
- iii. Mr. Faisal Naseem
- iv. Mr. Farrukh Younas Khan
- v. Mian Humayun Parvez
- v. Mr. Sohail Altaf
- vi. Syed Mukhtar Hussain Jaffery

c) Executive Director

- i. Mr. Sagheer Mushtaq (Acting Chief Executive Officer)

3. The directors have confirmed that none of them is serving as a director on more than five listed companies, including this company (excluding the listed subsidiaries of listed holding companies where applicable).
4. The company has prepared a Code of Conduct and has ensured that appropriate steps have been taken to disseminate it throughout the company along with its supporting policies and procedures.
5. The board has developed a vision/mission statement, overall corporate strategy and significant policies of the company. A complete record of particulars of significant policies along with the dates on which they were approved or amended has been maintained.
6. All the powers of the board have been duly exercised and decisions on relevant matters have been taken by board/ shareholders as empowered by the relevant provisions of the Act and these Regulations.
7. The meetings of the board were presided over by the Chairman. The board has complied with the requirements of Act and the Regulations with respect to frequency, recording and circulating minutes of meeting of board.
8. The board of directors have a formal policy and transparent procedures for remuneration of directors in accordance with the Act and these Regulations.
9. The Directors namely Mr. Zahid Latif Khan, Mian Humayun Parvez, Mr. Aftab Ahmad Ch., Mr. Masoom

Akhtar and Ms. Farzin Khan already have certifications of Directors' Training Program from accredited institutions. Mr. Mukhtar Hussain Jaffery and Mr. Sohail Altaf in view of their extensive board level experiences qualify for exemption from such training. The rest of the Directors shall be imparted this training in due course.

10. The board has approved appointment of CFO, Company Secretary and Head of Internal Audit, including their remuneration and terms and conditions of employment and complied with relevant requirements of the Regulations.

11. The ACEO/CFO has duly endorsed the financial statements before approval of the board.

12. The Board has formed Committees comprising of members given below:

a) Audit Committee

- | | | |
|----|------------------------------|-----------------------------------|
| 1. | Mr. Masoom Akhtar | Independent Director - Chairman |
| 2. | Syed Mukhtar Hussain Jaffery | |
| 3. | Mian Humayun Parvez | |
| 4. | Mr. Farrukh Younas Khan | |
| 5. | Mr. Adil Khan Swati | |
| 6. | Mr. Zeeshan Shafique | HOIA - Secretary of the Committee |

b) Human Resource Committee

- | | | |
|----|------------------------------|---------------------------------|
| 1. | Mr. Aftab Ahmad Ch. | Independent Director - Chairman |
| 2. | Mr. Zahid Latif Khan | |
| 3. | Mr. Sohail Altaf | |
| 4. | Syed Mukhtar Hussain Jaffery | |
| 5. | Mr. Farrukh Younas Khan | |
| 6. | Mr. Sagheer Mushtaq | |
| 7. | Mr. Ahmed Noman | Secretary of the Committee |

c) Nomination Committee

- | | | |
|----|------------------------------|----------------------------|
| 1. | Mr. Zahid Latif Khan | Chairman of the Committee |
| 2. | Mr. Sohail Altaf | |
| 3. | Syed Mukhtar Hussain Jaffery | |
| 4. | Mian Huamyun Parvez | |
| 5. | Mr. Faisal Naseem | |
| 6. | Mr. Sagheer Mushtaq | |
| 7. | Mr. Ahmed Noman | Secretary of the Committee |

d) Risk Management Committee

- | | | |
|----|------------------------------|----------------------------|
| 1. | Mr. Aftab Ahmad Ch. | Chairman of the Committee |
| 2. | Mr. Farrukh Younas Khan | |
| 3. | Syed Mukhtar Hussain Jaffery | |
| 4. | Mr Sohail Altaf | |
| 5. | Mr. Faisal Naseem | |
| 6. | Ms. Farzin Khan | |
| 7. | Mr. Sagheer Mushtaq | |
| 8. | Mr. Ahmed Noman | Secretary of the Committee |

13. The terms of reference of the aforesaid committees have been formed, documented and advised to the committee for compliance.

14. The frequency of meetings of the committees were as per following:

a) Audit Committee

Four (4) meetings of the Audit Committee were held during FY 2018-19

b) Human Resource and Remuneration Committee

Five (5) meetings of the Human Resource and Remuneration Committee were held during FY 2018-19. So far no meeting has been held by Nomination Committee and Risk Management Committee.

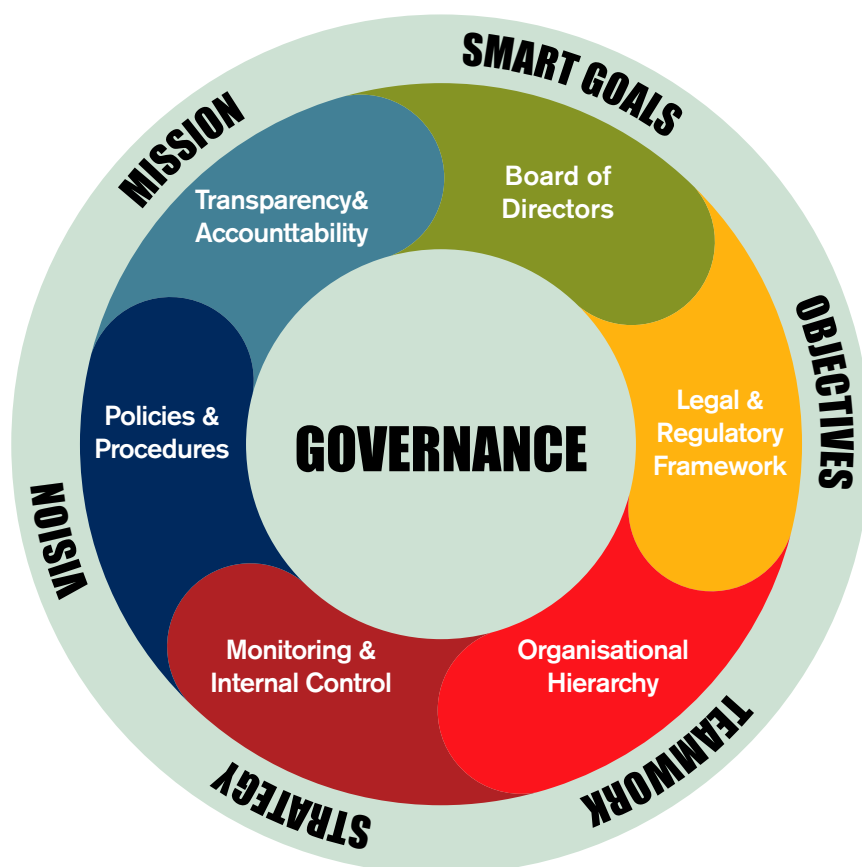
15. The board has set up an effective internal audit function headed by Mr. Zeeshan Shafique who is a Chartered Accountant by qualification and has a suitable and experienced for the purpose and is conversant with the policies and procedures of the company.
16. The statutory auditors of the company have confirmed that they have been given a satisfactory rating under the quality control review program of the ICAP and registered with Audit Oversight Board of Pakistan, that they or any of the partners of the firm, their spouses and minor children do not hold shares of the company and that the firm and all its partners are in compliance with International Federation of Accountants (IFAC) guidelines on code of ethics as adopted by the ICAP
17. The statutory auditors or the persons associated with them have not been appointed to provide other services except in accordance with the Act, these regulations or any other regulatory requirement and the auditors have confirmed that they have observed IFAC guidelines in this regard.
18. We confirm that all other requirements of the Regulations have been complied with.



Zahid Latif Khan
Chairman



Sagheer Mushtaq
Acting Chief Executive Officer



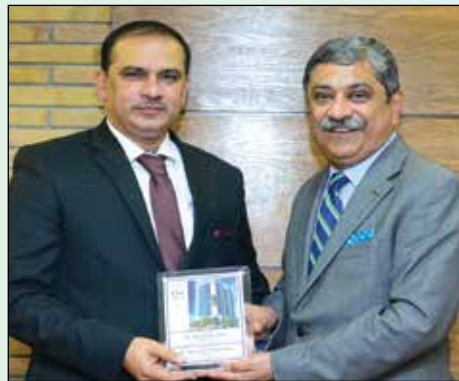
ANNUAL GENERAL MEETING



BOARD MEETING IN PROGRESS



DISTRIBUTION OF SHIELDS



EXTRA ORDINARY GENERAL MEETING



Board of Directors presenting bouquet to Mr. Zahid Latif Khan on his election as Chairman ISE REIT

BOARD MEETING IN PROGRESS



COMMITTEES' MEETING IN PROGRESS



EVENTS GLIMPSES



Board of Directors on opening ceremony of newly installed elevators at ISE Towers



Mr. Zahid Latif Khan presenting bouquet to Mr. Umar Jahangir, Deputy Commissioner and Mr. Joudat Ayaz, Chief Commissioner Rawalpindi on their visit to ISE Towers.



Mr. Zahid Latif Khan presenting shield to Engr. Daroo Khan Achakzai President FPCCI and Mr. Iftikhar Malik, Chairman UBG on their visit to ISE Towers.



Mr. Zahid Latif Khan and Mr. Farrukh Younas Khan alongwith H.E Thomas Drew, British High Commissioner to Pakistan, on the inaugural ceremony of British Airways office at ISE Towers

EVENTS GLIMPSES



Mr. Zahid Latif Khan presenting shield to H.E Furqat A Sidikov, Ambassador of Uzbekistan on his visit to ISE Towers.



EVENTS GLIMPSES



EVENTS GLIMPSES



EVENTS GLIMPSES



Mr. Zahid Latif Khan, Chairman ISE REIT, presenting bouquet/shield to Mr. Aziz Boolani, CEO Serena Hotels for Pakistan & Central Asia. Mr. Boolani addressed the first Industry Assessment Session on Hospitality REIT organized by ISE REIT



14TH AUGUST 2019 CELEBRATIONS



Fire and safety drill at ISE Towers

Christmas celebration at ISE Towers

A photograph of a human hand, palm up, holding a dark green rectangular sign. The sign has the words "FINANCIAL STATEMENTS" written in white, bold, uppercase letters. The background is a light green gradient.

**FINANCIAL
STATEMENTS**

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

Report on the Audit of the Financial Statements

Opinion

We have audited the annexed financial statements of ISE Towers REIT Management Company Limited (the Company), which comprise the statement of financial position as at June 30, 2019 and 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 purposes 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, the statement of changes in equity and the 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, 2019 and of the profit or loss, 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 Auditors 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 / Institute of Cost and management Accountants (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 Auditors Report Thereon

Management is responsible for the other information. The other information comprises the information included in the annual report but does not include the financial statements and our auditors 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 Board of Directors for the Financial Statements

Management is responsible for the preparation and fair presentation of the financial statements in accordance with the accounting and reporting standards as applicable in Pakistan and the requirements of 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.

Board of directors is responsible for overseeing the Company's financial reporting process.

Auditors Responsibilities for the Audit of the Financial Statements

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free

from material misstatement, whether due to fraud or error, and to issue an auditors 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 auditors 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 auditors 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 and 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) no Zakat was deductible at source under the Zakat and Ushr Ordinance, 1980 (XVIII of 1980).

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

ISLAMABAD

DATED: October 4th 2019

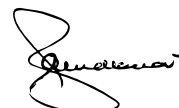


BDO EBRAHIM & CO.
CHARTERED ACCOUNTANTS


**STATEMENT OF FINANCIAL POSITION
AS AT JUNE 30, 2019**

	Note	2019 (Rupees in '000)	2018
ASSETS			
NON-CURRENT ASSETS			
Property and equipment	5	919,793	930,139
Intangible assets	6	730	695
Investment property	7	3,743,586	3,743,586
Long term investments	8	300,262	260,333
Long term advances and security deposits	9	14,876	14,704
Deferred taxation	10	87,561	87,023
		<u>5,066,808</u>	<u>5,036,480</u>
CURRENT ASSETS			
Account receivables	11	1,393	4,587
Advances, deposits and prepayments	12	6,387	8,344
Interest accrued		4,471	1,704
Other receivables	13	43,498	34,344
Tax refund due from government	14	54,759	47,431
Short term investment - held to maturity	15	316,876	193,367
Cash and bank balances	16	41,422	27,848
		<u>468,806</u>	<u>317,625</u>
		<u>5,535,614</u>	<u>5,354,105</u>
TOTAL ASSETS			
EQUITY AND LIABILITIES			
SHARE CAPITAL AND RESERVES			
Authorized share capital			
700,000,000 (2018: 700,000,000) ordinary shares of Rs. 10 each.		7,000,000	7,000,000
Issued, subscribed and paid up capital	17	3,671,870	3,671,870
Surplus on revaluation of property and equipment	18	205,862	209,068
Other reserves	19	1,443,747	1,293,588
		<u>5,321,479</u>	<u>5,174,526</u>
NON-CURRENT LIABILITIES			
Advances, deposits and other receipts	20	17,754	23,988
Deferred liabilities	21	14,920	13,697
		<u>32,674</u>	<u>37,685</u>
CURRENT LIABILITIES			
Accrued and other payables	22	45,218	41,560
Advances and deposits	23	131,962	97,284
Unclaimed dividend		4,281	3,050
		<u>181,461</u>	<u>141,894</u>
		<u>5,535,614</u>	<u>5,354,105</u>
TOTAL EQUITY AND LIABILITIES			
CONTINGENCIES AND COMMITMENTS			
	24		

The annexed notes from 1 to 42 form an integral part of these financial statements.



CHAIRMAN



CHIEF EXECUTIVE OFFICER

**STATEMENT OF PROFIT OR LOSS
FOR THE YEAR ENDED JUNE 30, 2019**

		2019	2018
	Note	(Rupees in '000)	
Income			
Operating income	25	254,034	231,151
Administrative expenses			
Depreciation / amortization	26	(68,339)	(67,444)
Others	27	(36,009)	(35,284)
		(104,348)	(102,728)
Other income	28	70,749	55,815
Financial charges	29	(53)	(63)
Operating profit		220,382	184,175
Fair value gain on investment property	7	-	509,841
Share of profit from associated companies	8.1	28,733	18,878
Profit before taxation		249,115	712,894
Taxation	30	(57,988)	(57,421)
Profit for the year		191,127	655,473
Earning per share:			
Distributable profit		0.52	0.40
Undistributable - unrealised fair value gains		-	1.39
Earning per share - basic and diluted	31	0.52	1.79

The annexed notes from 1 to 42 form an integral part of these financial statements.




CHAIRMAN



CHIEF EXECUTIVE OFFICER

**STATEMENT OF COMPREHENSIVE INCOME
 FOR THE YEAR ENDED JUNE 30, 2019**

	2019	2018
Note	(Rupees in '000)	
Profit after taxation	191,127	655,473
Other comprehensive income		
<i>Items that will not be reclassified to statement of profit or loss:</i>		
Revaluation surplus on property and equipment	-	81,283
Related deffered tax impact	-	(8,066)
Effect of change in tax rate	-	512
	-	73,729
Loss on remeasurement of defined benefit liability of associated companies - net of tax	8.1.1 (1,089)	(1,386)
Loss on remeasurement of defined benefit liability	21.3.5 (281)	(418)
	(1,370)	(1,804)
	(1,370)	71,925
<i>Items that may be reclassified subsequently to statement of profit or loss:</i>		
Loss on remeasurement of FVOCI investment to fair value of associated companies - net of tax	-	(9)
	8.2.1 & 8.2.2 12,274	29,451
Surplus on remeasurement of equity investment - FVOCI	12,274	29,442
Other comprehensive income for the year - net of tax	10,904	101,367
Total comprehensive income for the year	202,031	756,840

The annexed notes from 1 to 42 form an integral part of these financial statements.




CHAIRMAN



CHIEF EXECUTIVE OFFICER

**STATEMENT OF CHANGES IN EQUITY
FOR THE YEAR ENDED JUNE 30, 2019**

	Capital reserve		Revenue reserves				Total revenue reserves	Total
	Revaluation surplus on property and equipment	Fixed assets replacement reserve	Surplus on remeasurement of equity investments - FVOCI	Unrealized surplus on remeasurement of associate's investments	Accumulated profit	Total revenue reserves		
Balance as at July 01, 2017 - restated	137,257	32,576	26,063	435	586,204	612,702	4,454,405	
Total comprehensive income for the year 2018								
Profit for the year after taxation	-	-	-	-	655,473	655,473	655,473	
Amount collected for fixed assets replacement reserve	-	34,704	-	-	(34,704)	(34,704)	-	
Gain on remeasurement of defined benefit liability	-	-	-	-	(418)	(418)	(418)	
Revaluation of fixed assets during the year (net of tax)	73,217	-	-	-	-	-	73,217	
Transfer to accumulated profit on account of incremental depreciation (net of tax)	(1,918)	-	-	-	1,918	1,918	-	
Effect of change in tax rate	512	-	-	-	-	-	512	
Share of other comprehensive income of associates	-	-	-	-	(1,386)	(1,386)	(1,386)	
Surplus/(deficit) on remeasurement of equity investment - FVOCI	-	-	29,451	(9)	-	29,442	29,442	
Transactions with owners								
Final dividend for the year ended June 30, 2017 at Re. 0.10 per share	-	-	-	-	(36,719)	(36,719)	(36,719)	
Balance as at June 30, 2018	209,068	67,280	55,514	426	1,170,368	1,226,308	5,174,526	
Total comprehensive income for the year 2019								
Profit for the year after taxation	-	-	-	-	191,127	191,127	191,127	
Amount collected for fixed assets replacement reserve	-	33,300	-	-	(33,300)	(33,300)	-	
Amount utilized from fixed assets replacement reserve	-	(38,462)	-	-	38,462	38,462	-	
Gain on remeasurement of defined benefit liability	-	-	-	-	(281)	(281)	(281)	
Transfer to accumulated profit on account of incremental depreciation (net of tax)	(3,206)	-	-	-	3,206.00	3,206	-	
Share of other comprehensive income of associates	-	-	-	-	(1,089,000)	(1,089)	(1,089)	
Surplus on remeasurement of equity investment - FVOCI	-	-	12,274	-	-	12,274	12,274	
Transactions with owners								
Final dividend for the year ended June 30, 2018 at Re. 0.15 per share	-	-	-	-	(55,078)	(55,078)	(55,078)	
Balance as at June 30, 2019	205,862	62,118	67,788	426	1,313,415	1,381,629	5,321,479	

Note



CHIEF EXECUTIVE OFFICER



CHAIRMAN

The annexed notes from 1 to 42 form an integral part of these financial statements.

**STATEMENT OF CASH FLOWS
 FOR THE YEAR ENDED JUNE 30, 2019**

	2019	2018
Note	(Rupees in '000)	
CASH FLOWS FROM OPERATING ACTIVITIES		
Profit before taxation	249,115	712,894
Adjustment for non-cash charges and other items	15,303	(473,847)
	264,418	239,047
Working capital changes		
(Increase) / decrease in current assets		
Accounts receivables	3,027	(4,036)
Advances, deposits, prepayments and other receivables including long term advances	(8,634)	(6,167)
	(5,607)	(10,203)
Increase / (decrease) in current liabilities		
Advances and deposits	34,678	(48,825)
Accrued and other payables	2,817	(51,774)
	37,495	(100,599)
Cash generated from operations	296,306	128,245
Payment for gratuity	(1,915)	(1,537)
Compensated absences paid	(697)	(175)
Taxation	(65,854)	(57,817)
Net cash generated from operating activities	227,841	68,716
CASH FLOWS FROM INVESTING ACTIVITIES		
Capital expenditure	(62,082)	(2,948)
Proceeds from sale of assets	6,853	-
Investment made during the year	(123,509)	(116,428)
Interest received	19,927	10,489
Dividend received	4,678	28,305
Net cash used in investing activities	(154,133)	(80,582)
CASH FLOWS FROM FINANCING ACTIVITIES		
Advances, deposits and other receipts	(6,234)	(10,833)
Dividend paid	(53,847)	(36,719)
Financial charges paid	(53)	(63)
Net cash used in financing activities	(60,134)	(47,615)
Net increase / (decrease) in cash and cash equivalents	13,574	(59,481)
Cash and cash equivalents at beginning of the year	27,848	87,329
Cash and cash equivalents at end of the year	41,422	27,848

The annexed notes from 1 to 42 form an integral part of these financial statements.


CHAIRMAN


CHIEF EXECUTIVE OFFICER

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED JUNE 30, 2019

1 CORPORATE AND GENERAL INFORMATION

1.1 STATUS AND NATURE OF OPERATION

- 1.1.1 ISE Towers REIT Management Company Limited ("the Company") was initially incorporated as Islamabad Stock Exchange (Guarantee) limited (ISE) in Islamabad, Pakistan on October 25, 1989, under the repealed Companies Ordinance, 1984 (repealed 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. 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.
- 1.1.2 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 to change the name and scope of the Company subject to approval of the scheme by Securities and Exchange Commission of Pakistan (SECP).
- 1.1.3 SECP has approved the scheme of integration under Stock Exchanges (Corporatisation, Demutualization and Integration) Act, 2012 (the Act) 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" which has been licensed as NBFC.
- 1.1.4 On January 11, 2016, ISE changed its name and scope of business and got converted from ISE 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 and accordingly, the agreed assets / liabilities of stock exchange business were transferred to PSX with effect from January 11, 2016. 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.
- 1.1.5 The principal activities of the Company is to form, 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 of the Company is situated in 55-B, ISE Towers, Jinnah Avenue, Islamabad.



NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED JUNE 30, 2019

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 Standard (IFRS) issued by the International Accounting Standards Board (IASB) as notified under the Companies Act, 2017; and
- Provisions of and directives issued under the Companies Act, 2017.

Where provisions of and directives issued under the Companies Act, 2017 differ from the IFRS, the provisions of and directives issued under the Companies Act, 2017 have been followed.

2.2 Basis of measurement

These 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 and employee benefits at present value.

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

The preparation of these financial statements in conformity with approved accounting standards requires the management to exercise its judgment in the process of applying the Company's accounting policies and use of certain critical accounting estimates. The areas involving a higher degree of judgment, critical accounting estimates and significant assumptions are disclosed in note 2.4.

2.3 Functional and presentation currency

These financial statements are presented in Pakistan Rupees which is the Company's functional and presentation currency. Amounts presented in the financial statements have been rounded off to the nearest of thousand Rupees.

2.4 Key judgments and estimates

The preparation of financial statements in conformity with the approved accounting standards requires management to make judgments, estimates and assumptions that affect the application of policies and reported amounts of assets, liabilities, income and expenses. The estimates and associated assumptions are based on historical experience and various other factors that are believed to be reasonable under the circumstances, the results of which form the basis of making the judgments about carrying values of assets and liabilities that are not readily apparent from other sources. Actual results may differ from these estimates.

The estimates and underlying assumptions are reviewed on an ongoing basis. Revisions to



accounting estimates are recognized in the year in which the estimates are revised if the revision affects only that year or in the year of the revision and future years if the revision affects both current and future years.

Judgments made by the management in application of the approved accounting standards that have significant effect on the financial statements and estimates with a significant risk of material adjustment in the next year are discussed in the ensuing paragraphs.

2.4.1 Staff retirement benefits - gratuity and compensated absences

Gratuity and compensated absences are provided to eligible employees of the Company. Calculations in this respect require assumptions to be made of future outcomes, the principle ones are being in respect of increase in remuneration, mortality rate and the discount rate used to discount future cash flows to present values. Calculations are sensitive to changes in these underlying assumptions.

2.4.2 Property and equipment

The estimates for revalued amounts, if any, of different classes of property and equipment, are based on valuation performed by external professional valuers and recommendation of technical teams of the Company. The said recommendations also include estimates with respect to residual values and useful lives. Further, the Company reviews the value of the assets for possible impairment on an annual basis. Any change in these estimates in future years might affect the carrying amounts of the respective items of property and equipment with corresponding effect on the depreciation charge and impairment loss.

2.4.3 Provision for doubtful receivables

Receivables are assessed on a regular basis and if there is any doubt about recoverability of these receivables, provision for doubtful debts is made as per Company policy.

2.4.4 Taxation

The Company takes into account the current income tax law and decisions taken by the taxation authorities. Instances where the Company's views differ from the views taken by the income tax department at the assessment stage and where the Company considers that its view on the items of material nature is in accordance with law, the amounts are shown as contingent liabilities.

2.4.5 Impairment

The carrying amounts of the Company's assets are reviewed at each statement of financial position date to determine whether there is any indication of impairment. If such indication exists the recoverable amount of assets is estimated. Impairment is recognized wherever the carrying amount of the asset exceeds its recoverable amount. Impairment losses are charged to statement of profit or loss.

2.4.6 Contingencies

A contingent liability is disclosed when the Company has a possible obligation as a result of past



NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED JUNE 30, 2019

events, existence of which 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 the Company has a present legal or constructive 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.

3 NEW ACCOUNTING STANDARDS, INTERPRETATIONS AND AMENDMENTS TO PUBLISHED APPROVED STANDARDS

3.1 Effective in current year and are relevant to the Company

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

3.1.1 IFRS 9 - Financial Instruments

IFRS 9 'Financial Instruments' was issued on July 24, 2017. This standard is adopted locally by the Securities and Exchange Commission of Pakistan through its S.R.O. 229 (I)/2019 and is effective for accounting period / year ending on or after June 30, 2019.

IFRS 9 sets out requirements for recognising and measuring financial assets, financial liabilities and some contracts to buy or sell non-financial items. This standard replaces IAS 39 Financial Instruments: Recognition and Measurement.

The details of new significant accounting policies and the nature and effect of the changes to previous accounting policies are set out below.

i. Classification and measurement of financial assets and financial liabilities

IFRS 9 largely retains the existing requirements in IAS 39 for the classification and measurement of financial liabilities. However, it eliminates the previous IAS 39 categories for financial assets of held to maturity, loans and receivables and available for sale.

The adoption of IFRS 9 has not had a significant effect on the Company's accounting policies related to financial liabilities. The impact of IFRS 9 on the classification and measurement of financial assets is set out below.

Under IFRS 9, on initial recognition, a financial asset is classified at amortised cost; fair value through other comprehensive income (FVOCI) – equity investment and debt investment; or fair value through profit or loss (FVPL). The classification of financial assets under IFRS 9 is generally based on the business model in which a financial asset is managed and its contractual cash flow characteristics.

A financial asset is measured at amortised cost if it meets both of the following conditions and is not designated at FVPL:



- it is held within a business model whose objective is to hold assets to collect contractual cash flows; and
- its contractual terms give rise on specified dates to cash flows that are solely payments of principal and interest on the principal amount outstanding.

On initial recognition of an equity investment that is not held for trading, the Company may irrevocably elect to present subsequent changes in the investment's fair value in OCI. This election is made on an investment-by-investment basis.

All financial assets not classified as measured at amortised cost or FVOCI as described above are measured at FVPL. On initial recognition, the Company may irrevocably designate a financial asset that otherwise meets the requirements to be measured at amortised cost or at FVOCI as at FVPL if doing so eliminates or significantly reduces an accounting mismatch that would otherwise arise.

A financial asset is initially measured at fair value plus, (for an item not at FVPL), transaction costs that are directly attributable to its acquisition.

The following accounting policies apply to the subsequent measurement of financial assets:

Financial assets at FVPL	These assets are subsequently measured at fair value. Net gains and losses, including any interest or dividend income, are recognised in profit or loss.
Financial assets at amortised cost	These assets are subsequently measured at amortised cost using the effective interest method. The amortised cost is reduced by impairment losses (see (ii) below). Interest income, foreign exchange gains and losses and impairment are recognised in profit or loss.
Debt investments at FVOCI	These assets are subsequently measured at fair value. Interest income calculated using the effective interest method, foreign exchange gains and losses and impairment are recognised in profit and loss. Other net gains and losses are recognised in OCI. On derecognition, gains and losses accumulated in OCI are reclassified to profit or loss.
Equity investments at FVOCI	These assets are subsequently measured at fair value. Dividends are recognised as income in profit or loss unless the dividend clearly represents a recovery of part of the cost of the investment. Other net gains and losses are recognised in OCI and are never reclassified to profit or loss.

The following table and the accompanying notes below explain the original measurement



**NOTES TO THE FINANCIAL STATEMENTS
 FOR THE YEAR ENDED JUNE 30, 2019**

categories under IAS 39 and the new measurement categories under IFRS 9 for each class of the Company's financial assets as at July 1, 2018.

Note	Original classification under IAS 39	New classification under IFRS 9	Original carrying amount under IAS 39	New carrying amount under IFRS 9
----- (Rupees in '000') -----				
Financial assets				
Long term investment	Available for sale	Equity investment - FVOCI	102,677	102,677
Accounts receivable	Loans and receivables	Amortised cost	4,587	4,587
Advances	Loans and receivables	Amortised cost	951	951
Other receivables	Loans and receivables	Amortised cost	34,435	34,435
Interest accrued	Loans and receivables	Amortised cost	1,704	1,704
Short term investment	Held to maturity	Amortised cost	193,367	193,367
Cash and Bank balances	Loans and receivables	Amortised cost	27,848	27,848

ii. Impairment of financial assets

In relation to the impairment of financial assets, IFRS 9 requires an expected credit loss model, as opposed to an incurred credit loss model under IAS 39. The expected credit loss model requires an entity to account for expected credit losses and changes in those expected credit losses at each reporting date to reflect changes in credit risk since initial recognition. In other words, it is no longer necessary for a credit event to have occurred before credit losses are recognized.

The guiding principle of the expected credit loss (ECL) model is to reflect the general pattern of deterioration or improvement in the credit quality of financial instruments. The amount of ECLs recognised as a loss allowance or provision depends on the extent of credit deterioration since initial recognition. Under the general approach, there are two measurement bases:

- 12-month ECLs (Stage 1), which applies to all items (from initial recognition) as long as there is no significant deterioration in credit quality.
- Lifetime ECLs (Stages 2 and 3), which applies when a significant increase in credit risk has occurred on an individual or collective basis.

The Company's financial assets include mainly trade debts, deposits, advances, other receivables and bank balances.

The Company's trade receivables do not contain the financing component (as determined in terms of the requirements of IFRS 15 "Revenue from Contracts with Customers"), therefore, the Company is using simplified approach, that does not require the Company to track the changes in credit risk, but, instead, requires to recognise a loss allowance based on lifetime ECLs at each reporting date.

The Company applies the IFRS 9 simplified approach to measure the expected credit losses using a lifetime expected credit loss provision for trade receivables. To measure expected credit losses on a collective basis, trade receivables are grouped based on similar credit risk and aging.

The expected loss rates are based on the Company's historical credit losses experienced over the three year period prior to the period end. The historical loss rates are then adjusted for current and forward-looking information on macroeconomic factors affecting the Company's customers. The Company has identified the gross domestic product (GDP), unemployment rate and inflation rate as the key macroeconomic factors.

iii. Transition

The Company has used the exemption not to restate comparative periods and any adjustments on adoption of IFRS 9 to be recognized in statement of changes in equity as on July 1, 2018. Accordingly, the comparative information is presented as per the requirements of IAS 39.

3.1.2 IFRS 15 - Revenue from Contracts with Customers

IFRS 15 'Revenue from Contracts with Customers' is effective for accounting period beginning on or after July 1, 2018. This standard has replaced IAS 18 Revenue and related interpretations and it applies to all revenue arising from contracts with customers.

The IFRS 15 establish a five-steps model to account for revenue arising from contracts with customers. Under IFRS 15, revenue is recognized at an amount that reflects the consideration to which an entity expects to be entitled in exchange for transferring goods or services to a customer. The standard requires the entities to exercise judgment, taking in to consideration all of the relevant facts and circumstances when applying each step of the model to contracts with the customers. Hence, the Company has concluded that the impact of adoption of revenue recognition model as laid down in IFRS 15 is not material.

There is no material impact of transition to IFRS 15 on the financial position of the Company and there is no effect on the accounting policies of the Company in respect of revenue from contracts with Customers.

3.2 Amendments to standards effective in current year and not relevant to the Company

		Effective date (annual periods beginning on or after)
IFRS 2	Share-based Payments	January 01, 2018
IFRS 4	Insurance Contract	January 01, 2018
IAS 40	Investment Property	January 01, 2018

**NOTES TO THE FINANCIAL STATEMENTS
 FOR THE YEAR ENDED JUNE 30, 2019**

3.3 Standards/amendments not yet effective

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

	Effective date (annual periods beginning on or after)
IFRS 3 Business Combinations - Amendment requiring an entity to remeasure its previously held interest at fair value when it obtains control of a business that is a joint operation.	January 01, 2019
IFRS 3 Business Combinations - The amendments narrowed and clarified the definition of a business, the amendments aiming to resolve the difficulties that arise when an entity determines whether it has acquired a business or a group of assets. The amendments clarify that to be considered a business, an acquired set of activities and assets must include, at a minimum, an input and a substantive process that together significantly contribute to the ability to create outputs. The amendments include an election to use a concentration test.	January 01, 2020
IFRS 9 Financial Instrument'- Prepayment Features with Negative Compensation and modifications of financial liabilities. The amendment allow debt instruments with negative compensation prepayment features to be measured at amortised cost or fair value through other comprehensive income. The amendment also clarified that gains and losses arising on modifications of financial liabilities that do not result in derecognition should be recognized in profit or loss.	January 01, 2019
IFRS 11 Joint Arrangement - The proposed amendments is to eliminate diversity in practice in the accounting for previously held interests in the assets and liabilities of a joint operation in transactions in which an entity obtains control, or joint control, of a joint operation that meets the definition of a business.	January 01, 2019

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- IFRS 16 Leases - IFRS 16 replaces existing leasing guidance, including IAS 17 'Leases', IFRS 16 introduces a single, on-balance sheet lease accounting model for lessees. A lessee recognizes a right-of-use asset representing its right to use the underlying asset and a lease liability representing its obligation to make lease payments. There are recognition exemptions for short-term leases and leases of low-value items. Lessor accounting remains similar to the current standard i.e. lessors continue to classify leases as finance or operating leases. January 01, 2019
- IFRS 17 Insurance Contracts - address the principles for the recognition, measurement, presentation and disclosure of Insurance contracts. The objective of IFRS 17 is to ensure that an entity provides relevant information that faithfully represents those contracts. This information gives a basis for users of financial statements to assess the effect that insurance contracts have on the entity's financial position, financial performance and cash flows. January 01, 2021
- IAS 1 Presentation of Financial Statements - amendments to its definition of material to make it easier for companies to make materiality judgements. The materiality depends on the nature or magnitude of information, or both. An entity assesses whether information, either individually or in combination with other information, is material in the context of its financial statements taken as a whole. January 01, 2020
- IAS 8 Accounting Policies, Changes in Accounting Estimates and Errors - The amendments are intended to make the definition of material easier to understand and are not intended to alter the underlying concept of materiality in IFRS. In addition, the IASB has also issued guidance on how to make materiality judgements when preparing general purpose financial statements in accordance with IFRS. January 01, 2020
- IAS 12 Income tax - Recognise the income tax consequences of dividends where the transactions or events that generated distributable profits are recognised. The amendment clarifies that all income tax consequences of dividends (including payments on financial instruments classified as equity) are recognized consistently with the transaction that generates the distributable profits. January 01, 2019

**Effective date
(annual periods
beginning on or
after)**



NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED JUNE 30, 2019

IAS 19 Employee Benefits - The amendments require an entity:

To use the updated actuarial assumptions to determine current service cost and net interest for the remainder of the annual reporting period after plan amendment, curtailment and settlement when entity measure its net defined benefit liability, and;

To recognise in profit or loss as part of past service cost, or gain or loss on settlement, any reduction in a surplus, even if that surplus was not previously recognized because of impact of the asset ceiling.

January 01, 2019

IAS 23 Borrowing Costs - to clarify that when a qualifying asset is ready for its intended use or sale, an entity treats any outstanding borrowings made specifically to obtain that qualifying asset as part of the funds that it has borrowed.

January 01, 2019

IAS 28 Investment in Associates and Joint Ventures - Clarification that an entities may elect, at initial recognition, to measure investments in an associate or joint venture at fair value through profit or loss separately for each associate or joint venture measuring an associate or joint venture at fair value.

The amendment clarifies that an entity applies IFRS 9 'Financial Instruments' long-term interests in an associate or joint venture that form part of the net investment in the associate or joint venture but to which the equity method is not applied.

January 01, 2019

4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

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

4.1 Employee benefits

4.1.1 Compensated absences

The Company accounts for all accumulated compensated absences when employees render services that increase their entitlement to future compensated absences. The liability is provided on the basis of actuarial valuation using Projected Unit Credit (PUC) Actuarial Method while movement in the liability is included in the statement of profit or loss. The Company has a policy of carrying out actuarial valuations annually with the assistance of independent actuarial appraisers. The latest actuarial valuation was carried out on June 30, 2019.



The amount recognized in the statement of financial position represents the present value of Defined Benefits Obligation (DBO). Actuarial gains and losses are recognised immediately in the statement of profit or loss.

Principal actuarial assumptions used in the actuarial valuation carried out as at June 30, 2019 are as follows:

	2019	2018
Discount rate - per annum	14.25%	9.00%
Expected rate of increase in eligible salary - per annum	13.25%	8.00%
Average mortality	As per SLIC 2001-2005 Setback 1 Year	As per SLIC 2001-2005 Setback 1 Year

These assumptions have been developed by management with assistance of independent actuarial appraisers. Discount rate is determined by reference to market yields on government bonds since long-term private sector bonds market is not deep enough in Pakistan. Rate of salary growth reflects regular / special increments and any promotional increase.

4.1.2 Staff retirement benefits

Defined benefit plan - Gratuity

The Company operates an unfunded gratuity scheme covering all eligible employees completing the minimum qualifying year of service as specified by the scheme. The liability is provided on the basis of actuarial valuation using Projected Unit Credit (PUC) Actuarial Method while movement in the liability is included in the statement of profit or loss. The Company has a policy of carrying out actuarial valuations annually with the assistance of independent actuarial appraisers. The latest actuarial valuation was carried out on June 30, 2019.

Actuarial gains and losses are recognized as income or expense in the other comprehensive income. The Company recognises expense in accordance with IAS 19 "Employee Benefits". Past service cost is recognized immediately to the extent the benefits are already vested.

The amount recognized in statement of financial position represents the present value of the defined benefit obligation adjusted for the actuarial gains and losses.

Principal actuarial assumptions used in the actuarial valuation carried out as at June 30, 2019 are as follows:

	2019	2018
Discount rate - per annum	14.25%	9.00%
Expected rate of increase in salary - per annum	13.25%	8.00%
Average expected remaining working life time of employees	9 years	9 years
Average mortality	As per SLIC 2001-2005 Setback 1 Year	As per SLIC 2001-2005 Setback 1 Year



NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED JUNE 30, 2019

These assumptions have been developed by management with the assistance of independent actuarial appraisers. Discount rate is determined by reference to market yields on government bonds since long-term private sector bonds market is not deep enough in Pakistan. Rate of salary growth reflects regular / special increments and any promotional increase.

4.2 Borrowing cost

Borrowing costs are recognized as an expense in the year in which they are incurred except where such costs are directly attributable to the acquisition or construction of a qualifying asset in which case such costs are capitalized as part of the cost of that asset. The capitalization of borrowing cost ceases when substantially all the activities necessary to prepare the qualifying asset for intended use or sale are complete.

4.3 Payables and other liabilities

Trade and other payables are recognized initially at fair value plus directly attributable cost, if any and subsequently measured at amortized cost. Accounts payable are classified as current liabilities if payment is due within one year. If not, they are presented as non-current liabilities.

4.4 Taxation

The tax expense comprises current and deferred tax. Tax is recognized in statement of profit or loss except to the extent that it relates to items recognized in other comprehensive income or directly in equity. In this case the tax is also recognized in other comprehensive income or directly in equity respectively.

a) Current

Provision for current taxation is higher of taxable income or accounting income at the current rates of taxation after taking into account tax credits and tax rebates, if any, of the Company. The charge for the current year tax also includes prior year adjustments arising due to assessments framed during the year.

b) Deferred

Deferred tax is accounted for using the statement of financial position liability method in respect of all temporary differences arising from differences between the carrying amount of the assets and liabilities in the financial statements and the corresponding tax bases used in the computation of taxable income. Deferred tax liabilities are recognized for all taxable temporary differences in full and deferred tax assets are recognized for all deductible temporary differences to the extent that it is probable that taxable profits will be available against which the 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 year when the differences reverse, based on tax rates that have been enacted.

Deferred tax assets and liabilities are offset only when the Company has a right and intention to set off current tax assets and liabilities.



4.5 Property and equipment

4.5.1 Owned assets

Operating fixed assets

Operating fixed assets are initially recognised at acquisition cost, including any costs directly attributable to bringing the assets to the location and condition necessary for it to be capable of operating in the manner intended by the Company's management. Subsequently, the assets are stated at cost/revalued amounts less accumulated amortization/depreciation and impairment losses, if any. Revalued amounts are fair market values or depreciated replacement cost (as the case may be) based on appraisals prepared by external professional valuers. Any surplus arising upon revaluation of assets is credited to the "Surplus on revaluation of fixed assets".

Any revaluation increase arising on the revaluation of land, buildings and plant and machinery is recognised in other comprehensive income and presented as a separate component of equity as "Revaluation surplus on property and equipment", except to the extent that it reverses a revaluation decrease for the same asset previously recognised in profit or loss, in which case the increase is credited to profit or loss to the extent of the decrease previously charged. Any decrease in carrying amount arising on the revaluation of land, buildings and plant and machinery is charged to profit or loss to the extent that it exceeds the balance, if any, held in the revaluation surplus on property and equipment relating to a previous revaluation of that asset. The surplus on revaluation buildings and plant and machinery to the extent of incremental depreciation charged (net of deferred tax) is transferred to accumulated profit.

Depreciation is charged to income on straight line method so as to write off the depreciable amount of the operating fixed assets over their estimated useful lives as disclosed in note 5.1, while leasehold land is amortized over the lease period extendable upto 99 years. Depreciation on depreciable assets is commenced from the month the asset is available for use upto the month preceding the month of disposal. Incremental depreciation arising out of surplus on revaluation of assets is transferred to accumulated profit through statement of changes in equity. Minor renewals/replacements/repairs and maintenance cost are charged to income as and when incurred. Major renewals and replacements are capitalized.

Material residual value estimates and estimates of useful life are updated as required, but at least annually, whether or not the asset is revalued.

Gains or losses arising on the disposal of operating fixed assets are determined as the difference between the disposal proceeds and the carrying amount of the assets and are recognised in statement of profit or loss.

Capital work in progress

Capital work in progress is stated at cost less impairment losses (if any). It consist of expenditure incurred, advances made and other costs directly attributable to operating fixed assets in the course of their construction and installation. All expenditure including borrowing cost connected with specific assets incurred during the construction and installation period are carried under capital work in progress. Items are transferred to operating fixed assets as and when they are available for use.

4.5.2 Leased assets

Assets subject to finance lease in which the Company bears substantially all risks and rewards of ownership of the assets are recognised at the inception of lease at lower of their fair value

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED JUNE 30, 2019

and the present value of minimum lease payments, less accumulated depreciation and impairment losses, if any. Related obligations under the agreement are accounted as liabilities and the same are reduced by lease payments net of finance charges.

Financial charges are charged to statement of profit or loss and are allocated to accounting periods in a manner so as to provide a periodic rate of charge subject to the KIBOR on the outstanding liability.

Depreciation is charged to income using straight line method at rates given in note 5.1, so as to write off the assets over their estimated useful lives in view of the certainty of the ownership of the assets at the end of the lease.

4.6 Leases

4.6.1 Finance lease

Leases that transfer substantially all the risks and rewards incidental to ownership of an asset are classified as finance lease. Assets on finance lease are capitalised at the commencement of the lease term at the lower of the fair value of leased assets and the present value of minimum lease payments. Finance costs under lease arrangements are allocated to the periods during the lease term so as to produce a constant periodic rate of finance cost on the remaining balance of principal liability for each period.

4.6.2 Operating lease / Ijarah

Operating lease / Ijarah in which a significant portion of the risks and rewards of ownership are retained by the lessor / Muj'ir (lessor) are classified as operating leases/Ijarah. Payments made during the period are charged to profit or loss on a straight-line basis over the period of the lease / Ijarah.

The SECP has issued directive (vide SRO 431 (I) / 2007 dated May 22, 2007) that Islamic Financial Accounting Standard 2 (IFAS-2) shall be followed in preparation of the financial statements by companies while accounting for Ijarah (Lease) transactions as defined by said Standard. The Company has adopted the above said standard.

4.7 Intangible assets

Costs that are associated with identifiable softwares and economic benefits are probable for more than one year therefrom, are recognized as intangible assets.

Intangible assets are stated at cost less accumulated amortization and impairment if any, except assets that are not available for its intended use, which are stated at cost. Amortization is charged using the straight-line method at rates given in relevant note to write off the historical cost of assets over their estimated useful life. Amortization on additions is commenced from the month the asset is available for use upto the month preceding the month of disposal.

4.8 Investment property

Investment property is the property held either to earn rental income or for capital appreciation or for both, but not for sale in the ordinary course of business, use in the production or supply of



goods or services or for administrative purposes. Investment property is measured at cost on initial recognition and subsequently at fair value with any change therein recognized in statement of profit or loss.

Cost of investment property includes expenditures that are directly attributable to the acquisition of the investment property. The cost of self-constructed investment property includes the cost of materials and direct labour, any other costs directly attributable to bringing the investment property to a working condition for their intended use and capitalised borrowing costs.

Minor renewals/replacements/repairs and maintenance costs are charged to income as and when incurred. Major renewals and replacements are capitalized.

Any gain or loss on disposal of an investment property (calculated as the difference between the net proceeds from disposal and the carrying amount of the item) is recognised in statement of profit or loss.

4.9 Investment in associates

Associates are those entities in which the Company has significant influence by having common directorship or equity stake of 20% or more but do not have control over the financial and operating policies. Investments in associates are initially recognized at cost and subsequently accounted for using the equity method.

The carrying amount of the investment in associates is increased or decreased to recognise the Company's share of the profit or loss and other comprehensive income of the associates. Changes resulting from the profit or loss generated by the associate are reported within 'Share of profit/loss from associated companies' in statement of profit or loss.

Changes resulting from other comprehensive income of the associates or items recognised directly in the associates' equity are recognised in other comprehensive income or equity of the Company, as applicable.

When the Company's share of losses in an associate equals or exceeds its interest in the associate, the Company does not recognize further losses, unless it has incurred legal or constructive obligations or made payments on behalf of the associate. If the associate subsequently reports profits, the Company resumes recognising its share of those profits only after its share of the profits exceeds the accumulated share of losses that has previously not been recognised.

4.10 Investment

Classification of an investment is made on the basis of business model of the company for such investment. Management determines the appropriate classification of its investment at the time of purchase. Investment of the company are currently classified under following categories:

4.10.1 Equity investments at FVOCI

These investments are intended to be held for any indefinite period of time but may be sold in response to the need for liquidity or changes in fair value. These are initially recognised at cost

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED JUNE 30, 2019

and at subsequent reporting dates measured at fair values. Gains and losses from changes in fair values are taken to the statement of comprehensive income until disposal at which time these are recycled to statement of profit or loss.

4.10.2 Fair value through profit or loss (FVPL)

These are investment designated as held-for-trading at the inception. Investment under this category are classified in current assets. These investment are initially recorded at fair value and are remeasured at each reporting date. Gains or losses arising from changes in the fair value are recognised in statement of profit or loss in the reporting period in which they arise. Gains or losses on disinvestment are also recognised in statement of profit or loss.

4.11 Revenue recognition

Revenue comprises of the fair value of the consideration received or receivable from the sale of services in the ordinary course of the Company's activities.

Revenue is recognized when it is probable that the economic benefits associated with the transactions will flow to the Company and the amount of revenue can be measured reliably. The revenue arising from different activities of the Company is recognized on the following basis:

Rental income

Rental income from Company's investment property is recognized on a straight-line basis over the term of the rent agreement.

Sale of property


Revenue from sale (sublease) of office spaces (the property) is recognized when:

- i) the significant risks and rewards have been transferred to the buyer (sub lessee);
- ii) the Company does not retain a continuing managerial involvement to the degree usually associated with ownership; and
- iii) the amount of revenue can be measured reliably, it is probable that the economic benefits associated with the transaction will flow to the entity and the costs incurred or to be incurred in respect of the transaction can be measured reliably.

The significant risks and rewards are transferred to the buyer (lessee) when following conditions are met:

- a) the buyer's (sub lessee's) investment, to the date of the financial statements, is adequate to demonstrate a commitment to pay for the property;
- b) the buyer (sub lessee) is committed and is unable to require a refund as a matter of right except, for non delivery of the property. Management believes that the likelihood of the Company being unable to fulfill its contractual obligations is remote; and
- c) the buyer (sub lessee) has the right to dispose off the property.

Other income

- a) Income from bank deposits and held to maturity investments are recognized on a time proportion basis.
- b) Any other income is recognised on accrual basis. 

4.12 Foreign currency transactions

Transactions in foreign currencies are converted into Pak rupees at the rates prevailing on the date of transaction. Monetary assets and liabilities denominated in foreign currencies are translated into Pak rupees at the rate prevailing on the statement of financial position date. All exchange differences resulting from the settlement of such transactions and from the remeasurement of monetary assets and liabilities are included in the statement of profit or loss.

4.13 Provisions

Provisions for legal disputes, onerous contracts or other claims are recognized in statement of financial position when the Company has a legal or constructive obligation as a result of past events and it is probable that an outflow of resources embodying economic benefits will be required to settle the obligation and a reliable estimate can be made of the amount of obligation.

Provisions are measured at the estimated expenditure required to settle the present obligation, based on the most reliable evidence available at the reporting date, including the risks and uncertainties associated with the present obligation. In those cases where the possible outflow of economic resources as a result of present obligations is considered improbable or remote, no liability is recognised.

4.14 Contingencies

A contingent liability is disclosed when the Company has a possible obligation as a result of past events, existence of which 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 the Company has a present legal or constructive 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.

4.15 Financial instruments

4.15.1 Financial assets

The Company classifies its financial assets in the following categories: at fair value through profit or loss, fair value through other comprehensive income and amortized cost. The classification depends on the purpose for which the financial assets were acquired. Management determines the classification of its financial assets at initial recognition.

Amortized Cost

A financial asset is measured at amortized cost if it meets both the following conditions and is not designated as at fair value through profit or loss:

- (i) it is held with in a business model whose objective is to hold assets to collect contractual cash flows; and
- (ii) its contractual terms give rise on specified dates to cash flows that are solely payments of principal and interest on the principal amount outstanding.



NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED JUNE 30, 2019

Equity Investments at FVOCI

These assets are initially measured at cost plus transaction cost that are directly attributable to its acquisition. Subsequently, these are measured at fair value. Dividends are recognized as income in the statement of profit and loss unless the dividend clearly represents a recovery of part of the cost of the investment. Other net gains and losses are recognized in other comprehensive income and are never reclassified to the statement of profit or loss.

Financial assets at FVPL

These assets are initially recognized at cost. Subsequently, these are measured at fair value. Net gains and losses, including any interest / markup or dividend income, are recognized in statement of profit or loss.

Impairment

The Company recognizes loss allowance for Expected Credit Losses (ECLs) on financial assets measured at amortized cost. The Company measures loss allowance at an amount equal to lifetime ECLs.

Lifetime ECLs are those that result from all possible default events over the expected life of a financial instrument. The maximum period considered when estimating ECLs is the maximum contractual period over which the Company is exposed to credit risk.

At each reporting date, the Company assesses whether the financial assets carried at amortized cost are credit-impaired. A financial asset is credit-impaired when one or more events that have detrimental impact on the estimated future cash flows of the financial assets have occurred.

Loss allowances for financial assets measured at amortized cost are deducted from the gross carrying amount of the assets. The gross carrying amount of a financial asset is written off when the Company has no reasonable expectations of recovering a financial asset in its entirety or a portion thereof.

Derecognition

Financial assets are derecognized when the rights to receive cash flows from the financial assets have expired or have been transferred and the Company has transferred substantially all risks and rewards of ownership.

Receivables and deposits

Receivables include accounts receivables, deposits, other receivables and cash and bank balances. After initial recognition these are measured at amortized cost using the effective interest method, less provision for impairment. Discounting is omitted where the effect of discounting is immaterial. Receivables are assessed on regular basis for impairment and if there is any doubt about the recoverability of these receivables, appropriate amount of provision is made.



4.15.2 Financial liabilities

Financial liabilities are measured at amortized cost or 'at fair value through profit or loss' (FVPL). A financial liability is classified as at FVPL if it is classified as held for trading, it is a derivative or it is designated as such on initial recognition. Financial liabilities at FVPL are measured at fair value and net gains and losses, including any interest expense, are recognized in the statement of profit or loss. Other financial liabilities are subsequently measured at amortized cost using the effective interest method. Interest expense and foreign exchange gains and losses are recognized in the statement of profit or loss. Any gain or loss on de-recognition is also recognized in the statement of profit or loss.

Borrowings

Subsequent to initial recognition borrowings are measured at amortised cost using the effective interest method. Finance costs are accounted for on an accrual basis and are reported under accrued mark-up on borrowings to the extent of the amount remain unpaid.

Accrued and other payables

Accrued and other payables include accrued liabilities, accrued mark-up and deposits. Subsequent to initial recognition, accrued and other payables are measured at amortised cost using the effective interest method. Discounting is omitted where the effect of discounting is immaterial.

4.16 Account receivables

Account receivables are recognized and carried at original invoiced amount which is fair value of the consideration to be received in future. An estimated provision for doubtful debts is made when collection of the full amount is no longer probable. Debts considered irrecoverable are written-off.

4.17 Other receivables

Other receivables are recognized at fair value of the consideration to be received in future.

4.18 Cash and cash equivalents

For the purpose of cash flow statement, cash and cash equivalents comprise cash in hand, cash with banks on current and saving accounts, bank overdrafts/short term borrowings and other short term highly liquid investments that are readily convertible to known amounts of cash and which are subject to insignificant risk of change in value.

4.19 Cash and bank balances

Cash in hand and at banks are carried at nominal amount.

4.20 Receipts against booking of office space in ISE Towers

Amount received against sale (sub-lease) of office space in ISE Towers is recognised as a liability and transferred to profit or loss account when the revenue conditions mentioned in note 4.11 are met.



**NOTES TO THE FINANCIAL STATEMENTS
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4.21 Related party transactions

Transactions involving related parties arising in the normal course of business are conducted at arm's length at normal commercial rates on the same terms and conditions as third party transactions using valuation modes as admissible.

4.22 Share capital

Share capital represents the nominal value of shares that have been issued.

4.23 Earnings per share

The Company presents earnings per share (EPS) data for its ordinary shares. Basic EPS is calculated by dividing the profit or loss attributable to ordinary shareholders of the Company by weighted average number of ordinary shares outstanding during the period. Diluted EPS is determined by adjusting the profit or loss attributable to ordinary shareholders and the weighted average number of ordinary shares outstanding for the effects of all dilutive potential ordinary shares.

4.24 Dividend and apportioning to reserves

Interim dividends distributions are recognized in the period in which the dividends are declared by the Board of Directors, while final dividend distributions are recognized as liability in the financial statements in the period in which the dividend are approved by the Company's shareholders at the Annual General Meeting. Appropriation to reserves are recognized in the financial statements in the period in which these are approved.

4.25 Apportioning to reserve

The Company operates a common use fixed assets replacement reserve to ensure that sufficient funds remain available for replacement / purchase of fixed assets of common use, or any part thereof, relating to ISE Towers as per policy approved by the Board of Directors. The contribution to the fund is recoverable at a rate fixed by the Board from all the concerned stakeholders and is to be utilized exclusively for this purpose.

5	PROPERTY PLANT EQUIPMENT	Note	2019	2018
			(Rupees in '000)	
	Operating fixed assets	5.1	900,076	930,139
	Capital work in progress	5.2	19,717	-
			<u>919,793</u>	<u>930,139</u>



5.1 OPERATING FIXED ASSETS

Description	Leasehold land	Building on leasehold land	Electrical equipment	HVAC equipment	Plumbing installations	Elevators	Security equipment	IT equipment	Security systems	Furniture and fixture	Office equipment	Vehicles	Computers & accessories	Total
Net carrying value basis year ended June 30, 2019														
Opening net book value (NBV)	539,176	306,575	19,434	50,146	1,448	5,247	1,099	668	806	4,120	1,114	185	121	930,139
Additions (at cost)	-	-	401	-	-	-	2,207	45	75	-	608	71	200	3,607
Transfers from CWIP	-	-	-	-	-	38,462	-	-	-	-	-	-	-	38,462
Disposals:	-	-	-	-	-	(6,362)	-	-	-	(28)	-	-	(6)	(31,414)
Cost	-	-	-	(25,018)	-	5,382	-	9	-	-	-	-	6	28,083
Accumulated depreciation	-	-	-	(2,332)	-	(980)	-	(19)	-	(19)	-	-	-	(3,331)
Write-off (NBV)	-	(722)	-	-	-	-	-	-	-	-	-	-	-	(722)
Depreciation charge	(6,656)	(9,647)	(11,924)	(32,094)	(1,018)	(3,845)	(620)	(665)	(371)	(749)	(2,66)	(149)	(75)	(68,079)
Net book value	532,520	296,206	7,911	15,720	430	38,884	2,686	48	510	3,352	1,456	107	246	900,076
Gross carrying value basis year ended June 30, 2019														
Cost / Revolved amount	551,168	335,386	67,057	154,582	5,521	52,107	8,267	11,991	3,620	6,448	2,613	780	2,973	1,202,513
Accumulated depreciation	(18,648)	(39,180)	(59,146)	(138,862)	(5,091)	(13,223)	(5,581)	(11,943)	(3,110)	(3,096)	(1,157)	(673)	(2,727)	(302,437)
Net book value	532,520	296,206	7,911	15,720	430	38,884	2,686	48	510	3,352	1,456	107	246	900,076
Net carrying value basis year ended June 30, 2018														
Opening net book value (NBV)	491,704	287,524	30,699	82,624	2,466	8,937	1,409	2,031	121	4,632	928	327	375	913,777
Additions (at cost)	-	-	587	-	-	-	193	-	999	248	453	-	-	2,480
Revaluation Surplus	53,468	27,815	-	-	-	-	-	-	-	-	-	-	-	81,283
Depreciation charge	(5,996)	(8,764)	(11,852)	(32,478)	(1,018)	(3,600)	(503)	(1,363)	(314)	(759)	(267)	(142)	(254)	(67,401)
Net book value	539,176	306,575	19,434	50,146	1,448	5,247	1,099	668	807	4,120	1,114	185	121	930,139
Gross carrying value basis year ended June 30, 2018														
Cost / Revolved amount	551,168	336,128	66,656	179,600	5,521	20,007	6,060	11,946	3,545	6,476	2,005	709	2,779	1,192,600
Accumulated depreciation	(11,992)	(29,553)	(47,222)	(129,454)	(4,073)	(14,760)	(4,961)	(11,278)	(2,739)	(2,356)	(891)	(523)	(2,638)	(262,460)
Net book value	539,176	306,575	19,434	50,146	1,448	5,247	1,099	668	806	4,120	1,114	185	121	930,139
Depreciation rate per annum	99 years	2.5%	10%	10%	10%	10%	20%	33%	33%	10%	10%	20%	33%	

5.1.1 Lease hold land of the Company is located at Plot no. 55-B (old # 3035), Fimah Avenue, Blue area, Islamabad, Pakistan with an area of 1659 sq. yds.

5.1.2 Building is located on lease hold land with covered area of 559,068 sq. yds.

5.1.3 Depreciation charge for the year amounting to Rs. 68.097 million includes incremental depreciation on revaluation surplus of Rs. 3.744 million (2018: Rs. 2.200 million).

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**NOTES TO THE FINANCIAL STATEMENTS
 FOR THE YEAR ENDED JUNE 30, 2019**

5.1.4 The cost of fully depreciated assets which are still in use as at June 30, 2019 amounts to Rs. 178.19 million (2018: Rs. 176.86 million).

5.1.5 The Company has revalued its lease hold land and buildings on June 30, 2018 by independent valuer M/s Asif Associates (Private) Limited on the basis of market value. At the above date, the revaluation resulted in a surplus of Rs. 81.283 million. Valuations for leasehold land and building on leasehold land were based on fair market value. At the year end June 30, 2019, there is no significant change in the value of lease hold land and building as certified by independent valuer.

Name of independent valuer	Date of revaluation	Revaluation surplus Rupees in '000
M/S Asif Associates (Private) Limited	30-Jun-18	81,283
	28-Jun-16	77,709

5.1.6 The forced sale value of the revalued lease hold land and building has been assessed at Rs. 458.299 million and Rs. 260.589 million respectively, as on June 30, 2018.

5.1.7 Had there been no revaluation the carrying values would have been as under:

Description	2019		2018	
	Cost	Book value	Cost	Book value
----- (Rupees in '000) -----				
Leasehold land	309,808	268,958	309,808	265,829
Building on leasehold land	373,025	285,028	374,182	295,312
Electrical equipment	95,046	10,562	90,513	18,440
HVAC equipment	208,866	2,869	243,228	38,222
Plumbing installations	7,583	320	7,583	1,077
Elevators	57,203	38,611	27,480	3,903
Security equipment	35,659	2,667	33,265	183
IT equipment	109,428	33	109,095	-
LED screen and ticker	34,660	-	34,660	-
Security systems	15,720	1,074	15,568	822
Furniture and fixture	9,122	3,569	8,995	4,253
Office equipment	7,649	1,678	6,600	1,358
Vehicles - owned	709	46	709	183
Computers and accessories	26,738	180	25,381	-
	1,291,216	615,595	1,287,067	629,583

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5.1.8 The following items of operating fixed assets were disposed off during the year:

Description	Cost/ revalued amount	Accumulated depreciation	Net book value	Sale proceeds	Gain / (loss) on disposal	Mode of disposal	Particulars of buyers
	------(Rupees in '000)-----						
Items having net book value above Rs. 500,000							
HVAC equipment - Electric Chillers	25,018	22,686	2,332	5,100	2,768	Negotiation	Jawad Safi Khwaja
Elevators	6,362	5,382	980	1,550	570	Negotiation	Sarfraz Ahmed
Various items having net book value upto Rs. 500,000							
Others	34	15	19	203	184	Negotiation	Multiple parties
	31,414	28,083	3,331	6,853	3,522		

5.2 Capital work in progress

Description	Balance as on July 01, 2018	Additions	Transfers / Charged off	Balance as on June 30, 2019
	------(Rupees in '000)-----			
Elevators	-	57,978	38,462	19,516
Security systems	-	88	-	88
Office equipment	-	113	-	113
	-	58,179	38,462	19,717

6 INTANGIBLE ASSETS

	Note	2019	2018
		(Rupees in '000)	
Computer software - in use	6.1	538	342
Capital work in progress - computer software	6.2	192	353
		730	695
6.1 Net carrying value basis			
Opening net book value		342	-
Addition during the year		68	0
Transfers from computer software - under development	6.1.2	388	385
Amortization charge		(260)	(43)
Closing net book value		538	342

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**NOTES TO THE FINANCIAL STATEMENTS
 FOR THE YEAR ENDED JUNE 30, 2019**

Note	2019 (Rupees in '000)	2018
Gross carrying value basis		
Revalued / cost	1,214	758
Accumulated amortization adjustment	(676)	(416)
Net book value/revalued	538	342
Amortization rate % per annum	33%	33%

6.1.1 The Company had revalued its intangible assets on June 30, 2014 by independent valuer M/s Asif Associates (Private) Limited on the basis of market value. There was no change in the carrying amount of the intangible assets due to revaluation since the year 2014.

6.1.2 This represents customization of Billing and Complaint management system and development of general ledger, account receivable and account payable modules on the completion during the year.

Note	2019 (Rupees in '000)	2018
6.2 Capital work in progress - computer software		
Opening net book value	353	270
Additions - cost	227	468
Transfer - cost	(388)	(385)
Closing net book value	192	353

6.2.1 It represents expenditure incurred on development of "Billing and Complaint Management System" and "Fixed Asset Register Module".

Note	2019 (Rupees in '000)	2018
7 INVESTMENT PROPERTY		
Buildings	3,743,586	3,743,586
7.1 The movement in this head is as follows:		
Opening balance	3,743,586	3,233,745
Fair value gain on revaluation shown in "Statement of profit or loss"	-	509,841
	3,743,586	3,743,586

7.2 This represents office spaces in ISE Towers held to earn rentals and for capital appreciation. The carrying value of investment property is the fair value of the property based on the valuation carried by approved independent valuer Asif Associates (Private) Limited on June 30, 2018. Fair value was determined having regard to recent market transactions for similar properties in the same location and condition. At the year end June 30, 2019, there is no significant change in the value of lease hold land and building as certified by independent valuer.

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7.3 Forced sale value of the investment property is assessed at Rs. 3,182.048 million on June 30, 2018.

		2019	2018
		(Rupees in '000)	
8	LONG TERM INVESTMENTS		
	Under Equity Method	180,555	157,656
	Equity Investments - FVTOCI	119,707	102,677
		300,262	260,333
8.1	LONG TERM INVESTMENTS - UNDER EQUITY METHOD		
	Associated companies - unquoted		
	National Clearing Company of Pakistan Limited	175,626	152,912
	Pakistan Mercantile Exchange Limited	4,929	-
	VIS Credit Rating Company Limited	-	4,744
		180,555	157,656
8.1.1	National Clearing Company of Pakistan Limited (NCCPL)		
	Investment - at cost	82,207	82,207
	Share in post acquisition profits brought forward	70,705	77,772
	Restatement adjustment	-	66
		70,705	77,838
	Share in profits for the year	23,803	17,983
	Share in other comprehensive loss for the year	(1,089)	(1,386)
	Dividend received during the year	-	(23,730)
		22,714	(7,133)
		175,626	152,912
8.1.2	Pakistan Mercantile Exchange Limited (PMEX)		
	Investment - at cost	61,886	61,886
	Share in post acquisition losses brought forward	(61,886)	(61,886)
	Share in profits for the year - net of unrecognized accumulated losses of previous years	4,929	-
		4,929	-

8.1.2.1 Out of the total share of profit of company amounted to Rs. 9.373 (2018: 7.301) the amount of Rs. 4.444 million is adjusted against accumulated losses not recognized as at June 30, 2019.

8.1.3 The Company has reclassified investment in VIS Credit Rating Company Limited to fair value through other comprehensive income (FVOCI). Previously, the Company was treating investment in VIS Credit Rating Company Limited as associate according to the requirements of IAS 28 "Investments in Associates" due to its representation on the board of the directors of investees and consequently, having significant influence. From July 01, 2018 onwards, there is no representation of the Company on the boards of directors.



NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED JUNE 30, 2019

8.1.4 The Company has the following shareholding structure in associates:

	2019		2018	
	Share held	% age	Share held	% age
NCCPL	8,898,928	11.76%	5,932,620	11.76%
PMEX	5,568,677	17.76%	5,568,677	17.76%
VIS	100,000	5%	100,000	5%

8.1.5 In all above cases, the Company has significant influence due to its representation on the board of the directors of investees and consequently, they have been treated as associates according to the requirements of IAS 28 'Investments in Associates'. The shares of these associates are not listed on stock exchanges and hence published price quotes are not available.

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

	2019			
	Assets	Liabilities	Revenues	Profit / (loss)
	------(Rupees in '000)-----			
NCCPL	13,445,080	11,952,253	925,032	202,358
PMEX	2,927,245	2,912,177	319,878	53,495

	2018			
	Assets	Liabilities	Revenues	Profit
	------(Rupees in '000)-----			
NCCPL	15,061,162	13,761,439	808,611	152,852
PMEX	2,342,680	2,381,107	264,608	41,114
VIS	164,361	69,457	126,183	16,580

8.1.7 The balances of long term investments have been presented based upon management accounts of associated companies except NCCPL which has been presented based upon audited accounts as at June 30, 2019. Any change in the audited financial statements of these companies will affect balance of long term investments according to the percentage of shareholding.

8.2	Equity investments - FVOCI	Note	2019	2018
			(Rupees in '000)	
	Central Depository Company of Pakistan Limited	8.2.1	114,641	102,677
	VIS Credit Rating Company Limited (VIS)	8.2.2	5,066	-
			119,707	102,677

8.2.1 Central Depository Company of Pakistan Limited

Central Depository Company of Pakistan Limited		47,163	47,163
Fair value adjustment	8.2.1.1	67,478	55,514
	8.2.1.2	114,641	102,677

		2019	2018
		(Rupees in '000)	
8.2.1.1	Fair value adjustment		
	Opening	55,514	26,063
	For the year	11,964	29,451
	Closing	67,478	55,514

8.2.1.2 This represents investment in 3.75 million (June 30, 2018: 2.65 million) ordinary shares of Central Depository Company of Pakistan Limited. The fair value of these securities are based on break up value as shares of CDC 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 (2018: 2.50 million).

	Assets	Liabilities	Revenues	Profit
	----- (Rupees in '000) -----			
CDC (June 30, 2019)	5,361,867	781,795	1,704,505	616,323
CDC (June 30, 2018)	4,942,650	811,642	1,852,122	668,985

	2019		2018	
	Share held	% age	Share held	% age
CDC	3,750,000	2.5%	2,652,250	2.5%

		2019	2018
		(Rupees in '000)	
8.2.2	VIS Credit Rating Company Limited		
	Investment - at cost	4,745	-
	Gain on reclassification of investment	11	
	Fair value adjustment	310	-
		5,066	-

8.2.2.1 The balances of long term investment in VIS have been presented based on management account for the year ended June 30, 2019

	Assets	Liabilities	Revenues	Profit
	----- (Rupees in '000) -----			
VIS	186,306	82,119	149,989	18,097,785

	2019		2018	
	Share held	% age	Share held	% age
VIS	100,000	5.0%	100,000	5.0%

**NOTES TO THE FINANCIAL STATEMENTS
 FOR THE YEAR ENDED JUNE 30, 2019**

	Note	2019 (Rupees in '000)	2018
9 LONG TERM ADVANCES AND SECURITY DEPOSITS			
Advances - considered good	9.1	172	-
Deposits with:			
Islamabad Electric Supply Company Limited		11,878	11,878
Sui Northern Gas Pipelines Limited		2,650	2,650
Others		176	176
		<u>14,876</u>	<u>14,704</u>
9.1 Advances - considered good			
Advances to staff		723	304
Current portion transferred to short term advance	12.1	(551)	(304)
		<u>172</u>	<u>-</u>
10 DEFERRED TAXATION			
Deferred tax asset	10.1	<u>87,561</u>	<u>87,023</u>

10.1 Deferred tax asset is in respect of the following temporary differences:

	Note	2019 (Rupees in '000)	2018
Taxable temporary differences			
Accelerated depreciation allowance		168,967	168,967
Long term investments		17,509	17,509
Surplus on revaluation of property and equipment		22,391	22,929
		<u>208,867</u>	<u>209,405</u>
Deductible temporary differences			
Provision for compensated absences		(494)	(494)
Carry forward of accumulated tax losses		(295,934)	(295,934)
		<u>(296,428)</u>	<u>(296,428)</u>
	10.2 & 10.3	<u>(87,561)</u>	<u>(87,023)</u>

10.2 Net deferred tax asset has been recognized on the basis of future profitability as the result of future projected profitable operations to the extent that it is probable that taxable profits will be available against which the deductible temporary differences, unused tax losses and tax credits can be utilized. No deferred tax assets has been recognized amounting to Rs. 243.103 million (2018: Rs. 106.718 million) as management believes that deferred tax asset presently carried is based on expectation of utilization of carry forward losses and future projections of profit. During the year change has been made only in respect to revaluation surplus due to incremental depreciation. No deferred tax has been recognized on gratuity as the Company is claiming it as tax expense.



10.3 Movement in deferred taxation

The balance of deferred tax is in respect of the following temporary differences:

Deferred tax liabilities / (assets)	As at July 01, 2018	Profit and loss account	Other comprehensive income	Surplus on revaluation	As at June 30, 2019
(Rupees in '000)					
Effects of taxable temporary differences					
Accelerated depreciation allowance	168,967	-	-	-	168,967
Long term investments - under equity method	17,509	-	-	-	17,509
Surplus on revaluation of property and equipment	22,929	(538)	-	-	22,391
Effects of deductible temporary differences					
Provision for compensated	(494)	-	-	-	(494)
Carry forward of accumulated tax loss	(295,934)	-	-	-	(295,934)
	<u>(87,023)</u>	<u>(538)</u>	<u>-</u>	<u>-</u>	<u>(87,561)</u>

Deferred tax liabilities / (assets)	As at July 01, 2017	Profit and loss account	Other comprehensive income	Surplus on revaluation	As at June 30, 2018
(Rupees in '000)					
Effects of taxable temporary differences					
Accelerated depreciation allowance	168,967	-	-	-	168,967
Long term investments - under equity method	17,509	-	-	-	17,509
Surplus on revaluation of property and equipment	15,657	(282)	(512)	8,066	22,929
Effects of deductible temporary differences					
Provision for compensated	(494)	-	-	-	(494)
Carry forward of accumulated tax loss	(295,934)	-	-	-	(295,934)
	<u>(94,295)</u>	<u>(282)</u>	<u>(512)</u>	<u>8,066</u>	<u>(87,023)</u>

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**NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 2019**

	Note	2019 (Rupees in '000)	2018
11 ACCOUNT RECEIVABLES			
(Unsecured)			
Considered good			
Due from building tenants		1,393	4,587
Considered doubtful based on expected credit loss (ECL)		167	-
		1,560	4,587
Allowance for ECL		(167)	-
		1,393	4,587
12 ADVANCES, DEPOSITS AND PREPAYMENTS			
Advances	12.1	4,457	6,202
Deposits with First Habib Modaraba against Ijarah lease		647	647
Prepayments		1,283	1,495
		6,387	8,344
12.1 Advances			
Unsecured - considered good			
Advances to:			
Staff	12.1.1	551	304
Contractors		3,906	5,898
		4,457	6,202
Considered doubtful based on expected credit loss (ECL)		225	-
		4,682	6,202
Allowance for ECL		(225)	-
		4,457	6,202

12.1.1 Advances to employees are given for the purpose of meeting personal expenses. These advances are interest free and recoverable in twelve equal monthly installments. These advances are secured by way of amount due to employees against their gratuity fund balances.

	Note	2019 (Rupees in '000)	2018
13 OTHER RECEIVABLES			
Unsecured - considered good			
Receivable from members		-	239
Receivable from building occupants	13.1	42,376	30,459
Due from sub lessee	13.2	500	500
Others		622	3,146
		43,498	34,344
Considered doubtful based on expected credit loss (ECL)		1,040	-
		44,538	34,344
Allowance for ECL		(1,040)	-
		43,498	34,344

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

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

		2019	2018
		(Rupees in '000)	
	Note		
14	TAX REFUND DUE FROM GOVERNMENT - NET		
	Considered good		
	Income tax - opening	47,431	47,317
	Advance - Income tax paid during the year	65,854	57,817
		113,285	105,134
	Provision for the year	(58,526)	(57,703)
	Income tax - closing	54,759	47,431
		113,518	104,868
15	SHORT TERM INVESTMENT		
	Amortized cost		
	Treasury bills	262,876	193,367
	Term deposit receipt	54,000	-
		316,876	193,367
		316,876	193,367

15.1 This represents investment in treasury bills (T-Bills) having maturity on September 12, 2019 and carries yield rate ranging from 10.95% to 12.73% (2018 : 6.23 to 6.72%) per annum.

15.2 This represents investment in term deposit receipts (TDRs) having maturity on May 22, 2020 and carries yield rate of 11.75% (2018 : Nil) per annum.

		2019	2018
		(Rupees in '000)	
	Note		
16	CASH AND BANK BALANCES		
	Cash at banks		
	Saving accounts		
	- Local currency	41,065	27,543
	- Foreign currency	356	270
		41,421	27,813
	Cash in hand	1	35
		41,422	27,848
		41,422	27,848

16.1 Balances in saving accounts carry interest rate of 10.25% (2018: 3.5% to 5.15%) per annum.

16.2 This includes Rs. 3.535 million (2018: Rs. 3.535 million) against outstanding balances of "deposits from members against exposure and clearing house deposit" and Rs. 10.07 million (2018: Rs. 10.05 million) against security deposits and retention money maintained in a separate bank account. (Note 25).

16.3 This represents a foreign currency account maintained with a bank having a balance of US Dollars \$ 2,266.49 (2018: \$ 2,265.95). The balance is translated at year end at exchange rate of Rs. 157.05/USD (2018: Rs. 119.04/USD).



**NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 2019**

17 SHARE CAPITAL

17.1 Issued, subscribed and paid up capital:

Number of ordinary shares of Rs. 10/- each			2019	2018
			(Rupees in '000)	
2019	2018			
367,186,963	367,186,963	Ordinary shares issued for consideration other than cash	3,671,870	3,671,870

17.2 In accordance with the requirements of the Stock Exchanges (Corporatization, Demutualization and Integration) Act 2012 (the Act), initial paid up share capital of the Company was issued to initial shareholders of the Company for consideration other than cash as per clause 4(d) of the Act based on the net asset value determined through revaluation of assets and liabilities of the Company standing on March 31, 2012. The net assets value determined was at Rs. 3,671.870 million. For the purpose of corporatization pursuant to the Act, the surplus on revaluation of assets was included in the calculation of the paid up capital as per provisions of the Act.

Consequent upon the change of name of the company as provided in note 1.1 of these financial statements, the shareholding structure also stands transformed. As such the shareholders of Islamabad Stock Exchange have now become the shareholders of ISE Towers REIT Management Company Limited.

18 SURPLUS ON REVALUATION OF PROPERTY AND EQUIPMENT - NET OF TAX

		Note	2019	2018
			(Rupees in '000)	
	Balance brought forward		231,997	152,914
	Revaluation of fixed assets during the year	18.1	-	81,283
	Less:			
	- Transferred to equity in respect of incremental depreciation charged during the year - (net of deferred tax)		(3,206)	(1,918)
	- Related deferred tax liability during the year transferred to statement of profit or loss	10.3	(538)	(282)
			(3,744)	(2,200)
			228,253	231,997
	Less: Related deferred tax effect:			
	Balance as at July 01		22,929	15,657
	- On revaluation during the year	10.3	-	8,066
	- Effect of change in rate	10.3	-	(512)
	- Incremental depreciation charged during the year transferred to statement of profit or loss	10.3	(538)	(282)
			22,391	22,929
			205,862	209,068

18.1 This represents surplus resulting from revaluation of operating fixed assets determined by approved independent valuer on June 30, 2018. Please refer to note 5.1.5 of these financials statements for more details in this respect.

		2019	2018
		(Rupees in '000)	
		Note	
19	OTHER RESERVES		
	Capital reserve		
	- Fixed assets replacement reserve	19.1	62,118
	Revenue reserves		67,280
			1,226,308
			1,443,747
			1,293,588
19.1	Fixed assets replacement reserve	19.1.1	
	Opening		67,280
	Contribution for the year		32,576
	Reserve utilized during the year	19.1.2	33,300
	Closing		(38,462)
			-
			62,118
			67,280

19.1.1 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.

19.1.2 During the year, the Company incurred a sum of Rs. 57.478 million out of fixed asset replacement reserve for replacement of elevators at ISE Towers, out of which a sum of Rs. 38.642 million has been capitalized upon commissioning of two lifts and accordingly fixed asset replacement reserve has been adjusted.

		2019	2018
		(Rupees in '000)	
		Note	
20	ADVANCES, DEPOSITS AND OTHER RECEIPTS		
	Security deposits	20.1	17,754
	Advance rent	20.2	14,593
			-
			9,395
			17,754
			23,988

20.1 This represents deposits received from tenants of ISE Towers that are refundable on expiry or termination of lease agreements.

		2019	2018
		(Rupees in '000)	
		Note	
20.2	Advance rent		
	Opening balance		9,395
	Received during the year		152,248
	Income recognized		255,389
			(146,797)
			(226,585)
			117,987
	Less: Current portion shown under current liabilities	20.2.1	92,721
			117,987
			-
			83,326
			9,395

20.2.1 Advance rent is received from tenants of ISE Towers on account of operating lease of offices.

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**NOTES TO THE FINANCIAL STATEMENTS
 FOR THE YEAR ENDED JUNE 30, 2019**

	Note	2019 (Rupees in '000)	2018
21 DEFERRED LIABILITIES			
Staff retirement benefits - gratuity	21.3	11,097	10,415
Compensated absences	21.4	3,823	3,282
		<u>14,920</u>	<u>13,697</u>

21.1 General description

The scheme provides for terminal benefits for all its permanent/contractual employees who attain the minimum qualifying period at varying percentages of last drawn gross salary. The percentage depends on the number of service years with the Company. Annual charge is based on actuarial valuation carried out as at June 30, 2019 using the Projected Unit Credit Method.

The Company faces the following risks on account of gratuity:

Final salary risk - The risk that the final salary at the time of cessation of service is greater than what the Company has assumed. Since the benefit is calculated on the final salary, the benefit amount would also increase proportionately.

Discount rate fluctuation - The plan liabilities are calculated using a discount rate set with reference to corporate bond yields. A decrease in corporate bond yields will increase plan liabilities, although this will be partially offset by an increase in the value of the current plans bond holdings.

21.2 Actuarial assumptions have been disclosed in the note 4.1 of these financial statements.

	Note	2019 (Rupees in '000)	2018
21.3 Staff retirement benefits - gratuity			
21.3.1 Liability recognized in the statement of financial position			
Present value of defined benefit obligation	21.3.3	<u>11,097</u>	<u>10,415</u>
21.3.2 Movement of the liability recognized in the statement of financial position			
Opening net liability		10,415	9,231
Charge for the year	21.3.4	2,910	2,303
Benefits due but not paid during the year	22.4	(594)	-
Actuarial loss recognised in other comprehensive income	21.3.5	281	418
Benefits paid during the year		(1,915)	(1,537)
Closing net liability		<u>11,097</u>	<u>10,415</u>



	Note	2019 (Rupees in '000)	2018
21.3.3 Movement in present value of defined benefit obligations			
Opening present value of defined benefit obligations		10,415	9,231
Current service cost for the year		2,086	1,647
Interest cost for the year		824	656
Remeasurement loss on obligation	21.3.5	281	418
Benefits due but not paid during the year		(594)	-
Benefits paid during the year		(1,915)	(1,537)
		<u>11,097</u>	<u>10,415</u>
21.3.4 Charge for the year			
Current service cost		2,086	1,647
Interest cost		824	656
Charge for the year		<u>2,910</u>	<u>2,303</u>
21.3.5 Remeasurement chargeable to other comprehensive income			
Loss on remeasurement of obligation		281	418

21.3.6 Comparison for five years

2019	2018	2017	2016	2015
(Rupees in '000)				
11,097	10,415	9,231	9,333	23,453

21.3.7 Sensitivity analysis

The impact of 1% change in following variables on defined benefit obligation as at June 30, 2019 is as follows:

	Increase in Assumption (Rupees in '000)	Decrease in Assumption (Rupees in '000)
Discount rate (Effect in Rupees)	10,258	(12,065)
Salary increase (Effect in Rupees)	12,065	(10,244)

21.3.8 The charge in respect of defined benefit plan for the year ending June 30, 2020 is estimated to be Rs. 3.39 million. Further the Company has no plan assets, therefore fair value and movement in the fair value of plan assets has not been presented.

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**NOTES TO THE FINANCIAL STATEMENTS
 FOR THE YEAR ENDED JUNE 30, 2019**

	Note	2019 (Rupees in '000)	2018			
21.4 Compensated absences						
21.4.1 Liability recognized in the statement of financial position						
Present value of defined benefit obligation	21.4.3	3,823	3,282			
21.4.2 Movement of the liability recognized in the statement of financial position						
Opening liability		3,282	2,446			
Charge for the year	21.4.4	1,485	1,011			
Benefits due but not paid	22.4	(247)	-			
Benefits paid during the year		(697)	(175)			
		3,823	3,282			
21.4.3 Movement in present value of defined benefit obligations						
Opening present value of defined benefit obligations		3,282	2,446			
Current service cost for the year		555	461			
Interest cost for the year		253	183			
Benefits due but not paid		(247)	-			
Benefits paid during the year		(697)	(175)			
Remeasurement loss on obligation	21.4.5	677	367			
Closing present value of defined benefit obligations		3,823	3,282			
21.4.4 Charge for the year						
Current service cost		555	461			
Interest cost		253	367			
Actuarial loss		677	183			
		1,485	1,011			
21.4.5 Remeasurement chargeable to profit or loss						
Remeasurement loss on obligation		677	367			
21.4.6 Comparison for previous years						
		2019	2018	2017	2016	2015
		----- (Rupees in '000) -----				
		3,823	3,282	2,446	2,039	3,964

21.4.7 Sensitivity analysis

The impact of 1% change in following variables on defined benefit obligation as at June 30, 2019 is as follows: *AL*

	Increase in Assumption (Rupees in '000)	Decrease in Assumption (Rupees in '000)
Discount rate (Effect in Rupees)	3,514	(4,185)
Salary increase (Effect in Rupees)	4,181	(3,513)

21.4.8 The Company has no plan assets, therefore fair value and movement in the fair value of plan assets has not been presented. The general description and other related disclosure has been presented in the note 4.1.1 of these financial statements.

	Note	2019 (Rupees in '000)	2018
22 ACCRUED AND OTHER PAYABLES			
Proceeds from sale of assets of members in default	22.1	8,025	9,032
Payable on account of cancellation of sub lease	22.2	11,375	11,375
Accrued liabilities	22.3	17,152	16,093
Withholding tax payable		82	39
Other payables	22.4	8,584	5,021
		<u>45,218</u>	<u>41,560</u>

22.1 This represents amount received from disposal of assets of defaulting/expelled members. This mainly includes amounts received from sale of assets of M/s Intergain Securities, Mega Securities and Riaz Mahmood amounting to Rs. 1.41 million (2018: Rs. 1.310 million), Rs. 1.28 million (2018: Rs. 2.23 million) and Rs. 4.49 million (2018: Rs. 4.49 million), respectively. These amounts are to be utilized for the settlement of dues including investors claims of the defaulting members.

22.2 This represents the amount payable to an ex-sub lessee upon cancellation of sub lease agreement in accordance with terms contained therein, consequent upon failure of sub lessee to pay the balance amount to the Company. The amount equivalent to 10% of the sale consideration stands forfeited as per terms of the agreement.

22.3 This mainly include Rs. 13.09 million (2018: Rs. 13.137 million) payable to the building contractors.

22.4 This includes an amount of Rs. 3.5 million (2018: Rs. 2.5 million) in respect of corporate social responsibility, Rs. 0.594 million (2018: Rs. Nil) in respect of gratuity and Rs. 0.247 (2018: Rs. Nil) in respect of compensated absences payable.



**NOTES TO THE FINANCIAL STATEMENTS
 FOR THE YEAR ENDED JUNE 30, 2019**

	Note	2019 (Rupees in '000)	2018
23			
ADVANCES AND DEPOSITS			
Deposit from members against exposure		325	325
Current portion of advance rent	20.2	117,987	83,326
Clearing house deposits		3,210	3,210
Security deposits		68	344
Retention money		9,998	9,705
Others		374	374
		131,962	97,284

24 CONTINGENCIES AND COMMITMENTS

24.1 Contingencies

a) Legal case against the Company:

M/s MRA Altec Construction (Private) Limited Vs the Company for recovery of Rs. 137.07 million on account of escalation and interest thereon relating to construction contract with ISE. Based on the terms of contract, an amount of Rs. 20.95 million is payable to the contractor recognized under accrued & other payables and advances and deposits.

The arbitrator appointed by the Honorable Court has given his award in favour of MRA Altec Construction (Private) Limited amounting to Rs. 41.57 million. Both the parties being aggrieved of the decision of the arbitrator, filed appeals before the Islamabad High Court, which are pending for adjudication.

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

Mr. Sarmad Latif Siddiqui Vs Islamabad Stock Exchange Limited (for the recovery and injunction of Rs. 7.5 million). During the year, the application filed by Sarmad latif was dismissed. Mr. Sarmad Latif Siddiqui however, filed two separate appeals which are pending for adjudication.

c) Certain cases relating to defaulted TREC Holders have been filed in which the Company is not a direct party. According to the legal advisor, the Company is not exposed to any loss in these cases. In addition, the defendants are the direct parties who may be held responsible for an obligation that may arise.

d) The details of tax contingencies have been disclosed in the note 30 to these financial statements.

e) Company's share in the contingencies of associates is Rs. 22.57 million (2018: Rs. 22.57 million).

24.2 Commitments

a) Company's commitments for capital expenditure are Rs. 195.06 million (2018: Rs. 40 million).

b) Company's share in the commitments of associates is Rs. 0.28 million (2018: Rs. 3.89 million).



	Note	2019 (Rupees in '000)	2018
25 OPERATING INCOME			
Rental income from investment property		246,609	224,048
Other rental		7,425	7,103
		<u>254,034</u>	<u>231,151</u>
26 DEPRECIATION AND AMORTIZATION			
Depreciation		68,079	67,401
Amortization		260	43
		<u>68,339</u>	<u>67,444</u>
27 OTHER ADMINISTRATIVE EXPENSES			
Salaries and benefits	27.1	13,887	14,957
Directors' meeting fee		1,430	460
Travelling and lodging		474	590
Postage, telephone and fax		643	582
Printing and stationery		846	809
News papers, books and periodicals		39	29
Publicity and advertisements		35	114
Rent, rates and taxes		2,723	3,170
Legal and professional charges		3,434	2,448
Auditors remuneration	27.2	542	551
Contract services		545	847
Lease rentals		-	567
Repairs and maintenance		788	1,633
Seminars, meetings and entertainment		1,305	815
MIS / technology charges		437	419
Electricity, gas and water		1,263	3,035
Insurance		3,026	2,995
Operating assets written off		722	-
Provision for expected credit loss		1,432	-
Service charges		1,237	724
Corporate social responsibility		1,000	366
Miscellaneous		201	173
		<u>36,009</u>	<u>35,284</u>

27.1 This includes an amount of Rs. 0.71 million (2018: Rs. 0.230 million) and Rs. 0.63 million (2018: Rs. 0.101 million) on account of gratuity and compensated absences respectively.



**NOTES TO THE FINANCIAL STATEMENTS
 FOR THE YEAR ENDED JUNE 30, 2019**

	Note	2019 (Rupees in '000)	2018
27.2 Auditors remuneration			
Audit services			
Annual audit fee		405	405
Half yearly review fee		120	120
Out of pocket expenses		17	26
		<u>542</u>	<u>551</u>
28 OTHER INCOME			
Income from financial assets:			
Profit on bank deposits and investments		22,608	11,335
Exchange gain		86	39
Dividend income		4,678	4,575
Income from non financial assets:			
Gain on sale of :			
Operating fixed assets	5.1.8	3,522	-
Room transfer fee		3,033	2,535
Income from branding		1,135	3,000
Asset service charges from tenants/occupants		16,650	17,352
Gain on reclassification of investment	28.1	11	-
Others	28.2	19,026	16,979
		<u>70,749</u>	<u>55,815</u>

28.1 This represents gain on reclassification of investment in associated company VIS which has been reclassified from investments under equity method to equity investment - FVOCI during the year. (Refer note 8.2.2)

28.2 This includes car parking fee and split unit charges charged from tenants during the year.

	Note	2019 (Rupees in '000)	2018
29 FINANCIAL CHARGES			
Bank charges		53	63
30 TAXATION			
Current			
For the year		58,538	58,706
For prior year		(12)	(1,003)
Deferred	10.3	(538)	(282)
		<u>57,988</u>	<u>57,421</u>



30.1 Numerical reconciliation between the applicable tax rate and average effective tax rate is as

		2019	2018
		Rupees	Rupees
Applicable tax rate		29%	30%
Others	30.2	-3%	-3%
Average effective tax rate		26%	27%

30.2 Others include all expenses and incomes other than property income. The company is incurring loss under the head income from business other than rental income and paying tax only on rental income under Section 15 of the Income Tax Ordinance, 2001.

30.3 The Inland Revenue department (the department) had demanded additional tax of Rs. 3.256 million for tax year 2003 and 2004. The Commissioner Inland Revenue (CIR), however annulled the order of department. The department filed the appeal before Appellate Tribunal Inland Revenue (ATIR) against the order of CIR which is pending for adjudication.

30.4 The income tax return for tax year 2011 was selected for audit through computerized balloting by FBR and taxation officer amended the assessment on January 24, 2014 by creating a demand of Rs. 25.670 million. The Company filed appeal before Commissioner Appeals, Islamabad against the order of taxation officer. The Commissioner Appeals set aside the impugned order vide his appellate order dated April 22, 2014.

Re-assessment was framed by Deputy Commissioner Inland Revenue under section 124 of the Income Tax Ordinance, 2001 on June 30, 2015 by assessing net loss from business at Rs 91.555 million and created a tax liability against rental income amounting to Rs. 15.770 million. The appeal filed by the Company before Commissioner Appeals, Islamabad, was rejected vide his Appellate order dated June 20, 2016. Against the impugned order the company has filed second appeal before Inland Revenue Appellate Tribunal, which is pending for adjudication.

A rectification application was also filed under section 221 against impugned order of Deputy Commissioner Inland Revenue dated June 30, 2015 requesting grant of brought forward losses, credits of tax paid/deducted at source during earlier years and erroneous computation of rental income.

30.5 The Commissioner Inland Revenue, Islamabad selected the tax year 2013 of the Company for audit under section 177 of Income Tax Ordinance, 2001. The Company contested the selection before the Commissioner, however the Commissioner rejected the application of the Company. The Company filed writ petition before the High Court and the Court granted the stay against the audit proceedings, whereas petition filed by the Company is pending for adjudication.

30.6 The Company was selected for audit for tax year 2015 by FBR and re-assessment was finalized by tax authorities by reducing refund claimed by the company at Rs.31.967 million.



NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED JUNE 30, 2019

The Company filed appeal before Commissioner Income Tax (Appeals-I) Islamabad. The Commissioner Appeals remanded back the case with direction to conduct fresh proceedings in fair and just manner. The management being aggrieved has filed second appeal before Appellate Tribunal Inland Revenue which is pending for adjudication.

- 30.7 Income Tax officials / authorities has created a tax demand along with default surcharge at Rs. 7.559 million for tax year 2015 under section 161/205 of the Income Tax Ordinance, 2001.

The Company filed appeal before Commissioner Income Tax (Appeals-I) Islamabad. The Commissioner Appeals remanded back the case with direction to conduct fresh proceedings in fair and just manner. The management being aggrieved has filed second appeal before Appellate Tribunal Inland Revenue which is pending for adjudication.

- 30.8 Income tax official amended the assessment of the Company for tax year 2016 under section 221 of Income Tax Ordinance, 2001 by not allowing adjustment of earlier years refunds/excess tax paid by the company and created a demand of Rs. 31.468 million.

The Company filed appeal before Commissioner Income Tax (Appeals-I) Islamabad. The Commissioner Appeals remanded back the case with direction to conduct fresh proceedings in fair and just manner. The management being aggrieved has filed second appeal before Appellate Tribunal Inland Revenue which is pending for adjudication.

- 30.9 Income Tax officials / authorities has amended the assessment for tax year 2017 under section 221 of Income Tax Ordinance, 2001 and created demand of Rs. 32.747 million. The Company filed appeal before Commission (Appeals-I), Islamabad. The Commissioner Appeals has remanded back the case for re-assessment. The tax department finalized the re-assessment proceedings and created a demand of Rs. 32.747 million. The management being aggrieved has filed appeal before Commissioner Income Tax (Appeals) who has annulled the impugned assessment order. The tax department has filed second appeal before Appellat Tribunal Inland Revenue which is pending for adjudication.

- 30.10 Income Tax officials / authorities has framed the assessment for tax year 2018 under section 147 of Income Tax Ordinance, 2001 and created demand of Rs. 8.005 million. The Company has filed appeal before Commission (Appeals-I), Islamabad. The Commissioner Appeals has confirmed the demand. The Company being aggrieved filed second appeal before Appellate Tribunal Inland Revenue which is pending for adjudication.

- 30.11 The Company filed its income tax return for tax year 2018 by declaring business loss at Rs. 21.874 million and taxable income under the head "Income from Property" at Rs. 180.783 million. The declared version has been deemed assessed under section 120 of Income Tax Ordinance, 2001.

- 30.12 No provision has been made in the financial statements for all of the above alleged tax demand as the management is confident that the matter will be decided in favour of the Company.

- 30.13 The applicable income tax rate was reduced from 30% to 29% for the year on account of the changes made to Income Tax Ordinance 2001 through Finance Act, 2018.



		2019	2018
31	EARNINGS PER SHARE		
	Profit after tax (Rupees in '000)	191,127	655,473
	Weighted average number of ordinary shares at the end of the year (Numbers)	367,186,963	367,186,963
	Basic and diluted earnings per share (Rupee)	0.52	1.79

31.1 There is no dilutive effect on the basic earnings per share of the Company.

		2019	2018
Note		(Rupees)	
31.2	Earnings per share comprises as follows:		
	Distributable profit	0.52	0.40
	Undistributable - unrealised fair value gains	-	1.39
	31.2.1	0.52	1.79

31.2.1 Under the provisions of Companies Act, 2017 unrealized gain on fair value of investment property is not distributable as dividend.

		2019	2018
Note		(Rupees in '000)	
32	ADJUSTMENT FOR NON-CASH CHARGES AND OTHER ITEMS		
	Depreciation and amortization	68,339	67,444
	Profit on bank deposits and investments	(22,608)	(11,335)
	Exchange gain	(86)	(39)
	Dividend income	(4,678)	(4,575)
	Share of profits from associated companies	(28,733)	(18,878)
	Gain on sale of operating fixed assets	(3,522)	-
	Gain on reclassification of investment	(11)	-
	Fair value gain on investment property	-	(509,841)
	Provision for gratuity	2,910	2,303
	Provision for compensated absences	1,485	1,011
	Provision for doubtful receivables / advances	1,432	-
	Financial charges	53	63
		15,303	(473,847)



**NOTES TO THE FINANCIAL STATEMENTS
 FOR THE YEAR ENDED JUNE 30, 2019**

33 FINANCIAL INSTRUMENTS

33.1 Financial instruments by category

Financial assets		2019	2018
		(Rupees in '000)	
<i>Equity investments - FVOCI</i>			
Long term investment	8.2	119,707	102,677
<i>Amortised cost</i>			
Account receivables - considered good	11	1,393	4,587
Advances - considered good		723	304
Interest accrued		4,471	1,704
Other receivables - considered good	13	43,498	34,344
Short term investment	15	316,876	193,367
Cash and bank balances	16	41,422	27,848
		408,383	262,154
<i>Financial assets</i>		528,090	364,831
Financial liabilities			
<i>Amortised cost</i>			
Accrued and other payables	22	45,218	41,560
Unclaimed dividend		4,281	3,050
Advances and deposits		13,907	13,614
Deferred liabilities	21	14,920	13,697
<i>Financial liabilities</i>		78,326	71,921

33.2 Fair values of financial assets and liabilities

The carrying values of all financial assets and liabilities reflected in the financial statements approximate their fair values. Fair value is determined on the basis of objective evidence at each reporting date. The financial instruments that are not traded in active market are carried at cost and are tested for impairment according to IFRS-9. The carrying amount of accounts receivables and payables are assumed to approximate their fair values.

33.3 Financial risk management objectives and policies

The Company is exposed to following risks from its use of financial instruments:

- Credit risk
- Liquidity risk
- Market risk

The Company's overall risk management program focuses on the unpredictability of financial markets and seeks to minimize potential adverse effects on the financial performance.

The Board of Directors of the Company has established the policies and procedures for Company's risk management. The Company does not engage in the trading of financial assets for speculative purposes. All treasury related transactions are carried out within the parameters of those policies.



33.3.1 Credit risk

Credit risk is the risk that a customer or counterparty to a financial instrument fails to meet its contractual obligation to the Company. It arises principally from the accounts receivable, advances, security deposits, accrued interest, short term investment and other receivables.

(a) Exposure to credit risk

The maximum exposure to credit risk is limited to the carrying amount of financial assets recognised at the reporting date, summarized as follow:

	Carrying amount	
	2019	2018
	(Rupees in '000)	
Accounts receivables	1,393	4,587
Advances - considered good	723	304
Interest accrued	4,471	1,704
Other receivables	43,498	34,344
Short term investment	316,876	193,367
Bank balances	41,421	27,813
	408,382	262,119

The maximum exposure to credit risk for financial assets at the reporting date by type of counterparty was:

	Carrying amount	
	2019	2018
	(Rupees in '000)	
Members	-	239
Banks and financial institutions	45,892	29,517
Others	362,490	232,363
	408,382	262,119

(b) Credit quality of major financial assets

The Company's management considers that all the above financial assets are not impaired and are of good credit quality. The management continuously monitors defaults of customers and other counterparties and incorporates this information into its credit risk controls.

Account receivables

To manage exposure to credit risk in respect of accounts receivables management performs credit reviews taking into account the counter party's financial position, past experience and other factors. The aging of past due accounts receivables from companies at the reporting date was:



**NOTES TO THE FINANCIAL STATEMENTS
 FOR THE YEAR ENDED JUNE 30, 2019**

	2019		2018	
	Gross	Impairment	Gross	Impairment
----- (Rupees in '000) -----				
Past due 0-50 days	1,014	-	4,566	-
Past due 51 days - 1 year	379	-	21	-
Past Dues 1 year to 2 years	167	-	-	-
	1,560	-	4,587	-

Based on past experience, the management believes that no impairment allowance in respect of accounts receivable past due as certain receivables have been recovered subsequent to the year end and for other receivables there are reasonable grounds to believe that the amount will be recovered in short period of time.

Short term investment and bank balances

The credit risk for liquid funds is considered negligible, since the counterparties are reputable banks with high quality external credit ratings:

	Rating agency	Ratings		(Rupees in '000)
		Short term	Long term	
MCB Bank Limited	PACRA	A1+	AAA	25,502
Allied Bank Limited	PACRA	A1+	AAA	568
United bank Limited	JCR-VIS	A1+	AAA	18
Summit Bank Limited	JCR-VIS	A1	A-	16
Askari Bank Limited	PACRA	A1+	AA+	15
Bank Alfalah Limited	JCR-VIS	A1+	AA+	2,934
JS Bank Limited	PACRA	A1+	AA-	6,694
National Bank of Pakistan	PACRA	A1+	AAA	5,647
SAMBA Bank Limited	JCR-VIS	A1	AA	27
				41,421

(c) Equity price risk

Equity price risk is the risk that the fair value of the equities changes as the result of changes in the level of equity indices and the value of individual stocks. The Company does not have exposure in listed equities as at June 30, 2019.

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33.3.2 Liquidity risk

Liquidity risk is the risk that the Company will encounter difficulties in releasing funds to meet its financial obligations as they fall due. The Company's approach to managing liquidity is to ensure, as far as possible, that it will always have sufficient liquidity to meet its liability when due, under both normal and stressed condition, without incurring losses or risking damage to Company's reputation. Following are the contractual maturities of financial liabilities including interest payment excluding the impact of netting agreements:

	Carrying amount	Maturity analysis of financial liabilities				
		Contractual cash flows	6 Months or less	6-12 Months	1-2 years	2-5 years
(Rupees in '000)						
Non-derivative financial liabilities						
2019						
Deposits	21,357	(21,357)	(3,603)	-	-	(17,754)
Retention money	9,998	(9,998)	(9,998)	-	-	-
Accrued and other liabilities	45,136	(45,136)	(45,136)	-	-	-
Unclaimed dividend	4,281	(4,281)	(4,281)	-	-	-
Deferred liabilities	14,920	(14,920)	-	-	(14,920)	-
	95,692	(95,692)	(63,018)	-	(14,920)	(17,754)
Non-derivative financial liabilities						
2018						
Deposits	18,472	(18,472)	(3,879)	-	-	(14,593)
Retention money	9,705	(9,705)	(9,705)	-	-	-
Accrued and other liabilities	41,521	(41,521)	(41,521)	-	-	-
Unclaimed dividend	3,050	(3,050)	(3,050)	-	-	-
Deferred liabilities	13,697	(13,697)	-	-	(13,697)	-
	86,445	(86,445)	(58,155)	-	(13,697)	(14,593)

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**NOTES TO THE FINANCIAL STATEMENTS
 FOR THE YEAR ENDED JUNE 30, 2019**

33.3.3 Market risk

Market risk is the risk that the value of the future cash flows of a financial instrument will fluctuate as a result of changes in market interest rates or the market price due to a change in credit rating of the issuer of the instrument, change in market sentiments, speculative activities, supply and demand of securities, and liquidity in the market. The Company is exposed to currency risk and interest rate risk only.

(a) Currency risk

The Company is exposed to currency risk on bank balance that are denominated in a currency other than the functional currency of the Company that is U.S Dollar. However, the Company is not exposed to material currency risk, therefore, no sensitivity analysis has been presented.

(b) Interest rate risk

Interest rate risk is the risk that the fair value or the future cash flows of a financial instrument will fluctuate because of the changes in the market interest rates. Majority of the interest rate exposure arises from long term loan from bank, lease obligation and deposits in profit or loss sharing accounts with banks.

Profile

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

	Effective interest rate		Carrying amount	
	2019	2018	2019	2018
	Interest rate	Interest rate	(Rupees in '000)	
Variable rate instruments				
Financial assets				
Bank balances	10.25%	3.5% - 5.15%	41,421	27,813

(c) Fair value sensitivity analysis for fixed rate instruments

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

(d) Cash flow sensitivity analysis for variable rate instruments

A change of 100 basis points in interest rates at the reporting date would have increased/(decreased) equity and profit or loss by the amounts shown below. This analysis assumes that all other variables, in particular foreign currency rates, remain constant.

	Profit and loss and fund balance 100 bps increase and 100 bps decrease			
	2019		2018	
	(Rupees in '000)			
	Increase	Decrease	Increase	Decrease
Cash flow sensitivity - Variable rate instruments	414	(414)	278	(278)

34 CAPITAL MANAGEMENT

The Company's capital management objectives are to ensure the Company's ability to continue as a going concern and to maintain creditor and market confidence.

The Company monitors capital on the basis of the carrying amount of reserves as presented on the face of statement of financial position. There have been no changes to the Company's approach to the capital management during the current year.

The Company manages the capital structure and makes adjustments to it in the light of changes in economic conditions and the risk characteristics of the underlying assets, when necessary. In order to maintain or adjust the capital structure, the Company may sell assets to reduce debt and manage capital expenditures. The Company is not subject to externally imposed capital requirements.

Consistent with industry practice and the requirements of lender, the Company monitors the capital structure on the basis of gearing ratio. The ratio is calculated as borrowings divided by total capital employed.

Capital for the reporting periods under review is summarized as follows:

	2019	2018
	(Rupees in '000)	
Borrowings	-	-
Total capital	5,321,479	5,174,526
Gearing ratio	0.00%	0.00%

35 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 these financial statements. Transactions with related parties are as follows:

	2019	2018
	(Rupees in '000)	
Related party transaction with Associates		
Associate companies (related parties by virtue of common directors ship)		
National Clearing Company of Pakistan Limited		
Expenses incurred on behalf of associate	347	884
Utility charges	2,053	1,109
Amount received from associate	(2,120)	(1,888)
Closing Balance	280	105
Dividend received by the company	-	23,730
Pakistan Mercantile Exchange Limited		
Utility charges	296	223
Amount received from associate	(248)	(205)
Closing Balance	48	18



NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED JUNE 30, 2019

36 COMPENSATION TO KEY MANAGEMENT PERSONNEL

The details of compensation paid to key management personnel are shown under the heading of "Remuneration of Chief Executive, Directors and Executives (note 39)". There are no transactions with key management personnel other than under their terms of employment.

The status of investment of associated companies as at June 30, 2019 are included in "Long term investments - under equity method" (note 8).

37 FAIR VALUE MEASUREMENT

Fair value is the amount for which an asset could be exchanged, or a liability settled, between knowledgeable willing parties in arms length transactions.

The carrying values of all financial assets and liabilities reflected in the financial statements approximate their fair values. Fair value is determined on the basis of objective evidence at each reporting date.

The financial instruments that are not traded in active market are carried at cost and are tested for impairment according to IFRS-9. The carrying amount of accounts receivables and payables are assumed to approximate their fair values.

	June 30, 2019		June 30, 2018	
	Carrying amount	Fair value	Carrying amount	Fair value
----- (Rupees in '000) -----				
Assets carried at amortized cost				
Account receivables	1,393	1,393	4,587	4,587
Advances	723	723	304	304
Other receivables	43,498	43,498	34,344	34,344
Cash and bank balances	41,422	41,422	27,848	27,848
	87,036	87,036	67,083	67,083
Liabilities carried at amortized cost				
Accrued and other payables	45,218	45,218	41,560	41,560
Advances and deposits	131,962	131,962	97,284	97,284
Unclaimed dividend	4,281	4,281	3,050	3,050
	181,461	181,461	141,894	141,894

As at June 30, 2019 and June 30, 2018 the Company held financial instruments carried at fair value which comprising long term investment. Moreover, Investment property and operating fixed assets are measured at fair value.

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

	As at June 30, 2019			
	Level 1	Level 2	Level 3	Total
----- (Rupees in '000) -----				
Assets				
Financial assets at fair value through other comprehensive income	-	-	300,262	300,262
----- (Rupees in '000) -----				
As at June 30, 2018				
	Level 1	Level 2	Level 3	Total
----- (Rupees in '000) -----				
Assets				
Financial assets at fair value through other comprehensive income	-	-	260,333	260,333

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

As at June 30, 2019			
Level 1	Level 2	Level 3	Total
(Rupees in '000)			
Assets			
Investment property carried at fair value	-	-	3,743,586
		3,743,586	3,743,586

As at June 30, 2018			
Level 1	Level 2	Level 3	Total
(Rupees in '000)			
Assets			
Investment property carried at fair value	-	-	3,743,586
		3,743,586	3,743,586

37.3 **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

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

	2019	2018
Opening balance (level 3 recurring fair values)	3,743,586	3,233,745
Fair value gain arised during the year	-	509,841
Closing balance (level 3 recurring fair values)	3,743,586	3,743,586

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

37.6 The Company has revalued its Leasehold land, buildings on June 30, 2019 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.

37.7 Had there been no revaluation, the net book value of the specific classes of operating assets would have been as follows:



**NOTES TO THE FINANCIAL STATEMENTS
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	2019	2018
	(Rupees in '000)	
Leasehold land	268,958	265,829
Building on leasehold land	285,028	295,312
Electrical equipment	10,562	18,440
HVAC equipment	2,869	38,222
Plumbing installations	320	1,077
Elevators	38,611	3,903
Security equipment	2,667	183
IT equipment	33	-
Security systems	1,074	822
Furniture and fixture	3,569	4,253
Office equipment	1,678	1,358
Vehicles - owned	46	183
Computers and accessories	180	-

Interest rate used for determining fair value

The interest rates used to discount estimated cash flows, when applicable, are based on the government yield curve at the reporting date plus an adequate credit spread. For instruments carried at amortized cost, since majority of the interest bearing instruments are variable rate based instruments, there is no difference in carrying amount and the fair value. Further, for fixed rate instruments, since there is no significant difference in market rate and the rate of instrument and therefore most of the fixed rate instruments are of short term in nature, fair value significantly approximates to carrying value.

Fair value hierarchy

International Financial Reporting Standard (IFRS) 13, "Fair Value Measurement" requires the Company to classify fair value measurements using a fair value hierarchy that reflects the significance of the inputs used in making the measurements. The table below analyses financial instruments carried at fair value by valuation method. The different values have been defined as follows:

Level 1: quoted prices (unadjusted) in active markets for identical assets and liabilities

Level 2: input other than quoted prices included with in Level 1 that are observable for assets and liability either directly (i.e. as prices) or indirectly (i.e. derived from prices)

Level 3: inputs for the assets or liability that are not based on observable market data (unobservable inputs).

Transfers between levels of the fair value hierarchy are recognized at the end of the reporting period during which the change the occurred.

37.8 Determination of fair values

A number of the Company's accounting polices and disclosures require the determination of fair value, for both financial and non-financial assets and liabilities. Fair values have been determined of measurement and / or disclosure purposes based on the following methods.



Investment in fair value through profit or loss

The fair value of held for trading investment is determined by reference to their quoted closing repurchase price at the reporting date.

Investment in fair value through other comprehensive income

The fair value of FVOCI investment is determined by reference to their quoted closing repurchase price at the reporting date and where applicable it is estimated as the present value of future cash flows, discounted current PKR rates applicable to similar instruments having similar maturities.

Investment in associates

The fair value of investment in associates is determined by reference to their break-up value at the reporting date.

Non-derivative financial asset

The fair value of non-derivate financial asset is estimated as the present value of future cash flows, discounted at the market rate of interest at the reporting date. The fair value is determined for disclosure purposes.

Non-derivative financial liabilities

Fair value, which is determined for disclosure purposes, is calculated based on the present value of future principal and interest cash flows, discounted at the market rate of interest at the reporting date.

38 NUMBER OF EMPLOYEES

The Company has following number of employees as at June 30, 2019 and average during the year.

	No of employees			
	As at June 30, 2019	As at June 30, 2018	Average 2019	Average 2018
Permanent	6	6	6	6
Contractual	23	29	26	32
	<u>29</u>	<u>35</u>	<u>32</u>	<u>38</u>



39 REMUNERATION OF CHIEF EXECUTIVE OFFICER, DIRECTORS AND EXECUTIVES

The aggregate amount charged in the financial statements for remuneration, including all benefits to Chief Executive Officer, Directors and Executives of the Company is as follows:

	2019				2018			
	Chief Executive Officer	Directors	Executives	Total	Chief Executive Officer	Directors	Executives	Total
Managerial remuneration	3,664	-	5,616	9,280	2,400	-	7,128	9,528
Retirement benefits	-	-	-	-	1,340	-	-	1,340
Leave fare assistance	-	-	-	-	-	-	-	-
Fee	-	1,430	-	1,430	-	460	-	460
	3,664	1,430	5,616	10,710	3,740	460	7,128	11,328
Number of persons	1	10	3	14	1	10	3	14

----- (Rupees in '000) -----

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40 CORRESPONDING FIGURES

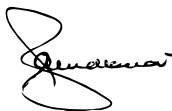
Corresponding figures have been rearranged and reclassified, wherever necessary for the purposes of comparison and for better presentation. However, there is no material impact on the presentation of financial statements except as mentioned under note 3.1.1.

41 DATE OF AUTHORIZATION

These financial statements were authorized for issue on October, 04 2019 by the Board of Directors of the Company.

42 GENERAL

Figures have been rounded off to the nearest thousand of Rupees unless otherwise stated.



CHAIRMAN



CHIEF EXECUTIVE OFFICER

PATTERN OF SHAREHOLDING

As of June 30, 2019

# Of Shareholders	Shareholdings'Slab	Total Shares Held
6	1 to 100	26
1	101 to 500	500
11	501 to 1000	9,688
18	1001 to 5000	58,470
9	5001 to 10000	58,745
6	10001 to 15000	73,844
2	15001 to 20000	31,381
1	20001 to 25000	22,000
1	25001 to 30000	26,023
1	30001 to 35000	31,500
2	35001 to 40000	74,503
5	45001 to 50000	249,865
1	75001 to 80000	76,361
1	80001 to 85000	83,333
4	95001 to 100000	400,000
1	100001 to 105000	104,654
1	105001 to 110000	110,000
1	130001 to 135000	134,603
1	145001 to 150000	150,000
2	195001 to 200000	400,000
1	205001 to 210000	210,000
1	210001 to 215000	213,841
2	295001 to 300000	598,188
1	320001 to 325000	323,265
1	485001 to 490000	487,428
1	495001 to 500000	500,000
1	510001 to 515000	513,831
1	655001 to 660000	658,800
2	680001 to 685000	1,360,572
1	685001 to 690000	687,000
1	695001 to 700000	700,000
2	765001 to 770000	1,537,091
2	795001 to 800000	1,598,890
1	865001 to 870000	869,633
3	995001 to 1000000	3,000,000
1	1195001 to 1200000	1,200,000
58	1210001 to 1215000	70,398,776
3	1330001 to 1335000	4,000,002
1	1415001 to 1420000	1,415,702
1	1460001 to 1465000	1,463,841
1	1610001 to 1615000	1,610,763
2	1700001 to 1705000	3,402,538
64	1820001 to 1825000	116,528,768
1	2345001 to 2350000	2,347,603
1	2375001 to 2380000	2,375,803
1	2490001 to 2495000	2,492,793
1	2910001 to 2915000	2,914,238
1	2965001 to 2970000	2,965,397
28	3030001 to 3035000	84,968,384
1	3125001 to 3130000	3,128,080
1	5110001 to 5115000	5,113,841
1	6065001 to 6070000	6,069,206
1	14755001 to 14760000	14,757,313
1	24675001 to 24680000	24,679,880
265		367,186,963

PATTERN OF SHAREHOLDING

As of June 30, 2019

Categories of Shareholders	Shareholders	Shares Held	Percentage
Directors and their spouse(s) and minor children			
ZAHID LATIF KHAN	1	1,000	0.00
AFTAB AHMAD	1	4	0.00
FARZIN KHAN	1	5	0.00
SOHAIL ALTAF	1	3,034,603	0.83
FARRUKH YOUNAS KHAN	1	3,034,603	0.83
MASOOM AKHTAR	1	3	0.00
MIAN HUMAYUN PARVEZ	1	3,034,603	0.83
ADIL KHAN SWATI	1	798,890	0.22
SYED MUKHTAR HUSSAIN JAFFERY	1	10	0.00
FAISAL NASEEM	1	1,201,000	0.33
Associated Companies, undertakings and related parties	-	-	-
Executives	-	-	-
Public Sector Companies and Corporations	5	9,103,809	2.48
Banks, development finance institutions, non-banking finance companies, insurance companies, takaful, modarabas and pension funds	14	27,311,427	7.44
Mutual Funds	-	-	-
General Public			
Local	94	86,109,707	23.45
Foreign Investors	-	-	-
OTHERS	141	233,557,299	63.61
Totals	264	367,186,963	100.00

Share holders holding 5% or more	Shares Held	Percentage
Ch.Muhammad Aslam	24,679,880	6.72

Authorization Format
(On the letterhead of the Company)

The Secretary
ISE Towers REIT Management Company Limited
Islamabad.

Sub: Authorization to Attend the AGM on Behalf of the Corporate Shareholder

Dear Sir,

Please be informed that Mr. _____ s/o _____ holder of CNIC No. _____
_____ has been duly authorized by the Board of Directors of our company vide resolution
dated _____ to participate, deliberate and vote on resolutions included in the agenda of the notice of the
Thirtieth Annual General Meeting of the ISE Towers REIT Management Company Limited scheduled for October
28, 2019 or at any date adjourned/rescheduled thereof. Resolution of the Board dated _____ in original
duly signed and stamped is attached herewith for reference and record.

Yours truly,

Seal of the Company

Authorized Signatory

SPECIMEN RESOLUTION

The following resolution has been passed by the Board of Directors of _____
(Name of the Company) in its meeting held on _____

Resolved that Mr. _____ s/o _____ be and is hereby
authorized on behalf of the company to participate and vote for resolution included in the agenda of the notice of
the Thirtieth Annual General Meeting of ISE Towers REIT Management Company Limited scheduled for October
28, 2019 or at any date adjourned/rescheduled thereof.

Certified True Copy.

Authorized Signatory

Seal of the Company

FORM OF PROXY

I/We, _____ of _____, being a member of ISE Towers REIT Management Company Limited, hereby appoint _____ of _____ (name of another member of the Company)

_____ as my/our proxy to vote for me/us and on my behalf at Thirtieth Annual General Meeting of the Company to be held on the 28th day of October 2019 or at any adjournment thereof.

Signature over
Revenue Stamp
of Rs.5/-

The Member:

Signature: _____

Name: _____

Father's name: _____

Participant ID: _____

Address: _____

Date: _____

Witness 1: _____

Signature: _____

Name: _____

CNIC No. _____

Address: _____

The Proxy:

Signature: _____

Name: _____

Father's name: _____

Participant ID: _____

Address: _____

Date: _____

Witness 2: _____

Signature: _____

Name: _____

CNIC No.: _____

Address: _____

Important Notes:

1. The proxy must be a member of ISE Towers REIT Management Company Limited.
2. The signatures must tally with the specimen signatures available with the Company.
3. The instrument of proxy properly completed should be deposited at the Registered Office of the Company not less than 48 hours before the time of meeting i.e, before 3:30 pm October 26, 2019.
4. A Member shall not be entitled to appoint more than one proxy to attend any one meeting. If any Member appoints more than one proxy for any one instruments shall be rendered invalid.



**ISE
REIT**

ISE Towers REIT Management Company Limited.
(Formerly Islamabad Stock Exchange Limited)

55-B, ISE Towers Jinnah Avenue, Islamabad.

UAN: +92(51) 111 473 473
Fax : +92(51) 111 473 329

Email: info@isereit.com.pk
URL: www.isereit.com.pk

