

2014

DR. ARSLAN RAZAQUE SECURITIES (SMC- PVT) LIMITED

Financial Statements

June 30, 2014



Financial Statements
June 30, 2014

FAZAL MAHMOOD & COMPANY
CHARTERED ACCOUNTANTS

AUDITORS' REPORT TO THE SINGLE MEMBER

We have audited the annexed balance sheet of DR.ARSLAN RAZAQUE SECURITIES (SMC-PVT) LIMITED ("The Company") as at 30 June 2014 and the related profit and loss account / statement of comprehensive income, cash flow statement and statement of changes in equity together with the notes forming part thereof, for the year then ended 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 our audit.

It is the responsibility of the company's management to establish and maintain a system of internal control, and prepare and present the above said statements in conformity with the approved accounting standards and the requirements of the Companies Ordinance, 1984. Our responsibility is to express an opinion on these statements based on our audit.

We conduct our audit in accordance with the auditing standards as applicable in Pakistan. These standards require that we plan and perform the audit to obtain reasonable assurance about whether the above said statements are free of any material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the above said statements. An audit also includes assessing the accounting policies and significant estimates made by management, as well as, evaluating the overall presentation of the above said statements. We believe that our audit provides a reasonable basis for our opinion and, after due verification, we report that:-

- a) in our opinion, proper books of account have been kept by the company as required by the Companies Ordinance, 1984;
- b) in our opinion;
 - i) the balance sheet and profit and loss account together with the notes thereon have been drawn up in conformity with the Companies Ordinance, 1984, and are in agreement with the books of account and are further in accordance with accounting policies consistently applied;
 - ii) the expenditure incurred during the year was for the purpose of the company's business; and
 - iii) the business conducted, investments made and the expenditure incurred during the year were in accordance with the objects of the company;
- c) in our opinion and to the best of our information and according to the explanations given to us, the balance sheet, profit and loss account / statement of comprehensive income, cash flow statement and statement of changes in equity together with the notes forming part thereof conform with approved accounting standards as applicable in Pakistan, and, give the information required by the Companies Ordinance, 1984, in the manner so required and respectively give a true and fair view of the state of the company's affairs as at 30 June 2014 and of the profit / comprehensive income, its cash flows and changes in equity for the year then ended; and
- d) in our opinion, no Zakat was deductible at source under the Zakat and Ushr Ordinance, 1980.

LAHORE: 10 September 2014



Fazal Mahmood
FAZAL MAHMOOD & COMPANY
Chartered Accountants
Engagement Partner: Fazal Mahmood



Received
Fazal Mahmood
18/8/15

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DR. ARSLAN RAZAQUE SECURITIES (SMC-PVT) LIMITED
BALANCE SHEET
AS AT 30 JUNE 2014



	Note	2014	2013
		Rupees	Rupees
EQUITY AND LIABILITIES			
SHARE CAPITAL & RESERVES			
Authorized capital		100,000,000	100,000,000
10,000,000 ordinary shares of Rs. 10 each			
Issued, subscribed and paid up capital		87,500,000	87,500,000
8,750,000 ordinary shares of Rs.10 each	4	46,713,889	44,950,784
Unappropriated profit		134,213,889	132,450,784
ASSETS			
NON-CURRENT ASSETS			
Tangible			
Property and equipment	7	3,100,398	3,488
Long term deposits	8	1,983,900	1,388
Long term investment	9	8,439,750	8,433
		13,524,048	13,300
Intangible			
Membership cards	10	25,000,000	25,000
License to use rooms	11	14,000,000	14,000
Trading rights entitlement certificate	12	31,560,250	31,560
		70,560,250	70,560
		84,084,298	83,860
CURRENT ASSETS			
CURRENT LIABILITIES			
Trade and other payables	5	1,768,278	2,904,046
Provision for taxation		212,259	245,172
		1,980,537	3,149,218
CONTINGENCIES AND COMMITMENTS			
	6	136,194,426	135,600,002

The annexed notes are an integral part of these accounts.

CHIEF EXECUTIVE / SOLE DIRECTOR



DR. ARSLAN RAZAQUE SECURITIES (SMC-PVT) LIMITED
PROFIT AND LOSS ACCOUNT
FOR THE YEAR ENDED 30 JUNE 2014

	Notes	2014 Rupees	2013 Rupees
Operating revenue	15	1,143,152	1,847,730
Capital gain on sale of investments - net		1,110,014	7,171,314
Fair value gain on remeasurement to fair value		367,078	6,752,597
		<u>2,620,244</u>	<u>15,771,641</u>
Operating and administrative expenses	16	(1,126,783)	(1,109,651)
		<u>1,493,461</u>	<u>14,661,990</u>
Finance cost	17	(5,386)	(370)
Other income	18	487,289	1,671,959
Profit before taxation		<u>1,975,364</u>	<u>16,333,579</u>
Taxation	19	(212,259)	(267,538)
Profit after taxation		<u>1,763,105</u>	<u>16,066,041</u>
Other comprehensive income		-	-
Total comprehensive income		<u><u>1,763,105</u></u>	<u><u>16,066,041</u></u>
Basic and diluted earning per share	20	<u>0.20</u>	<u>1.84</u>

The annexed notes are an integral part of these accounts.

Arslan Razaque
CHIEF EXECUTIVE / SOLE DIRECTOR



DR. ARSLAN RAZAQUE SECURITIES (SMC-PVT) LIMITED
CASH FLOW STATEMENT
FOR THE YEAR ENDED 30 JUNE 2014

Notes	2014 Rupees	2013 Rupees
<u>CASH FLOWS FROM OPERATING ACTIVITIES</u>		
Profit before taxation	1,975,364	16,333,579
Adjustment for:		
Depreciation	385,666	446,165
Capital gain	(1,110,014)	(7,171,314)
Unrealized Gain on remeasurement of Investment to fair value	(367,078)	(6,752,597)
Cash flow from operating activities before working capital changes	883,939	2,855,833
Adjustments for working capital changes (Increase)/decrease in current assets:		
Trade debts	(8,896,664)	552,012
Financial Assets - Short term investments	3,640,644	8,126,944
(Decrease) / Increase in current liabilities:	(5,256,020)	8,678,956
Trade and other payables	(1,135,768)	1,106,846
Taxes paid	(109,603)	(73,424)
Net Cash generated from Operating Activities	(1,245,371)	1,033,422
	(5,617,452)	12,568,211
<u>CASH FLOWS FROM INVESTING ACTIVITIES</u>		
Long term deposits	(603,900)	-
Net Cash inflow from Investing Activities	(603,900)	-
<u>CASH FLOWS FROM FINANCING ACTIVITIES</u>		
Repayment of loan from director	-	(6,900,000)
Net Cash (out flow) from Financing Activities	-	(6,900,000)
NET INCREASE IN CASH AND CASH EQUIVALENTS	(6,221,352)	5,668,211
CASH AND CASH EQUIVALENTS AT BEGINNING OF THE YEAR	26,756,247	21,088,036
CASH AND CASH EQUIVALENTS AT END OF THE YEAR	20,534,895	26,756,247

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The annexed notes are an integral part of these accounts.

M. Arslan Razaque
CHIEF EXECUTIVE / SOLE DIRECTOR



DR. ARSLAN RAZAQUE SECURITIES (SMC-PVT) LIMITED
STATEMENT OF CHANGES IN EQUITY
FOR THE YEAR ENDED 30 JUNE 2014

	PAID UP ORDINARY SHARE CAPITAL	UN-APPROPRIATED PROFIT	TOTAL
	Rupees	Rupees	Rupees
Balance as at 01 July 2012	87,500,000	28,884,743	116,384,743
Total Comprehensive income for the year ended 30 June 2013			
Profit after taxation for the year	-	16,066,041	16,066,041
Balance as at 30 June 2013	87,500,000	44,950,784	132,450,784
Total Comprehensive income for the year ended 30 June 2014			
Profit after taxation for the year	-	1,763,105	1,763,105
Balance as at 30 June 2014	87,500,000	46,713,889	134,213,889

The annexed notes are an integral part of these accounts.


 CHIEF EXECUTIVE / SOLE DIRECTOR



DR. ARSLAN RAZAQUE SECURITIES (SMC-PVT) LIMITED
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 30 JUNE 2014

Note

1. STATUS AND NATURE OF BUSINESS

The company has been incorporated as a single member private limited company in Pakistan on October 06, 2005. The company is a Trading Rights Entitlement Certificate Holder of Lahore Stock Exchange Limited. The registered office of the company is situated at 1 C, Model Town, Lahore. It is principally engaged in the business of brokerage, buying and selling of stocks, shares, modarba certificate etc.

2. BASIS OF PREPARATION

2.1 Statement of Compliance

These financial statements have been prepared in accordance with approved accounting standards as applicable in Pakistan. Approved accounting standards comprise of such International Financial Reporting Standard (IFRS) issued by the International Accounting Standard Board as are notified under the Companies Ordinance, 1984, provision of any directives issued under the Companies Ordinance 1984. In case requirement differ, the provision or directives of the Companies Ordinance, 1984, shall prevail.

2.2 Basis of Measurement

These financial statements have been prepared under the historical cost convention except otherwise stated in relevant notes.

2.3 Functional and presentation currency

Items included in the financial statements of the Company are measured using the currency of the primary economic environment in which the entity operates (the functional currency), which is the Pakistan Rupee (Rs).

2.4 New standards and amendments/interpretations to existing standards that are effective in the current year

Following amendments to approved accounting standards became effective during the year which the Company has adopted, however, it did not have any significant impact on the Company's financial statements other than certain increased disclosures:

IAS 19 - Employee Benefits

IFRS 7 - Financial Instruments: Disclosures - (Amendments)

Amendments enhancing disclosures about offsetting of financial assets and financial liabilities

IFRIC 20 - Stripping Costs in the Production Phase of a Surface Mine

IFAS 3 - Profit and Loss Sharing on Deposits

Improvements to Accounting Standards issued by IASB

IAS 1 - Presentation of Financial Statements - Clarification of the requirements for comparative information

IAS 16 - Property, Plant and Equipment - Clarification of Servicing Equipment

IAS 32 - Financial Instruments: Presentation - Tax Effects of Distribution to Holders of Equity Instruments

IAS 34 - Interim Financial Reporting - Interim Financial Reporting and Segment Information for Total Assets and Liabilities



New standards and amendments/interpretations to existing standards that have been published but not yet effective

<u>Standard or Interpretation</u>	<u>Effective</u> (Annual periods beginning or after)
IFRS 10 Consolidated Financial Statements	01 January 2015
IFRS 11 Joint Arrangements	01 January 2015
IFRS 12 Disclosure of Interest in Other Entities	01 January 2015
IFRS 13 Fair Value Measurement	01 January 2015
IAS 16 Clarification of Acceptable Method of Depreciation and 38 and Amortization	01 January 2015
IAS 16 Agriculture: Bearer Plants and 41	01 January 2015
IAS 19 Employee Contributions	01 July 2014
IAS 32 Offsetting Financial Assets and Financial liabilities (Amendment)	01 January 2014
IAS 36 Recoverable Amount for Non-Financial Assets (Amendments)	01 January 2014
IAS 39 Novation of Derivatives and Continuation of Hedge Accounting - (Amendment)	01 January 2014
IFRIC Levies	01 January 2014

In addition to the above, the following new standards have been issued by IASB which are yet to be notified by the SEC for the purpose of applicability in Pakistan:

<u>Standard</u>	<u>IASB Effective Date</u> (Annual periods beginning or after)
IFRS 9 Financial Instruments: Classification and Measurement	01 January 2018
IFRS 14 Regulatory Deferral Accounts	01 January 2016
IFRS 15 Revenue from Contracts with Customers	01 January 2017

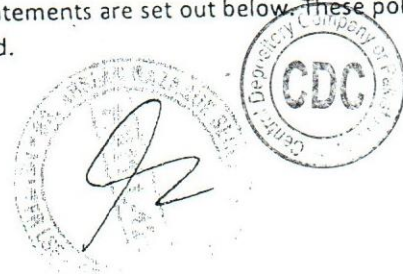
2.5 Use of Estimate & Judgment

The preparation of financial statements in conformity with International Accounting Standards requires management to make judgments, estimates and assumptions that affect the application of policies and reported amounts of assets and liabilities, income and expenses. It also requires management to exercise its judgment in the process of applying the company's accounting policies. 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. Significant areas requiring the use of management estimates in the financial statements relates to provision for doubtful balances, provision for income taxes, useful life and residual values property plant and equipment etc. However, assumptions and judgment made by management in the application of accounting policies that have significant effect on the financial statements are not expected to result in material adjustment to the carrying amounts of assets and liabilities in next year.

The estimates and underlying assumptions are reviewed on an ongoing basis. Revisions to accounting estimates are recognized in the period in which the estimates are revised if the revision affects only that period, or in the period of the revision and future periods. Judgments made by 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 respective policy notes.

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

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



3.1 Property and equipment

Property and equipment is stated at cost less accumulated depreciation and impairment loss, if any. Cost of these asset consists of historical cost and directly attributable cost of bringing the assets to working condition. Depreciation on addition and deletion is charged on the basis of number of days the asset remains in use of the company. Assets' residual values, useful life and depreciation rates are reviewed and adjusted, if appropriate, at each balance sheet date. An impairment loss, or its reversal, is also charged to income. When an impairment loss is recognized, the depreciation charge is adjusted in future periods to allocate the assets' carrying amount less the residual value over its estimated useful life. Normal repair and maintenance is charged to income as and when incurred. Major renewals and improvements are capitalized.

Gains and losses on disposal of an item of property, plant and equipment are determined by comparing the proceeds from disposal with the carrying amount of property, plant and equipment, and are recognized in profit and loss account.

3.2 Intangible assets

These include membership cards, license to use rooms and trading rights entitlement certificate with infinite useful life's.

These are measured on initial recognition at cost. Following initial recognition these are carried at cost less accumulated impairment, if any. Cost on initial recognition in an acquisition transaction is determined as the amount of cash or cash equivalents paid or the fair value of other consideration given to acquire an asset at the time of asset acquisition. Where there is an exchange of assets and the fair value of neither the asset received nor the asset given up can be reliably measured, the cost of the asset received should be measured at the carrying amount of the asset given up. The carrying amounts are reviewed at each balance sheet date to assess whether they are recorded in excess of their recoverable amounts and where carrying values exceed estimated recoverable amount, these are written down to their estimated recoverable amount.

3.3 Investments

Investments intended to be held for less than twelve months from the balance sheet date or to be sold to raise operating capital, are included in current assets, all other investments are classified as non-current. The cost of investments acquired in exchange transaction is measured at the carrying value of the asset with which it has been exchanged.

a) Investments at Fair value through profit or loss - Held for Trading

Investments which are acquired principally for the purpose of selling in the near term or the investments that are part of portfolio of financial instruments exhibiting short term profit taking, are classified as held for trading and designated as such upon initial recognition. These are stated at fair values with any resulting gains or losses recognized directly in the profit and loss account. The Company recognizes the regular way purchase or sale of financial assets using settlement date accounting.

b) Loans and Receivables

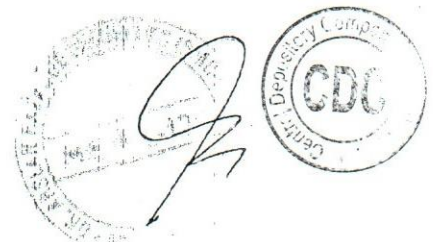
Loans and receivables are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market. Loans and receivables are initially measured at fair value plus directly attributable transaction costs. After initial measurement loans and receivables are subsequently measured at amortized cost using effective interest rate method less impairment, if any. These are classified as current and non-current assets in accordance with criteria set out by the IFRS.

c) Available for sale - unquoted at cost

These are initially recognized at cost. Due to non availability of an active market, these are subsequently stated at cost well.

3.4 Trade Receivables

These are stated net of provision. Full provisions are made against the debts considered doubtful. This includes receivables from members of stock exchange and customers.



3.5 Other receivables

Other receivables are recognized at nominal amount which is the fair value of the consideration to be received less an allowance for any uncollectible amount.

3.6 Revenue recognition

Brokerage fee are recognized as and when services are provided. Capital gains or losses on sale of investment are taken to income in the year in which they arise. Dividend income is recognized when the right to receive the dividend is established. Return on securities other than shares is recognized as and when it is due on accrual basis.

3.7 Borrowing Costs

Mark-up, interest and other charges on borrowings which are directly attributable to the acquisition, construction or production of a qualifying asset are capitalized as part of the cost of that asset. All other borrowing costs i.e. mark-up, interest and other charges are charged to the profit and loss account in the period in which they are incurred.

3.8 Foreign Currency Translation

Transactions in foreign currency are accounted for at the exchange rates prevailing on the date of transactions. A monetary assets and liabilities denominated in foreign currencies at the year end are translated at exchange rate prevailing at the balance sheet date. Non monetary items that are measured in terms of historical cost in a foreign currency are translated using the exchange rate at the date of the transactions. Exchange differences are included in profit and loss account for the year.

3.9 Trade & other payables

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

3.10 Taxation

Provision of current tax is based on taxable income for the year determined in accordance with the prevailing law for taxation of income. The charge for current tax is calculated using prevailing tax rates or tax rates expected to apply to the profit for the year if enacted. The charge for current tax also includes adjustments, where considered necessary, to provision for tax made in previous years arising from assessments framed during the year for such years.

Deferred tax is accounted for using the liability method in respect of all taxable temporary differences arising from differences between the carrying amount of assets and liabilities in the financial statements and the corresponding tax basis used in the computation of taxable profit. Deferred tax assets are recognized 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.

3.11 Employees Retirement Benefits

a) Defined contribution plan:

The company operates a funded provident fund scheme covering permanent employees and monthly equal contribution is made to the trust @10% of basic pay both by the employer and the employees.

b) Provisions

Provisions are recognized when the company has the legal or constructive obligation as a result of past events, and it is probable that an outflow of resources will be required to settle the obligation and are reliable estimate of the amount to be made.

3.12 Impairment

a) Financial Assets

A financial asset is considered to be impaired if objective evidence indicate that one or more events had a negative effect on the estimated future cash flow of that asset. An impairment loss in respect of a financial asset measured at amortized cost is calculated as a difference between its carrying amount and the present value of the estimated future cash flow discounted at the original effective interest rate. An impairment loss in respect of an available-for-sale financial asset is calculated by reference to its current fair value. Individually significant financial assets are tested for impairment on individual basis. The remaining financial assets are assessed collectively in groups that share similar credit risk characteristics.



b) Non- Financial Assets

The carrying amount of the Company's assets are reviewed at each balance sheet date to determine whether there is any indication of impairment. If such indications exist, the asset's recoverable amount is estimated in order to determine the extent of the impairment loss, if any. Impairment loss is recognized as expense in the profit and loss account. An impairment loss is reversed only to the extent that the asset's carrying amount does not exceed the carrying amount that would have been determined, net of depreciation or amortization, if no impairment loss had been recognized.

3.13 Dividend & Appropriation to reserves

Dividend distribution to the Company's shareholders and appropriation to reserves is recognized in the financial statements in the period in which these are approved.

3.14 Cash and Cash Equivalents

Cash and cash equivalents are carried in the balance sheet at cost. For the purpose of cash flow statement, cash and cash equivalents comprise cash in hand, cash with banks and 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.

3.15 Earning per share

The Company presents basic and diluted 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 the 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.

3.16 Share Capital

Ordinary shares are classified as equity and recognized at their fair value. Incremental costs directly attributable to the issue of new shares or options are shown in equity as deduction, net of tax, from the proceeds.

3.17 Financial Instruments

All financial assets and liabilities are recognized at the time when the company becomes a party to the contractual provisions of the instrument. All financial assets and liabilities are initially measured at cost, which is the fair value of the consideration given and received respectively. These financial assets and liabilities are subsequently measured at fair value, amortized cost or cost as the case may be. A financial asset is de-recognized when the company loses control of its contractual rights that comprise the financial asset. A financial liability is de-recognized when it is extinguished. Any gain or loss on de-recognition of the financial assets or liabilities is taken to profit and loss account currently. The Company recognizes the regular way purchase or sale of financial assets using settlement date accounting.

3.18 Off Setting of Financial Assets and Financial Liabilities

- A financial asset and a financial liability is off set and the net amount is reported in the balance sheet if the company has legally enforceable right to set off the recognized amounts and intends either to settle on a net basis or to realize the asset and settle the liability simultaneously.

	2014	2013
	<u>Rupees</u>	<u>Rupees</u>
4 <u>ISSUED, SUBSCRIBED AND PAID UP CAPITAL</u>		
1,500,000 Ordinary share of Rs. 10 each fully paid in cash	10,500,000	10,500,00
7,700,000 Ordinary share of Rs. 10 each issued other than cash	77,000,000	77,000,00
	<u>87,500,000</u>	<u>87,500,00</u>
5 <u>TRADE AND OTHER PAYABLES</u>		
Creditors	1,515,416	2,708,47
Accrued liabilities	190,049	160,91
Mark-up payable	5,994	5,99
FED payable	56,819	28,66
	<u>1,768,278</u>	<u>2,904,04</u>

6 CONTINGENCIES AND COMMITMENTS

There were no contingencies and commitments as at 30 June 2014 (2013: Nil)



7 PROPERTY AND EQUIPMENT

	<u>Furniture & fixtures</u>	<u>Office equipment</u>	<u>Computers</u>	<u>Total</u>
As at 01 July 2012				
Cost	3,500,000	3,157,351	2,250,000	8,907,351
Accumulated Depreciation	1,639,957	1,349,875	1,985,290	4,975,122
Net Book Value	<u>1,860,043</u>	<u>1,807,476</u>	<u>264,710</u>	<u>3,932,229</u>
Year ended 30 June 2013				
Opening Net Book Value	1,860,043	1,807,476	264,710	3,932,229
Depreciation	186,004	180,748	79,413	446,165
Closing Net Book Value	<u>1,674,039</u>	<u>1,626,728</u>	<u>185,297</u>	<u>3,486,064</u>
As at 30 June 2013				
Cost	3,500,000	3,157,351	2,250,000	8,907,351
Accumulated Depreciation	1,825,961	1,530,623	2,064,703	5,421,287
Net Book Value	<u>1,674,039</u>	<u>1,626,728</u>	<u>185,297</u>	<u>3,486,064</u>
Year ended 30 June 2014				
Opening Net Book Value	1,674,039	1,626,728	185,297	3,486,064
Depreciation	167,404	162,673	55,589	385,666
Closing Net Book Value	<u>1,506,635</u>	<u>1,464,055</u>	<u>129,708</u>	<u>3,100,398</u>
As at 30 June 2014				
Cost	3,500,000	3,157,351	2,250,000	8,907,351
Accumulated Depreciation	1,993,365	1,693,296	2,120,292	5,806,953
Net Book Value	<u>1,506,635</u>	<u>1,464,055</u>	<u>129,708</u>	<u>3,100,398</u>
Rate of Depreciation (%)	<u>10%</u>	<u>10%</u>	<u>30%</u>	

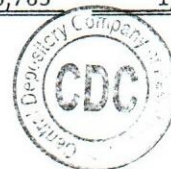
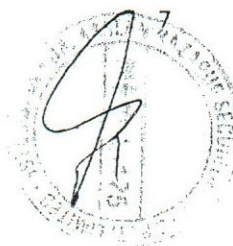
	<u>2014</u>	<u>2013</u>
	<u>Rupees</u>	<u>Rupees</u>
8 <u>LONG TERM SECURITY DEPOSITS</u>		
Margin deposit with Lahore Stock Exchange Limited	460,000	460,000
Deposit Sialkot trading floor	900,000	900,000
Pakistan Mercantile Exchange Limited	623,900	20,000
	<u>1,983,900</u>	<u>1,380,000</u>
9 <u>LONG TERM INVESTMENT</u>		
<i>Available for sale - unquoted at cost:</i>		
<i>Ordinary shares in Lahore Stock Exchange Limited:</i>		
843,975 Ordinary shares of Lahore Stock Exchange Limited (refer note 12.1)	<u>8,439,750</u>	<u>8,439,750</u>
9.1 This includes 506,385 shares that are blocked in a separate account held with CDC and would be sold to strategic investor and general public in future.		
10 <u>MEMBERSHIPS CARDS</u>		
Pakistan Mercantile Exchange Limited	<u>25,000,000</u>	<u>25,000,000</u>
11 <u>LICENSE TO USE ROOMS</u>		
Lahore Stock Exchange Limited	<u>14,000,000</u>	<u>14,000,000</u>
12 <u>TRADING RIGHTS ENTITLEMENT CERTIFICATE</u>		
Lahore Stock Exchange Limited	<u>31,560,250</u>	<u>31,560,250</u>



12.1 This represents trading rights in Lahore Stock Exchange Limited which have replaced membership cards of Stock Exchanges pursuant to the promulgation of Stock Exchanges (Corporatization, Demutualization and Integration) Act, 2012 (the 2012 Act). Before demutualization the Stock Exchanges were functioning as Guarantee Limited Companies, wherein ownership and trading rights were conferred to members through membership cards. Pursuant to demutualization, the ownership in a Stock Exchange has been segregated from the right to trade on the Exchange. Therefore the membership cards have now been replaced by shares in the Exchange representing ownership in the Exchange and Trading Rights Entitlement Certificates (TREC) representing rights to trade in the Exchange. As result 843,975 shares of Rs.10/- each have been allotted to the Company out of which 60% of the shares are blocked in a separate account held with CDC and would be sold to strategic investors and general public in future at a price which remains to be finalized, proceeds of which would come to the members, while the remaining 40% are available to members with no condition on their future sale. The Institute of Chartered Accountants of Pakistan in its technical guide dated May 29, 2013, concluded that the demutualization, in substance, had not resulted in Exchange of dissimilar assets, and therefore no gain or loss should be recognized and the segregation of ownership rights and the Trading Rights should be accounted for by allocating the cost/carrying value of the membership card between the two distinct assets on a reasonable basis. The TREC can only be sold or transferred once, however once sold it would not be sellable / transferable again. The transaction is in nature an Exchange of an intangible asset (membership card) with a financial asset (shares) together with an intangible asset (TREC).

Taking to account the above factors and in the absence of an active market for determining fair value of TREC and shares the value of the TREC and shares have thus been initially measured at the value of the membership card with which they have been exchanged and subsequently carried at cost. For this purpose, the value of the membership card has first been allocated to shares @ Rs.10/- per share being the par value of shares with the remaining value being allocated to TREC. Resultantly the shares have been recognized at Rs. 8.439 million and TREC at Rs. 31.560 million. Further, in order to comply with the Base Minimum Capital requirements, the company has mortgaged TREC and is in the process of pledging 40% (337,590 shares) of LSE amounting to Rs 4,000,000 & Rs 3,821,181 respectively, being the notional values assigned to these assets by LSE for BMC purpose.

	2014 Rupees	2013 Rupees
13 FINANCIAL ASSETS - SHORT TERM INVESTMENTS		
<u>Available for sale at fair value</u>		
Shares of listed companies at cost	19,283,139	15,061,173
Fair value gain on re-measurement to market value	367,078	6,752,591
Shares of listed companies at fair value	<u>19,650,217</u>	<u>21,813,770</u>
14 CASH AND BANK BALANCES		
Cash in hand	14,003,525	14,003,525
Cash at bank - current account	5,015,954	2,079,131
Cash at bank - savings account	1,515,416	10,673,581
	<u>20,534,895</u>	<u>26,756,240</u>
14.1 These carry profit ranging between 7% - 8% (2013: 7% - 8%) per annum		
15 OPERATING REVENUE		
Brokerage revenue	507,460	1,260,391
Dividend income	635,692	587,331
	<u>1,143,152</u>	<u>1,847,730</u>
16 OPERATING AND ADMINISTRATIVE EXPENSES		
Salaries and benefits	243,000	216,000
Legal and professional charges	30,001	76,000
Fee and subscription	139,945	50,000
Rent, rates and taxes	1,600	8,300
Miscellaneous	15,600	4,500
LSE NCCS charges	183,491	187,900
CDC charges	52,480	45,600
Audit fee	75,000	75,000
Depreciation	385,666	446,100
	<u>1,126,783</u>	<u>1,109,600</u>



	2014 Rupees	2013 Rupees
17 FINANCE COST		
Bank Charges	5,386	370
	<u>5,386</u>	<u>370</u>
18 OTHER INCOME		
Profit on savings account	487,289	1,559,759
Rental income	-	112,200
	<u>487,289</u>	<u>1,671,959</u>
19 TAXATION		
Current	212,259	245,172
Prior	-	22,366
	<u>212,259</u>	<u>267,538</u>

19.1 Effective tax rate reconciliation

Numerical reconciliation between the average tax rate and applicable rate has not been presented as provision for the current year income tax has been made under the provision of minimum tax under section 113 of the Income Tax Ordinance, 2001

19.2 Current status of tax assessments

The income tax returns have been filed up to and including tax year 2013 (corresponding to financial year ended 30 Jun 2013)

20 BASIC AND DILUTED EARNING PER SHARE

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

Profit after taxation	1,763,105	16,066,041
Weight average number of issued shares	8,750,000	8,750,000
	<u>0.20</u>	<u>1.84</u>

21 RELATED PARTY TRANSACTION

Related parties comprise of Chief Executive / Sole Director and close relatives. The company carries transactions with related parties at agreed terms. The balances and transactions with related parties are as follows:-

	CHIEF EXECUTIVE / SOLE DIRECTOR	
	2014	2013
BALANCES		
Trade debts	10,862,140	-
TRANSACTIONS		
Sale	-	-
Purchase	-	-

22 FINANCIAL RISK MANAGEMENT

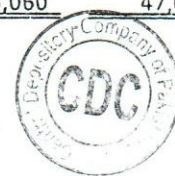
The Company's activities expose it to a variety of financial risk including capital risk, credit risk, liquidity risk and market risk. The objective of financial risk management is to minimize potential adverse effects on the financial performance of the company. The company finances its operation through equity, borrowings and management of working capital with a view to maintain reasonable mix between the various sources of finance to minimize risk.

22.1 CREDIT RISK

Credit risk represents the accounting loss that would be recognized at the reporting date if counter parties fail completely to perform as contracted. The company believes that it is not exposed to major concentration of credit risk. To manage exposure to credit risk, company applies credit limits and deal with credit worthy parties.

The carrying amount of financial assets represent the maximum credit exposure, as specified below :

Long term deposits	1,983,900	1,380,000
Long term investment	8,439,750	8,439,750
Trade Debts	11,559,823	2,663,111
Financial assets - Short term investments	19,650,217	21,813,717
Cash at Bank	6,531,370	12,752,717
	<u>48,165,060</u>	<u>47,049,405</u>



No provision has been made against trade debts as these are considered good.

22.2 LIQUIDITY RISK

Liquidity risk is the risk that an enterprise will encounter difficulty in raising funds to meet its commitments associated with financial instruments. The company manages its liquidity risk exposure by having diversified funding sources and assets are managed with liquidity in mind. To ensure adequate liquidity, the maturity profile is monitored on continuous basis.

The following are the contractual maturities of the financial liabilities;

	2014 Maturity up to One Year Rupees	2013 Maturity up to One Year Rupees
Trade and other payables	<u>1,768,278</u>	<u>2,904,046</u>
	<u>1,768,278</u>	<u>2,904,046</u>

22.3 MARKET RISK

Market risk means that fair value of future cash flows of a financial instrument will fluctuate because of changes in market prices such as, foreign exchange rates, interest rates and equity prices. The objective is to manage and control market risk exposures within acceptable parameters, while optimizing the return. Market risk comprises of three types of risk: foreign exchange or currency risk, interest rate risk and price risk. The market risk associated with the company's business activities are discussed as under:

Foreign Exchange Risk Management

The company does not obtain any forward exchange cover, furthermore, the company is not making any transaction in foreign currencies, therefore, the company is not exposed to foreign currency risk.

Interest Rate Risk

Interest rate risk is the risk that value of financial instrument or future cash flow of a financial instrument will fluctuate due to changes in interest rates. The Company is not exposed to interest rate risk.

Price Risk

Price risk represents the risk that fair value of financial instrument will fluctuate because of changes in the market price whether those changes are caused by factors specific to the individual financial instrument or its issuer, or factor affecting all or similar financial instruments traded in the market. The company is exposed to equity price risk since it has investments in quoted equity securities amounting to Rs. 19.650 Million (2013: Rs. 21.814 Million) at the balance sheet date. The company manages price risk by monitoring exposure in quoted equity securities and implementing the strict discipline in internal risk management and investment policies.

22.4 CARRYING-VALUE OF FINANCIAL ASSETS AND LIABILITIES

Financial instruments are carried at approximate fair values.

23 CAPITAL RISK MANAGEMENT

The company's objective when managing capital is to safe guard its ability to continue as a going concern so that it can continue to provide returns for shareholders and benefits for other stake holders; and to maintain strong capital base support the development of its business.

The company manages its capital structure in the context of economic conditions and the risk characteristics of the underlying assets. In order to maintain or adjust the capital structure the company may adjust amount of dividend paid to shareholders or issue new shares. The company is not subject to externally imposed capital requirements.

24 NUMBER OF EMPLOYEES

Number of employees and average number of employees during the year. 2 2

25 CORRESPONDING FIGURES

Corresponding figures have been rearranged / regrouped wherever necessary for the purpose of better presentation. However, no significant rearrangement / regrouping has been made other than as follows:-



Reclassification from component	Reclassification to component	Amount (Rs)
Operating and administrative	Operating and administrative expenses	
- Miscellaneous charges	LSE NCCS Charges	59,566
- Repair and maintenance	LSE NCCS Charges	128,388

26 GENERAL

- Figures have been rounded off to the nearest rupee.

27 DATE OF AUTHORIZATION FOR ISSUE

These financial statements were authorized for issue on 10 September 2014.

[Handwritten Signature]
 CHIEF EXECUTIVE / SOLE DIRECTOR

