2014

SHAFFI SECURITIES (PRIVATE) LIMITED

Financial Statements
June 30, 2014

FAZAL MAHMOOD & COMPANY
CHARTERED ACCOUNTANTS

A MEMBER FIRM OF
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FAZAL MAHMOOD & COMPANY
CHARTERED ACCOUNTANTS

AUDITORS' REPORT TO THE MEMBERS

We have audited the annexed balance sheet of **SHAFFI SECURITIES (PRIVATE) 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 accounts 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 accounts 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;

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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 loss / comprehensive loss, 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 (XVIII of 1980)

Fazal Mahmood

LAHORE: 03 October 2014

147-Shadman-1, Lahore-Pakistan
Fazal Mahmood & Co.
Chartered Accountants

FAZAL MAHMOOD & COMPANY
Chartered Accountants
Engagement Partner: Fazal Mahmood

SHAFFI SECURITIES (PRIVATE) LIMITED
BALANCE SHEET
AS AT 30 JUNE 2014

	Note	2014 Rupees	2013 Rupees
EQUITY AND LIABILITIES			
SHARE CAPITAL			
Authorized Capital:			
8,000,000 (2013: 3,000,000) Ordinary shares of Rs. 10 each		80,000,000	30,000,000
Issued, subscribed and paid up Capital	4	57,500,000	22,500,000
Accumulated (loss)		(15,105,310)	(13,606,395)
		42,394,690	8,893,605
NON CURRENT LIABILITIES			
Loan from directors - unsecured and interest free		-	39,335,000
CURRENT LIABILITIES			
Trade and other payables	5	1,362,991	37,397,627
Short term borrowings - secured	6	-	160,561
Accrued markup on secured loan		6,314	10,792
		1,369,305	37,568,979
Contingencies and commitments	7	-	-
		43,763,995	85,797,584

	Note	2014 Rupees	2013 Rupees
ASSETS			
NON CURRENT ASSETS			
Tangible assets			
Property and equipment	8	825,352	918,526
Long term investments	9	16,488,000	16,488,000
Long term deposits	10	3,706,024	3,706,024
		21,019,376	21,112,550
Intangible assets			
Membership cards	11	1,000,000	1,000,000
Trading right entitlement certificate	12	3,612,000	3,612,000
License to use rooms	13	3,100,000	3,100,000
		7,712,000	7,712,000
CURRENT ASSETS			
Trade debts - unsecured and considered good		11,652,367	54,339,224
Advances, prepayments and other receivables	14	1,151,362	1,133,337
Cash and bank balances	15	2,228,890	1,500,473
		15,032,619	56,973,034
		43,763,995	85,797,584

CHIEF EXECUTIVE

DIRECTOR

SHAFFI SECURITIES (PRIVATE) LIMITED
PROFIT AND LOSS ACCOUNT
FOR THE YEAR ENDED 30 JUNE 2014

	Note	2014	2013
		Rupees	Rupees
Commission income		**1,500,062**	964,816
Operating expenses	16	**(89,622)**	(92,984)
Operating profit		**1,410,440**	871,832
Administrative expenses	17	**(2,985,430)**	(3,243,651)
Finance cost	18	**(26,745)**	(81,071)
Depreciation		**(93,174)**	(103,154)
		(3,105,349)	(3,427,875)
Other operating income	19	**210,994**	210,994
(Loss) before taxation		**(1,483,914)**	(2,345,049)
Taxation	20	**(15,001)**	(4,824)
(Loss) after taxation		**(1,498,915)**	(2,349,873)
Other comprehensive income		-	-
Total comprehensive (loss)		**(1,498,915)**	(2,349,873)
Basic and diluted (loss) per share	21	**(0.38)**	(0.59)

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

CHIEF EXECUTIVE

DIRECTOR

SHAFFI SECURITIES (PRIVATE) LIMITED
STATEMENT OF CHANGES IN EQUITY
FOR THE YEAR ENDED 30 JUNE 2014

	Issued, subscribed and paid up capital	Accumulated (loss)	Total Equity
	---------- (IN RUPEES) ----------		
Balance as at 01 July 2012	22,500,000	(11,256,522)	11,243,478
Total comprehensive (loss)			
(Loss) after taxation	-	(2,349,873)	(2,349,873)
Balance as at 30 June 2013	22,500,000	(13,606,395)	8,893,605
New Shares issued against loan	**35,000,000**	-	**35,000,000**
Total comprehensive (loss)			
(Loss) after taxation	-	**(1,498,915)**	**(1,498,915)**
Balance as at 30 June 2014	**57,500,000**	**(15,105,310)**	**42,394,690**

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

CHIEF EXECUTIVE **DIRECTOR**

SHAFFI SECURITIES (PRIVATE) LIMITED
CASH FLOW STATEMENT
FOR THE YEAR ENDED 30 JUNE 2014

	Note	2014	2013
		Rupees	Rupees
CASH FLOWS FROM OPERATING ACTIVITIES			
(Loss) before taxation		**(1,483,914)**	(2,345,049)
Adjustments for:			
Depreciation		**93,174**	103,154
Financial charges		**26,745**	(81,071)
Cash flow from operating activities before working capital changes		**(1,363,995)**	(2,322,966)
Adjustments for working capital changes:			
(Increase)/ decrease In current assets			
Trade debts		**42,686,857**	(14,897,187)
(Decrease)/ increase In current liabilities			
Trade and other payables		**(36,034,636)**	(10,469,274)
Cash generated from operating activities		**6,652,221**	(25,366,461)
Income tax paid		**(33,026)**	(58,233)
Financial charges paid		**(31,223)**	62,808
Net cash generated from operating activities		**5,223,977**	(27,684,852)
CASH FLOWS FROM INVESTING ACTIVITIES			
Fixed capital expenditure		**-**	(10,250)
Net Cash (out flow) from Investing Activities		**-**	(10,250)
CASH FLOWS FROM FINANCING ACTIVITIES			
Loan from directors - unsecured and interest free		**(4,335,000)**	27,660,000
Short term borrowings - secured		**(160,561)**	(115,468)
Net cash (out flow) from financing activities		**(4,495,561)**	27,544,532
NET (DECREASE) / INCREASE IN CASH & CASH EQUIVALENTS		**728,417**	(150,571)
CASH AND CASH EQUIVALENTS AT BEGINNING OF THE YEAR		**1,500,473**	1,651,044
CASH AND CASH EQUIVALENTS AT END OF THE YEAR	15	**2,228,890**	1,500,473

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

CHIEF EXECUTIVE

DIRECTOR

SHAFFI SECURITIES (PRIVATE) LIMITED
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 30 JUNE 2014

Note

1. **STATUS AND NATURE OF BUSINESS**

Shaffi Securities (Private) Limited was incorporated on June 02, 1997 under the Companies Ordinance, 1984. The company is a Trading Right Entitlement Certificate Holder (TREC) of Lahore and Islamabad Stock Exchanges Limited and has also acquired membership of the Pakistan Mercantile Exchange Limited. The registered office of the company is situated in room 201, Lahore Stock Exchange Building, 19 Khayaban-e-Aiwan-e-Iqbal, Lahore. The principal activities of the company include share brokerage, investment in services, underwriting and portfolio management 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 and 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 and amended standards and interpretations become effective*

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

Standard or Interpretation		**Effective Date** (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 and 38	Clarification of Acceptable Method of Depreciation and Amortizat	01 January 2015
IAS 16 and 41	Agriculture: Bearer Plants	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 SECP for the purpose of applicability in Pakistan:

Standard		IASB Effective Date (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 of property plant and equipment. 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 and depreciation*

Property and equipment is stated at cost less accumulated depreciation and impairment loss, if any. Cost of these assets 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 months the asset remains in use of the company. Assets' residual values, useful life's and depreciation rates are reviewed and adjusted, if appropriate, at each balance sheet date. Any 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*

(a) *Membership Cards - infinite useful life*

These are stated at acquisition cost less impairment, if any. 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.

(b) *Trading Right Entitlement Certificate - infinite useful life*

These are measured on intial recognition at cost. Following initial recognition these are carried at cost less accumulated impairment, if any. Cost on intial 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. When 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.

© *License to use rooms - infinite useful life*

These are stated at acquisition cost less impairment, if any. 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.

(a) *Long term investments available for sale - at cost*

These are initially recognised at cost. These represent shares in Lahore Stock Exchange Limited, a public unlisted company, therefore they have been stated at cost. The cost of investments acquired in an exchange transaction is measured at the carrying value of the asset with which it has been exchanged.

(b) *Short term investments available for sale*

These are initially recognized at cost and at subsequent reporting dates measured at fair values. Gains or losses from changes in fair values are taken to profit and loss account.

3.4 *Trade Receivables*

These are stated net of provision. Full provisions are made against the debts considered doubtful. This includes receivable 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 Cost*

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. All monetary assets and liabilities denominated in foreign currencies at the year end are translated at exchange rates 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 and 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 *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 can 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 flows 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 an 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 *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.

3.17 *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 a 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 Rupees	2013 Rupees
4	**ISSUED, SUBSCRIBED AND PAID UP CAPITAL**		
	2,250,000 Ordinary shares of Rs. 10 each fully paid in cash	**22,500,000**	22,500,000
	3,500,000 (2013: Nil) Ordinary shares of Rs. 10 each issued against directors' loan	**35,000,000**	-
		57,500,000	22,500,000
5	**TRADE AND OTHER PAYABLES**		
	Trade creditors	**1,013,401**	35,675,771
	Accrued expenses	**349,590**	1,721,856
		1,362,991	37,397,627
6	**SHORT TERM BORROWING - SECURED**		
	- Running finance	-	160,561

6.1 The Company has borrowing facility to the extent of Rs 5 Million (2013: 5 Million) from a commercial bank. Mark up on this facility is 3 months Kibor + 2.5 %. The facility is secured against pledge of shares of listed companies and personal guarantees of all directors.

7 **CONTINGENCIES & COMITTMENTS**

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

8 **PROPERTY AND EQUIPMENT**

	Furniture & fixtures	Office equipment	Vehicles	Total
As at 01 July 2012				
Cost	350,430	3,059,024	223,000	3,632,454
Accumulated Depreciation	(263,797)	(2,150,746)	(206,481)	(2,621,024)
Net Book Value	86,633	908,278	16,519	1,011,430
Year ended 30 June 2013				
Opening Net Book Value	86,633	908,278	16,519	1,011,430
Additions	-	10,250	-	10,250
Disposals	-	-	-	-
Depreciation	(8,663)	(91,187)	(3,304)	(103,154)
Closing Net Book	77,970	827,341	13,215	918,526
As at 30 June 2013				
Cost	350,430	3,069,274	223,000	3,642,704
Accumulated Depreciation	(272,460)	(2,241,933)	(209,785)	(2,724,178)
Net Book Value	77,970	827,341	13,215	918,526
As at 01 July 2013				
Cost	**350,430**	**3,069,274**	**223,000**	**3,642,704**
Accumulated Depreciation	**(272,460)**	**(2,241,933)**	**(209,785)**	**(2,724,178)**
Net Book Value	**77,970**	**827,341**	**13,215**	**918,526**
Year ended 30 June 2014				
Opening Net Book	**77,970**	**827,341**	**13,215**	**918,526**
Additions	-		-	-
Disposals	-	-	-	-
Depreciation	**(7,797)**	**(82,734)**	**(2,643)**	**(93,174)**
Closing Net Book	**70,173**	**744,607**	**10,572**	**825,352**
As at 30 June 2014				
Cost	**350,430**	**3,069,274**	**223,000**	**3,642,704**
Accumulated Depreciation	**(280,257)**	**(2,324,667)**	**(212,428)**	**(2,817,352)**
Net Book Value	**70,173**	**744,607**	**10,572**	**825,352**
Rate of Depreciation (%)	**10%**	**10%**	**20%**	

		2014 Rupees	2013 Rupees
9	**LONG TERM INVESTMENTS**		
	Available for sale investment - at cost		
	These are Rs 10 ordinary shares		
	843,975 Ordinary shares of Lahore Stock Exchange Limited (refer note 12.1)	**4,080,000**	4,080,000
	3,034,603 Ordinary shares of Islamabad Stock Exchange Limited (refer note 12.1)	**12,408,000**	12,408,000
		16,488,000	16,488,000
10	**LONG TERM DEPOSITS**		
	Trading floors	**1,206,024**	1,206,024
	Building deposit with PMEX	**2,500,000**	2,500,000
		3,706,024	3,706,024
11	**MEMBERSHIP CARDS**		
	Pakistan Mercantile Exchange Limited	**1,000,000**	1,000,000
		1,000,000	1,000,000
12	**TRADING RIGHT ENTITLEMENT CERTIFICATE**		
	Lahore Stock Exchange Limited	**1,920,000**	1,920,000
	Islamabad Stock Exchange Limited	**1,692,000**	1,692,000
		3,612,000	3,612,000

12.1 Pursuant to demutualization of the Lahore Stock Exchange (LSE) and Islamabad Stock Exchange (ISE), the ownership rights in a Stock Exchange were segregated from the right to trade on an exchange. As a result of such demutualization, the Company received shares and Trading Right Entitlement Certificate from the LSE and ISE against its membership cards which were carried at Rs 6,000,000 and Rs 14,100,000 in LSE and ISE respectively in the books of the Company. This arrangement has resulted in the allocation of shares as follows:-

	Shares Allocated	Face value per share	Face Value	40% Blocked Shares	60% Unblocked shares
Lahore Stock Exchange	843,975	10	8,439,750	337,590	506,385
Islamabad Stock Exchange	3,034,603	10	30,346,030	1,213,841	1,820,762

Out of the total shares issued by LSE and ISE, the Company has received 40 % equity shares in its CDC account. The remaining 60 % shares have been transferred to CDC sub-account in the Company's name under the LSE's and ISE's participant IDs with the CDC which will remain blocked until these are divested / sold to strategic investor(s), general public and financial institutions and proceeds are paid to the Company.

The Institute of Chartered Accountants of Pakistan in its technical guide dated 25 Februray 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 above mentioned face value of the shares issued by the LSE and ISE to its members including the Company has been determined on the basis of the fair valuation of the underlying assets and liabilities of the Stock Exchange in accordance with the requirements of the Demutualization Act. In other words, shares worth Rs 8,439,750 in LSE and Rs 30,346,030 in ISE received by the Company represent its share in the fair value of the net assets of the respective stock exchanges. Under the current circumstances where active market is not available for such shares, this net asset value based valuation has been considered as the closest estimate of the fair value of the shares.

Further recently, the LSE and ISE have stated a reserve price for TREC at Rs 4,000,000 as per the decision of the BOD of the respective stock exchanges. This fact indicates an acceptable level of value for TREC which is also used by the Stock Exchange for risk management and to safeguard investor's interest. In the absence of an active market for TREC, this assigned value of Rs 4,000,000 has been considered as the closest estimate of the fair value of the TREC.

Therefore, based on above estimates of fair values of shares and TREC issued to each member, the Company has allocated its carrying value of membership card in the following ratios:-

	Lahore Stock Exchange		Islamabad Stock Exchange	
	RS	Ratio	Rs	Ratio
Estimated fair value of	8,439,750	0.68	30,346,030	0.88
Estimated fair value of TREC	4,000,000	0.32	4,000,000	0.12

Consequently, shares and TREC have been recorded in the books as follows:-

	Lahore Stock Exchange	Islamabad Stock Exchange
Shares	4,080,000	12,408,000
TREC	1,920,000	1,692,000
TOTAL	6,000,000	14,100,000

The company has complied with the Base Minimum Capital requirements introduced by Lahore Stock Exchange in the following manner:-

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	2013
		Rupees	Rupees
13	LICENSE TO USE ROOMS		
	Lahore Stock Exchange Limited	3,100,000	3,100,000
		3,100,000	3,100,000
14	ADVANCES, PREPAYMENTS & OTHER RECEIVABLES		
	Exposure draft	700,000	700,000
	Advance income tax	451,362	433,337
		1,151,362	1,133,337
15	CASH AND BANK BALANCES		
	Cash in hand	1,165,835	1,415,354
	Cash at bank - current account	1,063,055	85,119
		2,228,890	1,500,473
16	OPERATING EXPENSES		
	L.S.E. IPF, service charges etc.	273	7,333
	CDC service charges	89,349	85,651
		89,622	92,984
17	ADMINISTRATIVE EXPENSES		
	Directors' remuneration	900,000	900,000
	Salaries and other benefits	638,000	471,059
	Electricity expenses	397,540	472,873
	Telephone expenses	211,006	249,448
	Auditors' Remuneration	75,000	75,000
	Fee and subscription	419,250	700,193
	Newspapers and periodicals	7,475	10,221
	Printing and stationery	26,591	52,565
	Miscellaneous charges	2,254	10,488
	Postage and telegram	11,701	10,039
	Entertainment	34,833	43,823
	Rent, Rates and taxes	179,420	197,076
	Repair and maintenance	22,810	3,000
	Computer expenses	59,550	47,865
		2,985,430	3,243,651

		2014 Rupees	2013 Rupees
18	**FINANCE COST**		
	Bank charges	**12,146**	17,294
	Mark up expenses	**14,599**	63,777
		26,745	81,071
19	**OTHER OPERATING INCOME**		
	Dividend Income	**210,994**	210,994
		210,994	210,994

20 **TAXATION**

20.1 Current taxation represents minimum tax under the provisions of the Income Tax Ordinance, 2001, as the tax computation results in tax loss.

20.2 Keeping in view the available tax losses, and non availability of future taxable profits against which deferred tax assets can be utilized, therefore, provision for deferred tax assets has not been recognized in these financial statements.

21 **BASIC AND DILUTED (LOSS) PER SHARE**

There is no dilutive effect on the basic loss per share of the company, which is based on :

	2014	2013
(Loss) after taxation	**(1,498,915)**	(2,349,873)
Weighted average number of Ordinary shares outstanding during the year	**3,995,205**	3,995,205
(Loss) per share (Rupees)	**(0.38)**	(0.59)

21.1 Corresponding figure of weighted average number of shares and loss per share have been restated to include the effect of shares issued by the Company during the year.

22 **REMUNERATION OF CHIEF EXECUTIVE & DIRECTORS**

The aggregate amount charged in the accounts during the year for remuneration to Chief Executive and directors is as follows:

	30 June 2014		30 June 2013	
	Chief Executive	Directors	Chief Executive	Directors
Remuneration	**300,000**	**600,000**	300,000	600,000
	300,000	**600,000**	300,000	600,000
Number of Persons	1	2	1	2

No meeting fee has been paid to any director of the company during the year (2013: Rs. Nil).

23 **FINANCIAL RISK MANAGEMENT**

23.1 *Risk management framework*

The Board of Directors has overall responsibility for the establishment and oversight of the Company's risk management framework. The Board is also responsible for developing and monitoring the Company's risk management policies.

The Board meets frequently throughout the year for developing and monitoring the Company's risk management policies. The Company's risk management policies are established to identify and analyze the risks faced by the Company, to set appropriate risk limits and controls, and to monitor risks and adherence to limits. Risk management policies and systems are reviewed regularly to reflect changes in market conditions and the Company's activities. The Company, through its training and management standards and procedures, aims to develop a disciplined and constructive control environment in which all employees understand their roles and obligations.

23.2 *Financial assets and liabilities by category and their respective maturities*

	30 June 2014		30 June 2013	
	Maturity up to one year	**Maturity after one year**	Maturity up to one year	Maturity after one year
	-------------------- Rs. In Thousands--------------------			
Financial Asset				
Long term	-	**16,488,000**	-	-
Long term deposits	-	**3,706,024**	-	3,706,024
Trade debts - unsecured and considered good	**11,652,367**	-	54,339,224	-
Advances, prepayments and other receivables	**700,000**	-	700,000	-
Cash and bank balances	**2,228,890**	-	1,500,473	-
Total	**14,581,257**	**20,194,024**	56,539,697	3,706,024

	30 June 2014		30 June 2013	
	Maturity up to one year	**Maturity after one year**	Maturity up to one year	Maturity after one year
	-------------------- Rs. In Thousands--------------------			
Financial Liability				
Loan from directors - unsecured and interest free		-		39,335,000
Trade and other payables	**1,362,991**	-	37,397,627	-
Short term borrowings - secured	-	-	160,561	-
Accrued markup on secured loan	**6,314**	-	10,792	-
Total	**1,369,305**	-	37,568,979	39,335,000

23.3 *Fair Values*

The carrying values of the financial assets and financial liabilities approximate their fair values. Fair value is the amount for which an asset could be exchanged, or a liability settled, between knowledgeable, willing parties in an arm's length transaction. If the transaction is not based on market terms, or if a market price cannot be readily determined, then an estimate of future cash payments or receipts, discounted using the current market interest rate for a similar financial instrument, is used to approximate the fair value.

23.4 *Financial Risk Factors*

The Company has exposures to the following risks from its use of financial instruments:

- Credit Risk
- Liquidity Risk
- Market Risk

23.5 *Credit risk*

Credit risk is the risk that one party to a financial instrument will fail to discharge an obligation and cause the other party to incur a financial loss, without taking to account of any collateral. Concentration of credit risk arises when a number of counter parties are engaged in similar business activities or have similar economic features that would causes their ability to meet contractual obligations to be similarly affected by changes in economic, political or other conditions. Concentrations of credit risk indicate the relative sensitivity of the Company's performance to developments affecting a particular industry. The Company's portfolio of financial instruments is broadly diversified and transactions are entered into with diverse credit-worthy counterparties thereby mitigating any significant concentrations of credit risk.

Credit risk of the Company arises form deposits with banks and financial institutions, trade debts, shorts term loans, deposits, short term investments and other receivables. The carrying amount of financial assets represents the maximum credit exposure. To reduce the exposure to credit risk, the Company has developed its own risk management policies and guidelines whereby clients are provided trading limits according to their net worth and proper margins are collected and maintained from the clients. the management continuously monitors the credit exposure towards the clients and makes provision against those balances considered doubtful of recovery. The Company's management as part of risk management policies and guidelines, reviews clients' financial position, considers past experience and other factors, and obtains necessary collaterals to reduce credit risks. Further, credit risk on liquid funds is limited because the counter parties are banks with reasonably high credit ratings.

The Company's policy is to enter into financial contracts in accordance with the internal risk management policies, investment and operational guidelines approved by the Board of Directors. In addition, credit risk is also minimized due to the fact that the Company invests only in high quality financial assets, majority of which have been rated by a reputable rating agency. The Company does not expect to incur material credit losses on its financial assets.

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

	2014	2013
	Rupees	Rupees
Trade debts - unsecured and considered good	**11,652,367**	54,339,224
Advances, prepayments and other receivables	**700,000**	700,000
Cash at bank	**1,063,055**	85,119
	13,415,422	55,124,343

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

23.6 **LIQUIDITY RISK**

Liquidity risk is the risk that the Company will not be able to meet its financial obligations as they fall due. Prudent liquidity risk management implies maintaining sufficient cash and marketable securities, the availability of adequate funds through committed credit facilities and the ability to close out market positions due to dynamic nature of the business. The Company finances its operations through equity, borrowings and working capital with a view to maintaining an appropriate mix between various sources of finance to minimize risk. The management aims to maintain flexibility in funding by keeping regular committed credit lines.

The following are the contractual maturities of the financial liabilities:

	2014	2013
	Maturity up to	Maturity up to
	One Year	One Year
	Rupees	Rupees
Trade and other payables	**1,362,991**	37,397,627
Short term borrowings - secured	-	160,561
Accrued markup on secured loan	**6,314**	10,792
	1,369,305	37,568,979

It is not expected that the cash flows included in the maturity analysis could occur significantly earlier or at significantly different

23.7 **MARKET RISK**

Market risk means that fair value of future cash flows of a financial instrument with 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

Currency Risk is the risk that the fair value or future cash flows of a financial instrument will fluctuate because of changes in foreign exchange rates. The company is not significantly expose to currency risk as the company does not maintain bank accounts in foreign currencies.

Interest Rate Risk

Interest rate risk is the risk that the fair value or future cash flows of a financial instrument will fluctuate due to changes in market interest rates. Significant interest rate risk exposures are primarily managed by a mix of borrowings at fixed and variable interest rates and entering into interest rate swap contracts. The company's interest rate risk arises from short term cash finance facility. The company analyzes its interest rate exposure on a regular basis by monitoring existing facilities against prevailing market interest rates and taking into accounts various other financing options available.

Price Risk

Price risk represents the risk that fair value of financial instrument will fluctuate because of changes in the market prices, 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 not exposed to equity price risk since it has no investments in quoted equity securities.

24 **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 to 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

	2014	2013
	Rupees	Rupees

25 NUMBER OF EMPLOYEES

Number of employees at year end	5	5
Average number of employees during the year	5	5

26 DATE OF AUTHORIZATION FOR ISSUE

These financial statements were authorized for issue on 03 October 2014 by the Board of Directors of the Company.

27 CORRESPONDING FIGURES

Corresponding figures have been rearranged / regrouped wherever necessary for the purpose of comparison. However, no significant rearrangements / regroupings have been made in these financial statements

28 GENERAL

Figures have been rounded off to the nearest rupee.

CHIEF EXECUTIVE

DIRECTOR