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ASK International Audit Specialist

FAZAL MAHMOOD & COMPANY
CHARTERED ACCOUNTANTS

AUDITORS' REPORT TO THE MEMBERS

We have audited the annexed balance sheet of **RAHAT SECURITIES LIMITED** as at 30 June 2013 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 conducted 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 2013 and of the profit, total comprehensive income, its cash flows and changes in equity for the year then ended; and

c) in our opinion, no Zakat was deductible at source under the Zakat and Ushr Ordinance, 1980 (XVIII of 1980).

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

LAHORE: 01 October 2013

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

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RAHAT SECURITIES LIMITED
BALANCE SHEET
AS AT 30 JUNE 2013

	Note	2013 Rupees	2012 Rupees
NON - CURRENT ASSETS			
Tangible assets			
Property, plant and equipment	4	2,584,202	2,946,162
Long term investments	5	7,055,881	-
Rooms	6	8,370,000	8,370,000
Long term security deposits	7	6,860,816	7,335,272
		24,870,899	18,651,434
Intangible assets			
Computer software	8	192,000	492,000
Membership card	9	250,000	10,650,000
Trading right entitlement certificate	10	3,344,119	-
		3,786,119	11,142,000
CURRENT ASSETS			
Trade debts - unsecured and considered good		11,506,640	17,410,201
Financial asset	11	15,676,603	10,990,086
Taxation - net		4,191,083	4,186,203
Cash and bank balances	12	41,478,089	19,753,695
		72,852,415	52,340,185
CURRENT LIABILITIES			
Trade and other payables	13	36,995,659	22,296,028
Net current assets		35,856,756	30,044,157
Net total assets		64,513,774	59,837,591
REPRESENTED BY:			
Authorized Capital			
5,000,000 ordinary shares of Rs. 10 each		50,000,000	50,000,000
Issued, subscribed and paid up capital			
2,500,000 ordinary shares of Rs. 10 each fully paid in cash		25,000,000	25,000,000
Un-appropriated profit		39,513,774	34,837,591
		64,513,774	59,837,591
CONTINGENCIES AND COMMITMENTS	14	-	-
		64,513,774	59,837,591

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

CHIEF EXECUTIVE **DIRECTOR**

RAHAT SECURITIES LIMITED
PROFIT AND LOSS ACCOUNT
FOR THE YEAR ENDED 30 JUNE 2013

	Note	2013 Rupees	2012 Rupees
REVENUE			
Brokerage income		**5,144,198**	4,955,396
Capital gain on sale of securities - net		**3,957,898**	1,475,086
Gain on re-measurement of "held for trading" investments to fair value		**3,475,417**	33,962
Dividend		**790,214**	635,546
		13,367,726	7,099,990
Operating expenses	15	**431,203**	605,690
Operating profit		**12,936,523**	6,494,300
Administrative expenses	16	**7,264,273**	7,401,392
Finance cost	17	**16,685**	16,909
Depreciation	4	**380,295**	453,844
Amortization	8	**300,000**	300,000
		7,961,253	8,172,145
		4,975,270	(1,677,845)
Other income	18	**14,349**	9,118
Profit / (loss) before taxation		**4,989,619**	(1,668,727)
Taxation - current	19	**(313,436)**	(197,063)
Profit / (loss) after taxation		**4,676,183**	(1,865,790)
Other comprehensive income		**-**	-
Total comprehensive income / (loss)		**4,676,183**	(1,865,790)
Basic and diluted earning / (loss) per share	20	**1.87**	(0.75)

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

CHIEF EXECUTIVE **DIRECTOR**

RAHAT SECURITIES LIMITED
CASH FLOW STATEMENT
FOR THE YEAR ENDED 30 JUNE 2013

	Note	2013 Rupees	2012 Rupees
CASH FLOWS FROM OPERATING ACTIVITIES			
Profit / (loss) before taxation		**4,989,619**	(1,668,727)
Adjustments for:			
Depreciation		**380,295**	453,844
Amortization		**300,000**	300,000
Gain on re-measurement of "held for trading" investments to fair value		**3,475,417**	33,962
Financial Charges		**16,685**	16,909
Operating profit / (loss) before working capital changes		**9,162,016**	(864,012)
Adjustments for working capital changes:			
(Increase)/ decrease in current assets			
Trade debts		**5,903,561**	1,213,107
Financial asset		**(8,161,934)**	(963,478)
		(2,258,372)	249,629
(Decrease)/ increase in current liabilities			
Trade and other payables		**14,699,631**	9,555,645
Cas generated from operating activities		**14,699,631**	9,555,645
Taxes paid		**(318,317)**	(250,716)
Long term security deposits		**474,456**	(2,850,385)
Finance cost paid		**(16,685)**	(16,909)
Net cash generated from operating activities		**21,742,729**	5,823,251
CASH FLOWS FROM INVESTING ACTIVITIES			
Fixed capital expenditure		**(137,784)**	(11,000)
Proceeds from sale of property, plant and equipment		**119,449**	-
Net Cash (outflow) from investing activities		**(18,335)**	(11,000)
CASH FLOWS FROM FINANCING ACTIVITIES		**-**	-
NET INFLOW / (OUT FLOW) OF CASH		**21,724,394**	5,812,251
CASH AND CASH EQUIVALENTS AT BEGINNING OF THE YEAR		**19,753,695**	13,941,444
CASH AND CASH EQUIVALENTS AT END OF THE YEAR	12	**41,478,089**	19,753,695

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

CHIEF EXECUTIVE **DIRECTOR**

RAHAT SECURITIES LIMITED
STATEMENT OF CHANGES IN EQUITY
FOR THE YEAR ENDED 30 JUNE 2013

	Paid up ordinary share capital	Un-appropriated Profit	Total
	Rupees	Rupees	Rupees
Balance at 30 June 2011	**25,000,000**	**36,703,381**	**61,703,381**
Total comprehensive (loss)			
(Loss) after taxation for the year	-	(1,865,790)	(1,865,790)
	-		
Balance at 30 June 2012	**25,000,000**	**34,837,591**	**59,837,591**
Total comprhensive income			
Profit after taxation for the year	-	4,676,183	4,676,183
Balance at 30 June 2013	**25,000,000**	**39,513,774**	**64,513,774**

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

CHIEF EXECUTIVE **DIRECTOR**

RAHAT SECURITIES LIMITED
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 30 JUNE 2013

1. **LEGAL STATUS AND NATURE OF BUSINESS**

The company is a public company incorporated in Pakistan under the Companies Ordinance, 1984. The company is a Trading Rights Entitlement Certificate Holder (TREC) of Lahore Stock Exchange Limited and has also acquired membership of the Pakistan Mercantile Exchange Limited. The registered office of the company is situated in room 617 - 618, Lahore Stock Exchange Building, 19 Khyaban-e-Aiwan-e-Iqbal Road, Lahore. It is principally engaged in the business of brokerage, underwriting, buying and selling of stocks, shares, modaraba certificates 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

The Company has adopted the following amendments to IFRSs which became effective for the current year:

IAS 1 – Presentation of Financial Statements – Presentation of items of other comprehensive income (Amendment)

IAS 12 – Income Taxes - Recovery of Underlying Assets (Amendment)

The adoption of the above amendments did not have any effect on the financial statements.

2.5 Standards, Interpretations and Amendments to Published Approved Accounting Standards that are not yet effective

The following revised standards, amendments and interpretations with respect to the approved accounting standards as applicable in Pakistan would be effective from the dates mentioned below against the respective standard or interpretation:

Standard or Interpretation	Effective Date (Annual periods beginning on or after)
IFRS 7 - Financial Instruments : Disclosures – (Amendments) Amendments enhancing disclosures about offsetting of financial assets and financial liabilities	01 January 2013
IAS 19 - Employee Benefits – (Amendment)	01 January 2013
IAS 32 - Offsetting Financial Assets and Financial liabilities – (Amendment)	01 January 2014

2.6 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 or Interpretation	Effective Date (Annual periods beginning on or after)
IFRS 9 - Financial Instruments: Classification and Measurement	01 January 2015
IFRS 10 - Consolidated Financial Statements	01 January 2013
IFRS 11 - Joint Arrangements	01 January 2013
IFRS 12 - Disclosure of Interests in Other Entities	01 January 2013
IFRS 13 - Fair Value Measurement	01 January 2013

2.7 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, Plant and Equipment and Depreciation

Property, plant 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

Finite useful life

These are measured on initial recognition at cost. Following initial recognition these are carried at cost less accumulated amortization and accumulated impairmemnt losses, 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. Intangible assets are amortized using the straight line method over a period of five years.

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.

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.

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.

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.

3.1. 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.

4 PROPERTY, PLANT AND EQUIPMENT

	Furniture & fixtures	Office equipment	Computers	Vehicles	Total
Net carrying value basis					
Year ended June 30, 2013					
Opening net book value (NBV)	458,533	1,900,402	257,328	329,899	2,946,162
Additions (at cost)	-	47,000	90,784	-	137,784
Disposals	-	-	-	(119,449)	(119,449)
Depreciation	(46,953)	(192,857)	(85,774)	(54,711)	(380,295)
Closing net book value (NBV)	**411,580**	**1,754,545**	**262,338**	**155,739**	**2,584,202**
Gross carrying value basis					
At June 30, 2013					
Cost	1,149,417	4,543,400	2,134,886	727,000	8,554,703
Accumulated depreciation / amortization	(737,837)	(2,788,855)	(1,872,548)	(571,261)	(5,970,501)
Net book value (NBV)	**411,580**	**1,754,545**	**262,338**	**155,739**	**2,584,202**
Annual Rate of Depreciation %	**10%**	**10%**	**30%**	**20%**	
Net carrying value basis					
Year ended June 30, 2012					
Opening net book value (NBV)	509,685	2,099,336	367,611	412,374	3,389,006
Additions	11,000	-	-	-	11,000
Disposal	-	-	-	-	-
Depreciation	(51,152)	(209,934)	(110,283)	(82,475)	(453,844)
Closing net book value (NBV)	**469,533**	**1,889,402**	**257,328**	**329,899**	**2,946,162**
Gross carrying value basis					
At June 30, 2012					
Cost	1,149,417	4,496,400	2,044,102	1,322,000	9,011,919
Accumulated depreciation	(690,884)	(2,595,998)	(1,786,774)	(992,101)	(6,065,757)
Net book value (NBV)	**458,533**	**1,900,402**	**257,328**	**329,899**	**2,946,162**

	2013	2012
	Rupees	Rupees
LONG TERM INVESTMENTS		
Available for sale investments - at cost		
Rs 10 Ordinary shares of Lahore Stock Exchange Limited:		
337,590 unblocked shares (refer note 10.1)	**2,822,353**	-
506,385 blocked shares (refer note 10.1)	**4,233,529**	-
	7,055,881	-

6 ROOMS

Lahore Stock Exchange Limited	**5,870,000**	5,870,000
Pakistan Mercantile Exchange Limited	**2,500,000**	2,500,000
	8,370,000	8,370,000

7 LONG TERM SECUIRTY DEPOSITS

LSE Building Deposits	**423,842**	423,842
Security Deposits	**6,436,974**	6,911,430
	6,860,816	7,335,272

		2013	2012
8	**COMPUTER SOFTWARE - FINITE USEFUL LIFE**	**Rupees**	Rupees
	As at July 1,		
	Cost	**1,500,000**	1,500,000
	Accumulated amortization	**(1,008,000)**	(708,000)
	Net Book Value	**492,000**	792,000
	Year ended June 30,		
	Opening Net Book Value	**492,000**	792,000
	Additions	**-**	-
	Amortization	**(300,000)**	(300,000)
	Closing Net Book Value	**192,000**	492,000
	As at June 30,		
	Cost	**1,500,000**	1,500,000
	Accumulated amortization	**(1,308,000)**	(1,008,000)
	Net Book Value	**192,000**	492,000
	Rate of amortization	**20%**	20%
9	**MEMBERSHIP CARD - INFINITE USEFUL LIFE**		
	Lahore Stock Exchange Limited	**-**	10,400,000
	Pakistan Mercantile Exchange Limited	**250,000**	250,000
		250,000	10,650,000
10	**TRADING RIGHT ENTITLEMENT CERTIFICATE - INFINITE USEFUL LIFE**		
	Lahore Stock Exchange Limited	**3,344,119**	-
		3,344,119	-

10.1 Pursuant to demutualization of the Lahore Stock Exchange (LSE), 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 Lahore Stock Exchange against its membership card which was carried at Rs 10,400,000 in the books of the Company.

The above arrangement has resulted in allocation of 843,975 shares of Rs 10 each with a total face value of Rs 8,439,750 and TREC to the Company by the LSE. Out of the total shares issued by the LSE, the Company has received 40 % equity shares i.e.337,590 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 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 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 above mentioned face value of the shares issued by the LSE 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 received by the Company represent its share in the fair value of the net assets of the LSE. 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 has introduced a minimum capital regime for the brokers, and for this purpose have valued TREC at Rs 4,000,000 as per the decision of the BOD of the LSE. 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 LSE shares (Rs 8,439,750) and TREC (Rs 4,000,000) issued to each member of LSE, the Company has allocated its carrying value of membership card in the ratio of 0.68 to shares and 0.32 to TREC. Consequently, the investments have been recognized at Rs 7,055,881 and TREC at Rs 3,344,119.

In order to comply with the Base Minimum Capital requirements, the company has mortgaged TREC amounting to Rs 4,000,000 being notional value assigned by LSE and is in the process of pledging 40 % (337,590 shares) of LSE amounting to Rs 3,821,181.

11 FINANCIAL ASSET

		2013	2012
Investments classified as Held for trading through profit and loss account:		Rupees	Rupees
Shares of listed companies - at fair value		**15,676,603**	10,990,086
		15,676,603	10,990,086

12 CASH AND BANK BALANCES

Cash in hand		**212,133**	151,146
Cash at bank - current accounts		**41,264,931**	19,602,549
Cash at bank - PLS saving account	12.1	**1,025**	-
		41,478,089	19,753,695

12.1 Rate of profit on bank deposit is 6 % per annum. (2012: Nil)

13 TRADE AND OTHER PAYABLES

Members and Clients		**35,923,478**	21,091,359
Accrued Expenses		**972,537**	1,204,669
Other payables		**99,644**	-
		36,995,659	22,296,028

14 CONTINGENCIES AND COMMITMENTS

There are no contingencies and commitments as at 30 June 2013 (2012: Nil)

15 OPERATING EXPENSES

L.S.E. - IPF, Service Charges etc.		**15,407**	61,460
CDC Service charges		**329,443**	289,129
NCCPL Charges		**86,353**	255,101
		431,203	605,690

16 ADMINISTRATIVE EXPENSES

Salaries and other benefits		**4,115,433**	4,183,679
Electricity and power expenses		**207,063**	160,069
Travelling and conveyance		**123,320**	47,100
Telephone expenses		**238,384**	288,048
Auditors' remuneration	16.1	**90,000**	85,000
Legal and professional charges		**35,000**	20,000
Fees and subscription		**81,900**	60,000
Newspapers and periodicals		**5,768**	7,662
Printing and stationery		**60,927**	47,103
Repair and maintenance		**92,758**	72,053
Miscellaneous charges		**147,694**	125,337
Postage and telegram		**8,525**	6,679
Entertainment		**227,245**	207,491
Rent, rates and taxes		**534,535**	360,670
Vehicle running and maintenance		**636,729**	614,529
Computer repair and maintenance		**352,433**	571,990
Advertisement		**17,500**	17,350
Internet expenses		**233,059**	170,632
Donations		**56,000**	356,000
		7,264,273	7,401,392

16.1 Auditors' remuneration

Statutory audit		**90,000**	85,000
		90,000	85,000

		2013 Rupees	2012 Rupees
17 FINANCE COST			
Bank charges		**16,685**	16,909
		16,685	16,909
18 OTHER INCOME			
Bank Profit		**96**	-
Physical shares conversation charges into CDC		**14,253**	9,118
		14,349	9,118
19 TAXATION			
Current	19.1	**313,436**	197,063

19.1 Reconciliation between tax expense and accounting profit has not been made as relationship between these could not be developed due to tax chargeable under minimum tax regime under section 113 of the Income Tax Ordinance, 2001 owing to losses.

Returns for the tax year upto 2012 have been filed, which are deemed to be assessment order under provisions of the Income Tax Ordinance, 2001, however the CIT has power to re-assess any of the five preceding tax years.

In view of the tax losses available deferred tax asset has not been recognized.

20 BASIC & DILUTED EARNING / (LOSS) PER SHARE

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

	2013	2012
Profit / (loss) after taxation	**4,676,183**	(1,865,790)
Weighted average number of issued shares	**2,500,000**	2,500,000
Basic earning / (loss) per share (in Rupees)	**1.87**	(0.75)

21 REMUNERATION OF CHIEF EXECUTIVE & DIRECTORS

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

	2013		2012	
	Chief Executive	**Director**	Chief Executive	Director
Remuneration	**180,000**	**540,000**	180,000	540,000
	180,000	**540,000**	180,000	540,000
Number of Persons	**1**	**3**	1	3

No meeting fee has been paid to any director of the company during the year (2012: Rs. Nil).

22 FINANCIAL RISK MANAGEMENT

22.1 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.

22.2 Financial assets and liabilities by category and their respective maturities

	30 June 2013		30 June 2012	
	Maturity up to one year	Maturity after one year	Maturity up to one year	Maturity after one year
Financial Assets				
Long term investments	-	7,055,881	-	-
Long term security deposits	-	6,860,816	-	7,335,272
Trade debts - unsecured and considered good	**11,506,640**	-	17,410,201	-
Financial asset	**15,676,603**	-	10,990,086	-
Cash and bank balances	**41,478,089**	-	19,753,695	-
	68,661,331	13,916,697	48,153,982	7,335,272
Financial liabilities				
Trade and other payables	**36,995,659**	-	22,296,028	-
	36,995,659	-	22,296,028	-

22.3 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.

22.4 Financial Risk Factors

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

- Credit Risk
- Liquidity Risk
- Market Risk

22.4.1 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 cause 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 worth 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:-

	2013	2012
	Rupees	Rupees
Long term investments	**7,055,881**	-
Long term security deposits	**6,860,816**	7,335,272
Trade debts - unsecured and considered good	**11,506,640**	17,410,201
Financial asset	**15,676,603**	10,990,086
Bank balances	**41,478,089**	19,753,695
	82,578,029	55,489,254

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

22.4.2 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.

	2013	2012
The following are the contractual maturities of the financial liabilities:	**Maturity up to One Year Rupees**	Maturity up to One Year Rupees
Trade and other payables	**36,995,659**	22,296,028
	36,995,659	22,296,028

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

22.4.3 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 expose to equity price risk since it has investments in quoted equity securities amounting to Rs. 15.676 Million (2012: Rs. 10.990) 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.

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 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 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 at year end	**22**	23
Average number of employees during the year	**22**	23

25 DATE OF AUTHORIZATION FOR ISSUE

These financial statements have been authorized for issue on 01 October 2013 by the Board of Directors of the company.

26 CORRESPONDING FIGURES

Corresponding figures have been re-arranged wherever necessary, for the purpose of comparison. However, no significant re-arrangements have been made.

27 FIGURES

- Figures have been rounded off to the nearest rupee.

CHIEF EXECUTIVE **DIRECTOR**