

**Lahore Stock Exchange Limited**

Financial Statements for the year ended  
30 June 2014



**KPMG Taseer Hadi & Co.**  
Chartered Accountants  
2nd Floor,  
Servis House  
2-Main Gulberg Jail Road,  
Lahore Pakistan

Telephone + 92 (42) 3579 0901-6  
Fax + 92 (42) 3579 0907  
Internet www.kpmg.com.pk

## **Auditors' Report to the Members**

We have audited the annexed balance sheet of **Lahore Stock Exchange Limited** ("the Company") as at 30 June 2014 and the related profit and loss account, statement of comprehensive income, statement of changes in equity, and cash flow statement 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 except for the change as stated in note 3 with which we concur;
  - 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;

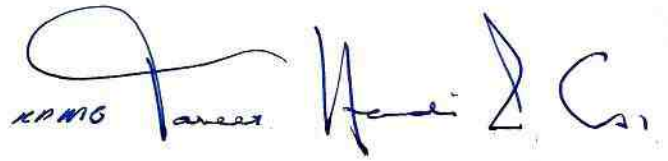
*KPMG*

- 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, statement of changes in equity and cash flow statement together with the notes forming part thereof confirm 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 profits, its comprehensive income, its changes in equity and its cash flows for the year then ended; and
- d) in our opinion Zakat deductible at source under the Zakat and Ushr Ordinance, 1980, was deducted by the Company and deposited in the Central Zakat Fund established under section 7 of that Ordinance.

We draw attention to note 24 to the financial statements which states that, due to pending court cases, recoverability of Rs. 125.752 million due from the defaulted / suspended members depends upon favourable judgements by the respective courts. Our opinion is not qualified in respect of this matters.

Lahore

Date: 17 October 2014



KPMG Taseer Hadi & Co.  
Chartered Accountants  
(Kamran Iqbal Yousafi)

# Lahore Stock Exchange Limited

## Balance Sheet

As at 30 June 2014

Note 2014 2013  
(Rupees in thousand)

Note 2014 2013  
(Rupees in thousand)

### EQUITY AND LIABILITIES

#### ASSETS

#### Share capital and reserves

#### Non-current assets

6	1,282,842	1,282,842
7	149,956	77,390
	1,432,798	1,360,232
8	59,249	60,879

16	673,133	497,493
17	138	167
18	393,709	360,873
19	11,838	118
20	2,105	2,105
21	34,739	54,503
	1,115,662	915,259

#### Non-current liabilities

#### Current assets

9	192,775	93,013
10	8,908	20,407
	201,683	113,420

22	8,664	1,439
23	50,068	40,402
	150,103	185,729
	4,370	5,476
24	3,519	24,758
25	4,706	4,087
26	265,404	1,027,140
27	53,569	69,810
	238,829	244,887
	779,232	1,603,728

#### Trade and other payables

11	187,714	184,647
12	13,450	18,263
13	-	519,734
14	-	261,812
	201,164	984,456

#### Contingencies and commitments

15	1,894,894	2,518,987
----	-----------	-----------

The annexed notes 1 to 45 form an integral part of these financial statements.

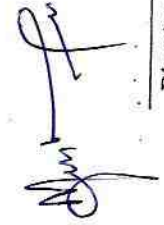
Notes 14



Managing Director



Director



Director

Lahore

# Lahore Stock Exchange Limited

## Profit and Loss Account

For the year ended 30 June 2014

	Note	2014 (Rupees in thousand)	2013
<b>Revenue</b>			
Fee income	28	112,644	94,697
Rental income - net	29	23,041	19,291
Profit on bank deposits and investments	30	50,677	55,368
Software revenue	31	2,498	2,859
Other income	32	37,896	23,975
		<u>226,756</u>	<u>196,190</u>
<b>Expenses</b>			
Administrative expenses	33	(127,402)	(144,480)
Other charges	34	(15,299)	(48,128)
		<u>84,055</u>	<u>3,582</u>
<b>Operating profit</b>			
Finance cost	35	(303)	(196)
Share of after tax profit of equity-accounted investees - net of tax	18.4	60,786	40,616
		<u>144,538</u>	<u>44,002</u>
<b>Profit before taxation</b>			
Taxation	36	(36,886)	(5,305)
		<u>107,652</u>	<u>38,697</u>
<b>Profit after taxation</b>			
<b>Earning per share - basic and diluted - (Rupees)</b>	37	<u>0.84</u>	<u>0.30</u>

The annexed notes 1 to 45 form an integral part of these financial statements.

18/06/2014

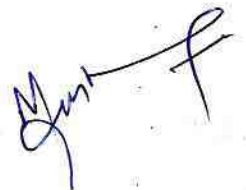


Lahore

Managing Director



Director



Director

Lahore Stock Exchange Limited  
 Statement of Comprehensive Income  
 For the year ended 30 June 2014

	Note	2014 (Rupees in thousand)	2013
Profit for the year		107,652	38,697
<u>Other comprehensive income for the year</u>			
<i>Items that will never be reclassified to profit or loss:</i>			
Remeasurement of defined benefit obligation		(1,357)	-
Related tax impact		475	-
<i>Items that are or may be subsequently reclassified to profit or loss:</i>			
Share of the comprehensive income of equity-accounted investees in respect of gain on revaluation of 'available for sale' investments	18.4	(3,763)	(599)
		(4,645)	(599)
<b>Total comprehensive income for the year</b>		<b>103,007</b>	<b>38,098</b>

The annexed notes 1 to 45 form an integral part of these financial statements.

*WITNESSED BY*



Managing Director



Director



Director

Lahore


Lahore Stock Exchange Limited  
Statement of changes in equity  
For the year ended 30 June 2014

	Share capital	Members initial contribution	Capital reserve		Revenue reserve	Total
			Capital reserve	Fair value reserve	Unappropriated profits	
Note	(Rupees in thousand)					
Balance at 01 July 2012	-	116,102	1,342	1,499	875,460	994,403
<b>Total comprehensive income for the year</b>						
Profit for the year	-	-	-	-	38,697	38,697
Total other comprehensive loss	-	-	-	(599)	-	(599)
Total comprehensive income for the year	-	-	-	(599)	38,697	38,098
Incremental depreciation for the year on surplus on revaluation of property and equipment - net of deferred tax	-	-	-	-	1,646	1,646
<b>Transactions with owners of the Company:</b>						
Conversion of reserves to share capital	924,686	(116,102)	(1,342)	(1,317)	(805,925)	-
Conversion of revaluation reserves to share capital	358,156	-	-	-	-	358,156
<b>Dividend paid:</b>						
Interim @ 2.5% (Rs.0.25 per share)	-	-	-	-	(32,071)	(32,071)
Balance at 30 June 2013	1,282,842	-	-	(417)	77,807	1,360,232
<b>Total comprehensive income for the year:</b>						
Profit for the year	-	-	-	-	107,652	107,652
Total other comprehensive income	-	-	-	(3,763)	(882)	(4,645)
Total comprehensive income for the year	-	-	-	(3,763)	106,770	103,007
Incremental depreciation for the year on surplus on revaluation of property and equipment - net of deferred tax	-	-	-	-	1,630	1,630
<b>Transactions with owners of the Company:</b>						
<b>Dividend paid:</b>						
Interim @ 2.5% (Rs.0.25 per share)	-	-	-	-	(32,071)	(32,071)
Balance at 30 June 2014	1,282,842	-	-	(4,180)	154,136	1,432,798

The annexed notes 1 to 45 form an integral part of these financial statements.

Www.lse.com

Lahore

  
Managing Director

  
Director

  
Director

# Lahore Stock Exchange Limited

## Cash Flow Statement

For the year ended 30 June 2014

	Note	2014 (Rupees in thousand)	2013 (Rupees in thousand)
<u>Cash flow from operating activities</u>			
Profit before taxation		144,538	44,002
Adjustments for:			
Depreciation		9,966	9,611
Amortization		123	118
Share of profit from equity-accounted investees		(60,786)	(40,616)
Staff retirement benefits - gratuity		910	15,143
Provision for earned leaves		988	2,672
Profit / interest on bank deposits and investments		(50,677)	(55,368)
Lease rentals		(41,047)	(33,630)
Gain on disposal of property and equipment		(262)	(629)
Employees' welfare fund		1,422	1,000
Provision for re-registration fee		-	15,029
Provision against:			
- fee receivable		6,727	5,791
- other receivables		-	1,294
Finance cost		303	196
		(132,333)	(79,389)
(Decrease) / increase in working capital	41	(6,873)	47,436
		5,332	12,049
Deposits (liabilities)		136,264	45,489
Long term loans		(11,720)	2,148
		124,544	47,637
<b>Cash generated from operations</b>		<b>129,876</b>	<b>59,686</b>
Paid to TREC Holders Contribution Fund Trust		(484,628)	(20,250)
Paid to Investors' Protection Fund Trust		(276,785)	-
Paid to Provident Fund Trust		(12,662)	5,954
Taxation paid		(406)	(4,215)
Employees benefits paid		(3,513)	(43,754)
Finance cost paid		(303)	(196)
<b>Net cash used in operating activities</b>		<b>(648,421)</b>	<b>(2,775)</b>
<u>Cash flow from investing activities</u>			
Fixed capital expenditure		(190,026)	(30,531)
Proceeds from sale of property and equipment		4,588	2,673
Investments matured during the year		761,736	-
Investments made during the year		-	132,916
Profit / interest received on bank deposits		71,916	54,580
Dividend received		24,187	21,375
<b>Net cash generated from investing activities</b>		<b>672,401</b>	<b>181,013</b>
<u>Cash flow from financing activities</u>			
Lease rentals paid		(268)	(408)
Dividend paid		(29,770)	(32,071)
<b>Net cash used in financing activities</b>		<b>(30,038)</b>	<b>(32,479)</b>
<b>Net (decrease) / increase in cash and cash equivalents</b>		<b>(6,058)</b>	<b>145,759</b>
Cash and cash equivalents at the beginning of the year		244,887	99,128
<b>Cash and cash equivalents at the end of the year</b>		<b>238,829</b>	<b>244,887</b>

The annexed notes 1 to 45 form an integral part of these financial statements.

2014/06/24

Lahore

Managing Director

Director

Director



# Lahore Stock Exchange Limited

## Notes to the Financial Statements

For the year ended 30 June 2014

### 1 Reporting entity

Lahore Stock Exchange Limited ("the Company") was incorporated under the Companies Act, 1913 (now the Companies Ordinance, 1984) on 05 October 1970 as a Company limited by guarantee. The Company was reregistered as a public company limited by shares under "Stock Exchange (Corporatization, Demutualization and Integration) Act, 2012. On 27 August 2012. The registered office of the Company is situated at 19, Khayaban-e-Aiwan-e-Iqbal, Lahore, Pakistan

The Company is engaged in listing, conducting, regulating and controlling the trade or business of buying, selling and dealing in shares, scripts, participation term certificates, modaraba certificates, pre-organization certificates and securities, stocks, bonds, debentures, debenture stocks, Government papers, loans and any other instruments and securities of like nature including but not limited to special national fund bonds and documents of a similar nature issued by the Government of Pakistan or any institution or agency authorized by it.

### 2 Basis of preparation

#### 2.1 Statement of compliance

These financial statements have been prepared in accordance with the approved accounting standards as applicable in Pakistan. Approved accounting standards comprise of such International Financial Reporting Standards (IFRS) issued by the International Accounting Standards Board (IASB) as are notified under the Companies Ordinance, 1984, provisions of and directives issued under the Companies Ordinance, 1984. In case requirements differ, the provisions of and 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 for property and equipment which are stated at fair value and obligations in respect of gratuity schemes which are measured at present value.

#### 2.3 Use of estimates and judgments

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

The estimates and underlying assumptions are reviewed on an ongoing basis. Revisions to accounting estimates are recognized in the period in which the estimates are revised if the revision affects only that period, or in the period of the revision and future periods if the revision affects both current and future periods.

*10/06/14*

Judgments made by the management in the application of approved accounting standards, as applicable in Pakistan, that have significant effect on the financial statements and estimates with a significant risk of material adjustment in the subsequent years are as follows:

- **Income taxes**

In making the estimates for income taxes currently payable by the Company, the management looks at the current income tax laws and the decisions of appellate authorities on certain issues in the past. In making the provision for deferred taxes, estimates of the Company's future taxable profits are taken into account.

- **Property and equipment**

The Company's management determines the estimated useful lives and related depreciation charge for its property and equipment. The Company also reviews the value of the assets for possible impairment on an annual basis. Any change in the estimates in future years might affect the carrying amounts of the respective items of property and equipment with a corresponding affect on the depreciation charge and impairment.

- **Intangible**

The Company reviews the rate of amortization and value of intangibles for possible impairment on an annual basis. Any change in the estimates in future years might affect the carrying amounts of intangibles with a corresponding effect on the amortization charge and impairment.

- **Staff retirement benefits**

Certain actuarial assumptions have been adopted as disclosed in Note 4.17 to these financial statements for actuarial valuation of present value of defined benefit obligations. Changes in these assumptions in future years may affect the liability under the scheme in those years.

- **Provisions**

Provisions are recognized when the Company has a present legal or constructive obligation as a result of past events and it is probable that an outflow of resources embodying economic benefits will be required to settle the obligation and a reliable estimate of the obligation can be made. However, provisions are reviewed at each balance sheet date and adjusted to reflect current best estimate.

- **Impairment**

The carrying amount of the Company's assets are reviewed at each balance sheet date to determine whether there is any indication of impairment loss. If any such indication exists, the asset's recoverable amount is estimated in order to determine the extent of the impairment loss, if any.

An impairment loss is recognized whenever the carrying amount of an asset or its cash generating unit exceeds its recoverable amount. All impairment losses are recognized in the profit or loss. Individually significant financial assets are tested for impairment on individual basis.

Impairment losses are reversed when there is an indication that the impairment may no longer exist and there has been a change in the estimate used to determine the recoverable amount. 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 and amortization, if no impairment loss had been charged.

*WMS/24*

### 3 Change in accounting policy

Except for the changes below, the Company has consistently applied the accounting policies as set out in note 4, to all the periods presented in these financial statements. The Company has adopted the following new standard and amendments to standard, including any consequential amendments to other standards, with the date of initial application of 1 January 2013:

- IAS 19 "Employee Benefits"

The nature and the effect of the changes are further explained below:

#### Defined benefit plans

As a result of IAS 19 (2011), the Company has changed its accounting policy with respect to the basis for determining the income or expense related to post employment defined benefit plans.

Under IAS 19, the Company determines the net interest expense (income) for the year on the net defined benefit liability (asset) by applying the discount rate used to measure the net defined benefit liability (asset) at the beginning of the annual period, taking into account any changes in the net defined benefit liability (asset) during the year as a result of contributions and benefit payments. Consequently, the net interest on the net defined benefit liability (asset) now comprises:

- Interest cost on the defined benefit obligation;
- Interest income on plan assets (if any); and
- Interest on the effect on the asset ceiling.

As the Company has unfunded defined benefit plan, all the changes in present value of defined benefit obligation are now recognized in the statement of comprehensive income and the past service costs are recognized in profit and loss account, immediately in the period they occur.

The change in accounting policy has been applied prospectively, being considered effect of change, immaterial. The effect of the change during the current year is as follows:

	2014 (Rupees in thousand)
<i><u>Balance sheet</u></i>	
Increase in defined benefit obligation	1,357
Increase in deferred tax asset	475
Decrease in reserves	882
<i><u>Statement of comprehensive income</u></i>	
Decrease in comprehensive income - net	882
<i><u>Statement of changes in equity</u></i>	
Decrease in unappropriated profit	882

WMSM

#### 4 Summary of significant accounting policies

##### 4.1 Property and equipment

All property and equipment are stated at revalued amount, being the fair value at the date of their revaluation, less any subsequent accumulated depreciation and subsequent accumulated impairment losses.

Depreciation is charged, on a systematic basis over the useful life of the assets, on reducing balance method, which reflects the patterns in which the asset's economic benefits are consumed by the Company, at the rates specified in note 16.1. Depreciation on additions is charged from the month in which the asset is available for use and on disposals up to the month prior to disposal.

Surplus on revaluation is credited to the surplus on revaluation account. Revaluation is carried out with sufficient regularity to ensure that the carrying amount of assets does not differ materially from the fair value.

Subsequent costs are included in the asset's carrying amount or recognized as a separate asset, as appropriate, only when it is probable that future economic benefits associated with the asset will flow to the Company and the cost of the asset can be measured reliably. The carrying amount of the replaced part is derecognized.

Normal repair and maintenance are charged to profit and loss as and when incurred. Gains and losses on disposal of assets, if any, are included in profit and loss account.

The assets' residual values and useful lives are continually reviewed by the Company and adjusted if impact on depreciation is significant.

The gain or loss on disposal or retirement of an asset represented by the difference between the sale proceeds and the carrying amount of the asset is recognized as an income or expense.

##### 4.2 Capital work-in-progress (CWIP)

Capital work in progress is stated at cost including, where relevant, related financing costs less impairment losses, if any. These costs are transferred to fixed assets as and when assets are available for use.

##### 4.3 Intangibles

Intangibles are stated at cost less accumulated amortization and impairment losses, if any. Amortization is charged using the straight line method over assets estimated useful life at the rates specified in note 19 after taking into account residual value, if any. The residual values, useful lives and amortization methods are reviewed and adjusted, if appropriate, at each balance sheet date.

Amortization on additions is charged from the month the assets are put to use while no amortization is charged in the month in which the assets are disposed off.

Gain and losses on disposal of such assets, if any, are included in the profit and loss account.

##### 4.4 Investment in equity-accounted investees

The Company's investment in its associates is accounted for under the equity method of accounting. An associate is an entity in which the company has significant influence.

Under the equity method, the investment in the associate is carried in the balance sheet at cost plus post-acquisition changes in the Company's share of net assets of the associate. Goodwill relating to an associate is included in the carrying amount of the investment and is not amortized. After application of the equity method, the Company determines whether it is necessary to recognise any additional

*WONG*

impairment loss with respect to the Company's net investment in the associate. The income statement reflects the share of the results of operations of the associate. Where there has been a change recognized directly in the equity of the associate, the Company recognises its share of any changes and discloses this, when applicable, in the statement of changes in equity.

Financial statements of the associates for the year ended 30 June 2014 have been used in applying the equity method. Associates' accounting policies conform to those used by the Company for like transactions and events in similar circumstances.

#### 4.5 Investments

##### Held to maturity

Held to maturity investments are financial assets with fixed or determinable payments and fixed maturity that the Company has the positive intent and ability to hold to maturity. Held to maturity investments are initially recognized at cost inclusive of transaction cost and are subsequently carried at amortized cost using effective interest rate method.

##### Available for sale

Investments which are intended to be held for an indefinite period of time but may be sold in response to the need for liquidity are classified as available for sale. Available for sale investments are recognized initially at fair value plus any directly attributable transaction costs. After initial recognition, these are stated at fair values unless fair values can not be measured reliably, with any resulting gains and losses being taken directly to equity until the investment is disposed or impaired. At each reporting date, these investments are remeasured at fair value, unless fair value can not be reliably measured. At the time of disposal, the respective surplus or deficit is transferred to profit and loss currently. Fair value of quoted investments is their bid price on Karachi / Lahore Stock Exchange at the balance sheet date. Unquoted investments, where active market does not exist, are carried at cost as it is not possible to apply any other valuation methodology.

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. Management determines the appropriate classification of its investments at the time of the purchase and re-evaluates such designation on a regular basis.

All purchases and sales of investments are recognized on the trade date which is the date that the Company commits to purchase or sell the investment.

Available for sale, investments are tested for impairment at each reporting date. Investments are considered to be impaired if there is a significant or prolonged decline in the fair value of the investment at the reporting date.

#### 4.6 Cash and cash equivalents

For the purpose of cash flow statement, cash and cash equivalents comprise cash in hand and balances at bank.

#### 4.7 Foreign currencies

All monetary assets and liabilities in foreign currencies are translated into rupees at exchange rates prevailing at the balance sheet date. Transactions in foreign currencies are translated into rupees at exchange rates prevailing at the date of transaction. Non-monetary assets and liabilities that are measured in terms of historical cost in a foreign currency are translated into rupees at exchange rates prevailing at the date of transaction. Non-monetary assets and liabilities denominated in foreign currency that are stated at fair value are translated into rupees at exchange rates prevailing at the date when fair values are determined. Exchange gains and losses are included in the income.

*Handwritten signature*

#### 4.8 Financial instruments

##### a) Initial recognition

All the financial assets and financial liabilities are recognized at the time when the Company becomes a party to the contractual provisions of the instrument. At the time of initial recognition all financial assets and financial liabilities are measured at cost, which is the fair value of the consideration given or received for it.

##### b) De-recognition

A financial liability is derecognized when the obligation under the liability is discharged or cancelled or expires. If an existing financial liability is replaced by another from the same lender on substantially different terms, or the terms of the existing liability are substantially modified, such an exchange or modification is treated as a de-recognition of the original liability and the recognition of a new liability, and the difference in the respective carrying amounts is recognized in profit and loss account.

#### 4.9 Stores

Usable stores are valued at cost (FIFO), while items considered obsolete are carried at nil value. Items in transit are valued at cost comprising invoice value plus other charges paid thereon.

#### 4.10 Fees and other receivables

Fees and other receivables are stated initially at fair value and subsequently measured at amortized cost using the effective interest rate method if applicable, less provision for impairment, if any. A provision for impairment is established where there is objective evidence that the Company will not be able to collect all amounts due according to the original terms of the receivables. Trade debts and receivables are written off when considered irrecoverable.

#### 4.11 Impairment

##### Financial assets

A financial asset is assessed at each reporting date to determine whether there is any objective evidence that it is impaired. A financial asset is considered to be impaired if objective evidence indicates that one or more events have had a negative effect on the estimated future cash flows of that

##### Non-financial assets

The carrying amounts of non-financial assets other than inventories and deferred tax asset, are assessed at each reporting date to ascertain whether there is any indication of impairment. If any such indication exists then the asset's recoverable amount is estimated. An impairment loss is recognized, as an expense in the profit and loss account, for the amount by which the asset's carrying amount exceeds its recoverable amount. The recoverable amount is the higher of an asset's fair value less cost to sell and value in use. Value in use is ascertained through discounting of the estimated future cash flows using a discount rate that reflects current market assessments of the time value of money and the risk specific to the assets. For the purpose of assessing impairment, assets are grouped at the lowest levels for which there are separately identifiable cash flows (cash-generating units).

An impairment loss is reversed if there has been a change in the estimates used to determine the recoverable amount. 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.

*Handwritten mark*

#### 4.12 Provisions

Provisions are recognized when the Company has a legal or constructive obligation as a result of past events and it is probable that an outflow of resources embodying economic benefits will be required to settle the obligation and a reliable estimate of the amount can be made. However, provisions are reviewed at each balance sheet date and adjusted to reflect current best estimate.

#### 4.13 Retirement and termination benefits

The main features of the scheme operated by the Company for its employees are as follows:

##### Defined benefit plan

The Company operated an unfunded gratuity scheme till 31 December 2012 for all employees except for Managing Director. Annual provision was made on the basis of actuarial valuation to cover obligations under the scheme for all employees eligible to gratuity benefits irrespective of the qualifying period.

The actuarial valuation of gratuity scheme was conducted in accordance with IAS 19, 'Employee benefits' at 30 June 2014.

##### Defined contribution scheme

##### Provident fund

The Company introduced contributory provident fund from 01 July 2011 for all employees. The Commissioner Inland Revenue has accorded recognition to the fund on 11 October 2013 under the provision of Income Tax Ordinance, 2001. Equal monthly contributions to the fund at the rate of 10% of basic salary are made by the Company and the employees.

#### 4.14 Revenue recognition

Revenue is recognized when following criteria is met:

- The amount of revenue can be measured reliably;
  - It is probable that the economic benefits associated with the transaction will flow to the entity; and
  - The cost incurred for the transaction and the cost to complete the transaction can be measured reliably.
- o Income from initial listing fee is recognized when the securities are initially listed on the ready board. Income from annual listing fee is recognized on an accrual basis over a 12 month period commencing from July to June in each financial year. Income from additional listing is booked when companies announce bonus or right or specie dividends; in case of right issues at discount income is booked when approval is granted by the SECP for issuance of right shares.
  - o Income in respect of trading by members in ready and future counter is recognized when the transaction takes place as per trade date accounting practices.
  - o Income in respect of trading by members in Continuous Funding System (CFS) is recognized when the financing is settled.
  - o Rental income, facilities and equipment fee, non-operating facilities income and membership fees are recognized on accrual basis while other fees are recognized when received.

*W/M/C/PA*

- o Investments purchased at premium or discount, are amortized through the income and expenditure account using the effective interest rate method.
- o Income from investments and bank accounts is recognized on an accrual basis.
- o Dividend income is recognized when the Company's right to receive payment is established.
- o For revenue arising from the rendering of services relating to software sales (provided that all of the criteria mentioned above are met) revenue is recognized by reference to the stage of completion of the transaction at the balance sheet date.

#### 4.15 Borrowing costs

Borrowing costs incurred on long term finances directly attributable for the construction / acquisition of qualifying assets are capitalized up to the date the respective assets are available for intended use. All other mark-up, interest and other related charges are taken to the profit and loss account.

#### 4.16 Taxation

Income tax on profit or loss for the year comprises current and deferred tax.

##### a) Current

Provision for tax on other income and local business income is based on taxable income at the rates applicable for the current tax year, after considering the rebates and tax credits available, if any. The tax charge as calculated above is compared with turnover tax under Section 113 of the Income Tax Ordinance, 2001 and whichever is higher, is provided in these financial statements.

##### b) Deferred

Deferred taxation is recognized, using the balance sheet liability method, providing for all temporary differences between the carrying amounts of assets and liabilities for financial reporting purposes and the amounts used for taxation purposes. The amount of deferred tax recognized is based on the expected manner of the realization or settlement of the carrying amount of assets and liabilities, using rates of taxation enacted or substantially enacted at the balance sheet date.

Deferred tax assets are recognized for all deductible temporary differences and unused tax losses, to the extent that it is probable that taxable profit will be available against which the deductible temporary differences and unused tax losses can be utilized. Deferred tax assets are reduced to the extent that they are no longer probable that the related tax benefit will be realized.

#### 4.17 Operating segments

Operating segments are reported in a manner consistent with the internal reporting provided to the chief operating decision maker. The chief operating decision maker, who is responsible for allocating resources and assessing performance of the operating segments, has been identified as the Board of Directors of the Company that makes strategic decisions.

#### 4.18 Earnings 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 after tax attributable to ordinary shareholders of the Company by the weighted average number of ordinary shares outstanding during the year.

*Handwritten mark*



**5 Initial application of new standards, interpretations or amendments to existing standards and forthcoming requirements**

**5.1 Standards, amendments or interpretations which became effective during the year**

During the year certain amendments to standards or new interpretations became effective, however, the amendments or interpretation did not have any material effect on the financial statements of the Company except as mentioned in note 3.

**5.2 New / revised accounting standards, amendments to published accounting standards, and interpretations that are not yet effective**

The following standards, amendments and interpretations of approved accounting standards will be effective for accounting periods beginning on or after 01 July 2014:

- IFRIC 21- Levies 'an Interpretation on the accounting for levies imposed by governments' (effective for annual periods beginning on or after 1 January 2014). The Interpretation clarifies that the obligating event that gives rise to a liability to pay a levy is the activity described in the relevant legislation that triggers the payment of the levy. The interpretation is not likely to have an impact on Company's financial statements.
- Offsetting Financial Assets and Financial Liabilities (Amendments to IAS 32) – (effective for annual periods beginning on or after 1 January 2014). The amendments address inconsistencies in current practice when applying the offsetting criteria in IAS 32 Financial Instruments: Presentation. The amendments clarify the meaning of 'currently has a legally enforceable right of set-off; and that some gross settlement systems may be considered equivalent to net settlement. The amendments are not likely to have an impact on Company's financial statements.
- Amendment to IAS 36 "Impairment of Assets" Recoverable Amount Disclosures for Non-Financial Assets (effective for annual periods beginning on or after 1 January 2014). These narrow-scope amendments to IAS 36 "Impairment of Assets" address, the disclosure of information about the recoverable amount of impaired assets if that amount is based on fair value less costs of disposal.
- Amendments to IAS 39 "Financial Instruments: Recognition and Measurement" Continuing hedge accounting after derivative novation (effective for annual periods beginning on or after 1 January 2014). The amendments add a limited exception to IAS 39, to provide relief from discontinuing an existing hedging relationship when a novation that was not contemplated in the original hedging documentation meets specific criteria. The amendments are not likely to have an impact on Company's financial statements.
- Amendments to IAS 19 "Employee Benefits" employee contributions – a practical approach (effective for annual periods beginning on or after 1 July 2014). The practical expedient addresses an issue that arose when amendments were made in 2011 to the previous pension accounting requirements. The amendments introduce a relief that will reduce the complexity and burden of accounting for certain contributions from employees or third parties. The amendments are relevant only to defined benefit plans that involve contributions from employees or third parties meeting certain criteria. The amendments are not likely to have an impact on Company's financial statements.

*WATSON*

- Amendments to IAS 38 “Intangible Assets” and IAS 16 “Property, Plant and Equipment” (effective for annual periods beginning on or after 1 January 2016) introduce severe restrictions on the use of revenue-based amortization for intangible and explicitly state that revenue-based methods of depreciation cannot be used for property, plant and equipment. The rebuttable presumption that the use of revenue-based amortisation methods for intangible is inappropriate can be overcome only when revenue and the consumption of the economic benefits of the intangible are ‘highly correlated’, or when the intangible asset is expressed as a measure of revenue. The amendments are not likely to have an impact on Company’s financial statements.
- IFRS 10 “Consolidated Financial Statements” – (effective for annual periods beginning on or after 1 January 2015) replaces the part of IAS 27 “Consolidated and Separate Financial Statements”. IFRS 10 introduces a new approach to determining which investees should be consolidated. The single model to be applied in the control analysis requires that an investor controls an investee when the investor is exposed, or has rights, to variable returns from its involvement with the investee and has the ability to affect those returns through its power over the investee. IFRS 10 has made consequential changes to IAS 27 which is now called “Separate Financial Statements” and will deal with only separate financial statements. The amendments are not likely to have an impact on Company’s financial statements.
- IFRS 11 “Joint Arrangements” (effective for annual periods beginning on or after 1 January 2015) replaces IAS 31 “Interests in Joint Ventures”. Firstly, it carves out from IAS 31, jointly controlled entities, those cases in which although there is a separate vehicle, that separation is ineffective in certain ways. These arrangements are treated similarly to jointly controlled assets/operations under IAS 31 and are now called joint operations. Secondly, the remainder of IAS 31, jointly controlled entities, now called joint ventures, are stripped of the free choice of using the equity method or proportionate consolidation; they must now always use the equity method. IFRS 11 has also made consequential changes in IAS 28, which has now been named “Investment in Associates and Joint Ventures”. The amendments requiring business combination accounting to be applied to acquisitions of interests in a joint operation that constitutes a business are effective for annual periods beginning on or after 1 January 2016. The amendments are not likely to have an impact on Company’s financial statements.
- IFRS 12 “Disclosure of Interest in Other Entities” (effective for annual periods beginning on or after 1 January 2015) combines the disclosure requirements for entities that have interests in subsidiaries, joint arrangements (i.e. joint operations or joint ventures), associates and/or unconsolidated structured entities, into one place. The amendments are not likely to have an impact on Company’s financial statements.
- IFRS 13 “Fair Value Measurement” effective for annual periods beginning on or after 1 January 2015) defines fair value, establishes a framework for measuring fair value and sets out disclosure requirements for fair value measurements. IFRS 13 explains how to measure fair value when it is required by other IFRSs. It does not introduce new fair value measurements, nor does it eliminate the practicability exceptions to fair value measurements that currently exist in certain standards. The amendments are not likely to have an impact on Company’s financial statements.
- Amendment to IAS 27 “Separate Financial Statement” (effective for annual periods beginning on or after 1 January 2016). The amendments to IAS 27 will allow entities to use the equity method to account for investments in subsidiaries, joint ventures and associates in their separate financial statements. The amendments are not likely to have an impact on Company’s financial statements.

1/2015/9/4

- Agriculture: Bearer Plants [Amendment to IAS 16 and IAS 41] (effective for annual periods beginning on or after 1 January 2016). Bearer plants are now in the scope of IAS 16 Property, Plant and Equipment for measurement and disclosure purposes. Therefore, a company can elect to measure bearer plants at cost. However, the produce growing on bearer plants will continue to be measured at fair value less costs to sell under IAS 41 Agriculture. A bearer plant is a plant that is used in the supply of agricultural produce, is expected to bear produce for more than one period and has a remote likelihood of being sold as agricultural produce. Before maturity, bearer plants are accounted for in the same way as self-constructed items of property, plant and equipment during construction. The amendments are not likely to have an impact on Company's financial statements.

Annual Improvements 2010-2012 and 2011-2013 cycles (most amendments will apply prospectively for annual period beginning on or after 1 July 2014). The new cycle of improvements contain amendments to the following standards;

- IFRS 2 "Share-based Payment". IFRS 2 has been amended to clarify the definition of 'vesting condition' by separately defining 'performance condition' and 'service condition'. The amendment also clarifies both; how to distinguish between a market condition and a non-market performance condition and the basis on which a performance condition can be differentiated from a vesting condition.
- IFRS 3 "Business Combinations". These amendments clarify the classification and measurement of contingent consideration in a business combination. Further IFRS 3 has also been amended to clarify that the standard does not apply to the accounting for the formation of all types of joint arrangements including joint operations in the financial statements of the joint arrangement themselves.
- IFRS 8 "Operating Segments" has been amended to explicitly require the disclosure of judgments made by management in applying the aggregation criteria. In addition this amendment clarifies that a reconciliation of the total of the reportable segment's assets to the entity assets is required only if this information is regularly provided to the entity's chief operating decision maker. This change aligns the disclosure requirements with those for segment liabilities.
- Amendments to IAS 16 "Property, plant and equipment" and IAS 38 "Intangible Assets". The amendments clarify the requirements of the revaluation model in IAS 16 and IAS 38, recognizing that the restatement of accumulated depreciation (amortization) is not always proportionate to the change in the gross carrying amount of the asset.
- IAS 24 "Related Party Disclosure". The definition of related party is extended to include a management entity that provides key management personnel services to the reporting entity, either directly or through a group entity.
- IAS 40 "Investment Property". IAS 40 has been amended to clarify that an entity should assess whether an acquired property is an investment property under IAS 40 and perform a separate assessment under IFRS 3 to determine whether the acquisition of the investment property constitutes a business combination.

*16/07/15 JY*

6 Share capital

6.1 Authorized share capital

2014 (Number of shares)	2013 (Number of shares)	Note	2014 (Rupees in thousand)	2013 (Rupees in thousand)
<u>200,000,000</u>	<u>200,000,000</u>	Ordinary shares of Rs. 10/- each	<u>2,000,000</u>	<u>2,000,000</u>

6.2 Issued, subscribed and paid-up capital

2014 (Number of shares)	2013 (Number of shares)	Note	2014 (Rupees in thousand)	2013 (Rupees in thousand)
<u>128,284,200</u>	<u>128,284,200</u>	Ordinary shares of Rs. 10/- each issued for consideration other than cash	<u>1,282,842</u>	<u>1,282,842</u>

6.3 On 15 August 2012, in accordance with the requirements of the Stock Exchanges (Corporatization, Demutualization and Integration) Act, 2012 ("The Act"), 128,284,200 shares were allotted to the initial share holders of the Company in the following manner:

- 40 % of the shares of the Company were credited to the CDC sub accounts of initial shareholders in dematerialized format; and
- 60% of the shares were deposited into a blocked sub account of the initial shareholder until such date that these shares are disposed of in accordance with Section 12 of the Act.

6.4 No associated undertaking holds any share in the Company.

7 Reserves

Capital reserves

	Note	2014 (Rupees in thousand)	2013 (Rupees in thousand)
Fair value reserves	7.1	(4,180)	(417)

Revenue reserves

Unappropriated profits		<u>154,136</u>	<u>77,807</u>
		<u>149,956</u>	<u>77,390</u>

7.1 This represents the Company's share of unrealized loss on investments in equity-accounted investees.

8 Surplus on revaluation of property and equipment

	Note	2014 (Rupees in thousand)	2013 (Rupees in thousand)
Balance at 01 July		60,879	420,681
Surplus on revaluation of property and equipment converted to share capital - pursuant to the scheme of demutualization and corporatization		-	(358,156)
Transfer to accumulated income in respect of incremental depreciation - net of tax		(1,630)	(1,646)
Balance at 30 June		<u>59,249</u>	<u>60,879</u>

Account 244

	Note	2014 (Rupees in thousand)	2013
9 Long term liabilities			
Lease deposits	9.1	18,782	27,161
Members' deposits	9.2	125,752	17,219
Security deposits	9.3	48,241	48,633
		<u>192,775</u>	<u>93,013</u>

9.1 Lease deposits

	Note	Total	
		2014	2013
		(Rupees in thousand)	
		Members	Tenants
Lease term		99 years	1 to 3 years
Opening balance		17,719	27,437
Deposit received		-	28,123
		17,719	55,560
Less: credited to profit and loss account	9.1.1	218	40,829
		17,501	14,731
Less: current portion of long term liabilities	12	218	13,232
		17,283	1,499
		<u>18,782</u>	<u>27,161</u>

9.1.1 These deposits represent advance rental received from members and tenants for renting out of office space. It is charged to profit and loss account over the agreement period. Its current portion includes the amount to be charged to profit and loss account during the next year.

9.1.2 Tenants deposits include deposits received from National Clearing Company of Pakistan Limited (NCCPL) and Central Depository Company of Pakistan Limited (CDC) (associated companies) amounting to Rs. 3.2 million and Rs. 0.72 million respectively against the offices rented out to these companies.

9.2 Members' deposits

The members of the Company in their General Meeting held on 14 December 2012 decided to start the construction of second tower (south tower). For the said purpose Rs. 108.87 million was collected from the members during the year.

	Note	2014 (Rupees in thousand)	2013
9.3 Security deposits			
<i>Deposits received against:</i>			
- clearing house	9.3.1 & 9.3.2	44,719	45,090
- furnished rooms	9.3.3	2,850	2,850
- others		672	693
		<u>48,241</u>	<u>48,633</u>

9.3.1 These interest free deposits have been received from members of the Company for clearing house operations.

9.3.2 Total value of securities, pledged as margins against the exposures taken by the members is Rs 119.277 million at 30 June 2014 (2013: Rs. 207.234 million).

WTHG/14

9.3.3 These interest free deposits have been received from members of the Company as security against furnished rooms provided to them at Faisalabad and Sialkot trading floors.

	Note	2014	2013
		(Rupees in thousand)	
<b>10 Deferred liabilities</b>			
Gratuity scheme	10.1	5,862	3,595
Provision for earned leaves	10.2	1,694	3,090
Employees' welfare fund	10.3	1,352	1,060
Provident fund	10.4	-	12,662
		<u>8,908</u>	<u>20,407</u>
<b>10.1 Gratuity scheme</b>			
<b>10.1.1 Balances recognized in the balance sheet are as follows:</b>			
Present value of defined benefit obligation	10.1.3	5,862	4,777
Unrecognised actuarial loss		-	(1,182)
		<u>5,862</u>	<u>3,595</u>
<b>10.1.2 Change in present value of net staff gratuity</b>			
Liability at 01 July		3,595	22,590
Charge to profit and loss account		910	15,143
Charge to other comprehensive income		1,357	-
Payments made during the year		-	(34,138)
Liability at 30 June		<u>5,862</u>	<u>3,595</u>
<b>10.1.3 Movement in the present value of defined benefit obligation:</b>			
Present value of defined benefit obligation as 01 July		4,777	25,335
Current service cost		724	2,653
Interest cost		186	1,891
Benefits paid		-	(34,138)
Benefits due but not paid		(1,182)	-
Loss due to settlements		-	8,241
Actuarial loss / (gain) on present value of defined obligation		-	795
Remeasurement of plan charged to OCI	10.1.5	1,357	-
Present value of defined benefit obligation as 30 June		<u>5,862</u>	<u>4,777</u>
<b>10.1.4 The amounts recognized in the profit and loss account are as follows:</b>			
Current service cost		724	2,653
Interest cost		186	1,891
Actuarial loss charged		-	15
Share of actuarial loss recognised for settlement		-	2,343
Loss due to settlements		-	8,241
		<u>910</u>	<u>15,143</u>

Uttam Singh

2014                  2013  
(Rupees in thousand)

10.1.5 The amount recognised in other comprehensive income

*Remeasurement of plan obligation from:*

- Experience on obligation

	1,357	-
	1,357	-

10.1.6 Expected contribution for next year

Current service cost

876                  724

Interest cost on defined benefit obligation

386                  502

	1,262	1,226
	1,262	1,226

10.1.7 The principal actuarial assumptions at the reporting date were as follows:

- Discount rate used for interest cost in profit or loss	10.5%	11.0%
- Discount rate used for year end obligation	13.5%	-
- Expected increase in eligible salary	12% to 12.5%	10.0%
- Retirement assumption	Age 60	Age 60

Mortality rate

Mortality of active employees is represented by the SLIC (2001-2005) Mortality Table with One year Setback. The table has been rated down three years for mortality of female pensioners and widows.

These figures are based on the actuarial valuation as at 30 June 2014. The valuation uses the Projected Unit Credit method.

10.1.8 Sensitivity analysis

Reasonably possible changes at the reporting date to one of the relevant actuarial assumptions, holding other assumptions constant, would have affected the defined benefit obligation by the amounts shown below:

	Impact on defined benefit obligation		
	Change in assumption	Increase in assumption	Decrease in assumption
	Percentage	(Rupees in thousand)	
Discount rate	1%	2,597	3,145
Salary growth rate	1%	3,147	2,590

10.1.9 Historical information for gratuity plan

	2014	2013	2012	2011
	(Rupees in thousand)			
Present value of defined benefit obligation	5,862	4,777	25,335	19,761
Experience adjustment on obligation	1,357	-	(994)	-

*None*

2014            2013  
(Rupees in thousand)

**10.2 Provision for earned leaves**

Opening balance	3,089	9,038
Expense for the year	988	2,672
Payments made during the year	(2,383)	(8,621)
Closing balance	1,694	3,089

The policy of leave encashment was discontinued in December 2012 by the Company. However the service contract of Managing Director entitled him for leave encashment of 30 days, for each year, which may accumulate for 3 years and which has been provided for according to the terms of agreement.

**10.3 Employees' welfare fund**

This fund was created in 1992 in accordance with the decision of the Board of Directors, for welfare of the Company's employees. Movement in this fund during the year is as follows:

	<i>Note</i>	2014	2013
		(Rupees in thousand)	
Opening balance		1,060	1,055
Provision for the year		1,422	1,000
Payments made during the year		(1,130)	(995)
Closing balance		1,352	1,060

**10.4** The Company introduced contributory provident fund from 01 July 2011 for all employees. All employees on the payroll of the Company are entitled to be members of the Provident Fund. The employee's contribution, equal to 10% of the basic salary, is deducted each month from the payroll. The Company contributes an equal amount each month. Employees are registered as members of the provident fund on submission of the "Provident Fund Declaration / Nomination" form.

During the year the Company created "Lahore Stock Exchange Provident Fund Trust" under the trust deed dated 11 October 2013 and recognized by the Commissioner of Inland Revenue in accordance with Income Tax Ordinance, 2001. Subsequent to recognition, all balance related to the fund were transferred to the Trust.

**10.4.1 Provident fund assets**

	2014	2013	2014	2013
	%age		(Rupees in thousand)	
Size of the fund - total assets	-	-	15,822	12,662
Cost of investments	-	-	12,865	11,300
Percentage of investments made	81.3%	89.2%		

*The break-up of fair value of investments is:*

Term deposit receipts	-	74.2%	-	9,400
Certificates of Islamic Investment	50.6%	-	8,000	-
Cash at bank in saving accounts	36.5%	15.0%	5,772	1,900
	87.0%	89.2%	13,772	11,300

The investments out of provident fund as disclosed above have been made in accordance with the provisions of section 227 of the Companies Ordinance, 1984 and the rules formulated for this purpose.

*Uttam Saha*



	Note	2014 (Rupees in thousand)	2013
<b>11 Trade and other payables</b>			
Creditors		12,857	9,669
Due to members		4,242	3,405
Defaulted members' securities sale proceeds	11.1	78,088	78,088
Defaulted members' membership sale proceeds	11.2	31,421	27,516
Accrued expenses		6,548	3,457
<i>Advance payments received from:</i>			
- members	11.3	18,497	28,345
- companies / others		4,637	7,969
Due to suspended and defaulted members	11.4	3,171	3,171
Security deposit of ex-members		1,025	1,025
Retention money		4,895	1,170
Members' cash deposits for settlement of future trading		150	150
Dividend payable		4,642	2,341
Provision for re-registration fee		15,029	15,029
Other payables		2,512	3,312
		<u>187,714</u>	<u>184,647</u>

11.1 This amount represents the value of securities sold by the Company, which had been pledged to the Company's Clearing House through the sub account of an investor namely Mian Nisar Elahi from the house of Mr. Tanveer Malik (Mian Nisar Elahi and Iftikhar Shafi were declared as one entity by the SECP and shares lying in the said account declared proceeds of price manipulation). SECP carried-out an investigation of May-June 2000 crisis at the Company, where a number of members had defaulted in making payments to the Company's Clearing House. As per the SECP's Order dated 09 April 2001, certain members and investors were identified as being responsible for the crisis. Two members namely Mr. Iftikhar Shafi and Mr. Tanveer Malik were removed from their memberships of the Company.

After the SECP's above referred order, the Company sold the shares pledged in account of Mian Nisar Elahi (investor) having account with Mr. Tanveer Malik and realized amounts aggregating Rs. 78.088 million. The defaulted members / investors challenged SECP's order before the Lahore High Court (LHC), which remanded the case back to SECP for hearing afresh. SECP challenged the LHC's order before the Supreme Court of Pakistan, which set aside the LHC's order and directed the defaulted members / investors to approach SECP for filing appeals as per relevant provision of the Securities and Exchange Commission of Pakistan Act, 1997 being the only appropriate forum as per the Securities and Exchange Ordinance, 1969.

*WOMBSHU*

The Appellate Bench of SECP, in its order dated 30 July 2002, while upholding the earlier order of Single Commissioner held that: "In view of the said violations the removal of the Appellants Mr. Iftikhar Shafi and Mr. Tanveer Malik from the membership of Lahore Stock Exchange as directed in the impugned order is also maintained. The shares lying in the Appellant Mian Nisar Elahi's sub-account No. 577 of the Appellant Mr. Tanveer Malik held with CDC shall not be transferred there from and proceed from the sale of shares from the said account pledged with clearing house that are kept in escrow account of LSE shall not be utilized until final determination of the quantum of the Appellant Mr. Iftikhar Shafi's default obligations."

The Company has filed a Review Petition before the SECP's Appellate Bench, which passed the Order dated 30 July 2002, for rectification of the following areas of the order:

- (a) sale proceeds from the sale of securities of defaulted members are lying in the 'Deposit Accounts' of the Company and not in the 'Escrow Accounts'; and
- (b) the Company, as per its default regulations, has already determined quantum of the default obligations.

The Company has also filed Commercial Appeal before the LHC by partially challenging the SECP Appellate Bench's order to enforce recovery of the defaulted amounts. The members/investors, who were held responsible in orders dated April 09, 2001 and July 09, 2002 by Single Commissioner & Appellate Bench respectively, have also challenged the said decisions of SECP by filing Commercial Appeals before the Honorable LHC which are pending adjudication. The Company and Legal Heirs of (Mian Nisar Elahi) are in process to finalize the settlement agreement. This agreement shall be effective after approval of Lahore High Court.

- 11.2 This represents amounts realized through auctions of the defaulted members' memberships and have been retained by the Company for settlement of claims against these members.
- 11.3 These represent margins received from members against their exposures for trading.
- 11.4 This represents amount payable to suspended and defaulted members on account of trading in the clearing house of the Company.

	<i>Note</i>	2014 (Rupees in thousand)	2013
<b>12 Current portion of long term liabilities</b>			
Current portion of liabilities against assets subject to finance lease		-	268
Lease deposits	9.1	13,450	17,995
<i>Amounts</i>		<u>13,450</u>	<u>18,263</u>

	Note	2014 (Rupees in thousand)	2013
<b>13 Members' contribution fund</b>			
Opening balance		519,734	495,179
Add: interest on bank deposits		18,588	44,889
Less:			
Transferred to TREC Holders Contribution Fund Trust		(530,032)	(20,250)
Payments made during the year		(57)	(84)
Fund management fees paid to the Company	32.1	(8,233)	-
		(538,322)	(20,334)
		-	519,734

13.1 The Company established "Members' Contribution Fund Trust" (MCF Trust) through a trust deed on 14 April 2006 and transferred members' contributions and interest earned thereon, which were received subsequent to 14 April 2006 amounting to Rs. 75.651 million, to MCF Trust. On 7 March 2013, the Company established another trust i.e. "TREC Holders' Contribution Fund Trust" (TREC Trust) through a trust deed and transferred members' contributions, which were received prior to 14 April 2006, and interest earned thereon amounting to Rs. 530,032 million, to TREC Trust.

13.2 Since 1 July 2011, all contribution by members are being deducted by the Company from the member's settlement accounts and are transferred to MCF Trust at the rate prescribed by Securities and Exchange Commission of Pakistan i.e. 0.0008925% per transaction.

		2014 (Rupees in thousand)	2013
<b>14 Investors' protection fund</b>			
Balance at 01 July		261,812	242,689
Add:			
Profit / interest accrued on bank deposits		22,970	25,163
Contribution received during the year		199	216
		23,169	19,123
Less:			
Transferred to "Investors' Protection Fund Trust"		(276,785)	-
With holding tax on interest on bank deposits		(568)	-
Payments during the year		(60)	(6,256)
Fund management fees paid to the Company		(7,568)	-
		(284,981)	(6,256)
		-	261,812

14.1 The Company established "Investors' Protection Fund Trust" (IPF Trust) through a trust deed on 19 May 2013 and transferred investors' contributions and interest earned thereon amounting to Rs. 276.785 million to IPF Trust.

ADPMS/PA

15 Contingencies and commitments

- 15.1 The Lahore High Court, Lahore, vide its judgment and decree dated 18 December 2006 has decreed the Civil Original Suit against the Company and Central Depository Company, jointly and severally, which was filed by Mian Nisar Elahi against disposal of the pledged shares. The said shares, as per the Company's point of view, were disposed-off pursuant to the order dated 09 April 2001 of the Securities and Exchange Commission of Pakistan (SECP), which was subsequently upheld by the Appellate Bench of SECP. The Company has challenged the said order by filing ICA No.1 of 2007, whereby the Appellate Court has suspended the order dated 18 December 2006 of the learned single Judge subject to freezing of Rs. 120 million for payment of the awarded amount and furnishing of corporate guarantee. The Intra Court Appeal is still pending before the Lahore High Court.
- 15.2 Mr. Aslam Motiwala (the Appellant) has filed a civil suit in the Court of Senior Civil Judge, Lahore seeking damages in the amount of Rs. 109.363 million against the Company. The Appellant seeks directions to the Company for settling trades, which the Company had cancelled. No provision in this regard has been made in the books of account as the Company expects a favourable outcome of the case.
- 15.3 Mr. Haji Ijaz Ahmed Mirza, the land lord of Sialkot trading floor filed a suit against the Company before the Court of the Senior Civil Judge, Sialkot for recovery of Rs. 20.969 million along with damages. First case amounting to Rs. 4.046 million was decreed in favour of Haji Ijaz Mirza and the Company was directed to pay Rs. 5.046 million. The Company filed an appeal in the Honourable Lahore High Court, Lahore which was accepted and decree against the Company was set aside. Against the judgment and decree of High Court, Mr. Haji Ijaz Mirza has filed Civil Appeal in Supreme Court for setting aside order of the High Court which is pending adjudication, however, no actual date has been fixed so far. No provision has been made in this respect as the Company expects a favourable decision.
- 15.4 Mr. Haji Ijaz Ahmed Mirza, the land lord of Sialkot trading floor filed a suit against the Company before the Court of the learned Civil Judge 1st Class, Sialkot for recovery of Rs. 8.093 million and Rs. 8.829 million. No provision has been made in this respect as the Company expects a favourable decision.
- 15.5 Main Shakeel Aslam (ex MD of the Company) has filed a civil suit for recovery along with damage amounting to Rs. 135.301 million against the Company and its directors. The Company has also filed a counter claim / suit for recovery of Rs. 220.927 million along with damages against Main Shakeel Aslam. The Company expects a favourable decision in both cases.
- 15.6 Commitments for capital expenditure outstanding at 30 June 2014 were Rs. 263.851 million (30 June 2013: Rs. 4.623 million).

	Note	2014 (Rupees in thousand)	2013
16 Property and equipment			
Property and equipment	16.1	468,443	470,576
Capital work in progress	16.2	204,690	26,917
		<u>673,133</u>	<u>497,493</u>

14/11/15/2014

16.1 Property and equipment

	Owned assets										Leased assets				
	Land freehold	Building on freehold land	Generators	Furniture & fixtures	Office equipment	Computer & accessories	Electric fitting & appliances	Elevators	Vehicles	Library books	Arms & security equipment	Leasehold improvements	Sub total	Vehicles	Total
(Rupees in thousand)															
<b>Cost</b>															
2013	382,716	72,844	10,609	10,886	5,320	65,409	22,968	5,096	14,560	318	3,022	5,697	599,445	637	600,082
Balance at 1st July 2012	-	10,125	-	1,635	714	6,973	2,091	-	2,637	-	-	-	24,175	-	24,175
Additions during the year	-	-	-	-	-	(188)	(36)	-	(3,975)	-	-	-	(4,199)	-	(4,199)
Disposals during the year	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Balance at 30 June 2013	382,716	82,969	10,609	12,521	6,034	72,194	25,023	5,096	13,222	318	3,022	5,697	619,421	637	620,058
2014															
Balance at 1st July 2013	382,716	82,969	10,609	12,521	6,034	72,194	25,023	5,096	13,222	318	3,022	5,697	619,421	637	620,058
Additions during the year	-	2,366	-	731	947	4,294	110	-	3,711	-	-	-	12,159	-	12,159
Transferred to owned assets	-	-	-	-	-	-	-	-	637	-	-	-	637	(637)	-
Disposals during the year	-	-	-	(169)	(104)	(4,758)	(1,370)	-	(8,612)	-	(579)	-	(15,592)	-	(15,592)
Balance at 30 June 2014	382,716	85,335	10,609	13,083	6,877	71,730	23,763	5,096	8,958	318	2,443	5,697	616,625	-	616,625
<b>Accumulated depreciation</b>															
2013															
Balance at 1st July 2012	-	28,787	4,213	7,596	5,320	60,002	16,397	4,526	5,949	284	2,483	5,697	141,254	637	141,891
Depreciation for the year	-	2,329	640	378	76	2,810	1,480	114	1,722	8	54	-	9,611	-	9,611
Depreciation on disposals	-	-	-	-	-	(43)	(25)	-	(1,952)	-	-	-	(2,020)	-	(2,020)
Balance at 30 June 2013	-	31,116	4,853	7,974	5,396	62,769	17,852	4,640	5,719	292	2,537	5,697	148,845	637	149,482
2014															
Balance at 1st July 2013	-	31,116	4,853	7,974	5,396	62,769	17,852	4,640	5,719	292	2,537	5,697	148,845	637	149,482
Depreciation for the year	-	2,653	575	507	247	3,144	1,425	91	1,275	6	43	-	9,966	-	9,966
Transferred to owned assets	-	-	-	-	-	-	-	-	637	-	-	-	637	(637)	-
Depreciation on disposals	-	-	-	(158)	(21)	(4,455)	(1,248)	-	(4,895)	-	(489)	-	(11,266)	-	(11,266)
Balance at 30 June 2014	-	33,769	5,428	8,323	5,622	61,458	18,029	4,731	2,736	298	2,091	5,697	148,182	-	148,182
<b>Carrying value</b>															
At 30 June 2013	382,716	51,853	5,756	4,547	638	9,425	7,171	456	7,503	26	485	-	470,576	-	470,576
At 30 June 2014	382,716	51,566	5,181	4,760	1,255	10,272	5,734	365	6,222	20	352	-	468,443	-	468,443
Rate of depreciation	5%	10%	10%	10%	20%	30%	20%	20%	20%	25%	10%	30%	20%	20%	

16.1.1 Depreciation has been allocated as follows:

	2014	2013
Administrative expenses	33	7,242
Charged against rental income	29	2,543
	9,966	9,611

ANNEXURE 41

	Note	2014 (Rupees in thousand)	2013
16.2			
Capital work in progress			
Civil works		148,654	23,942
Advances	16.2.2	56,036	2,975
		<u>204,690</u>	<u>26,917</u>

16.2.1 Movement in capital work in progress

Opening balances		29,892	20,475
Additions during the period		121,127	19,209
Transferred to property and equipment		(2,366)	(12,767)
Closing balance		<u>204,690</u>	<u>26,917</u>

16.2.2 This includes provision amounting to Rs. 7.723 million against advance paid to Mughals Pakistan (Private) Limited (the contractor) for construction of Lahore Stock Exchange second tower. This advance was secured against an irrevocable bank guarantee arranged by the contractor, which had expired on 17 September 2004. The contractor has submitted an undertaking to furnish a new bank guarantee in place of the expired bank guarantee, however new bank guarantee has not been furnished by the contractor.

	Note	2014 (Rupees in thousand)	2013
17			
Intangibles			
<u>Computer software and licences</u>			
<i>Cost:</i>			
Balance at beginning of the year		17,500	17,500
Addition during the year		94	-
Balance at end of the year		<u>17,594</u>	<u>17,500</u>
<i>Amortization:</i>			
Balance at beginning of the year		17,333	17,216
Amortization for the year	34	123	117
Balance at end of the year		<u>17,456</u>	<u>17,333</u>
Amortization on intangibles is charged at 33% per annum			
<u>Carrying amounts</u>		<u>138</u>	<u>167</u>

Amortisation

18 Long term investments

Equity-accounted investees - unquoted

Name of associated companies

	2014 (Percentage of holding)	2013 (Number of shares)	2014 (Number of shares)	2013 (Rupees in thousand)	2014 (Rupees in thousand)	2013 (Rupees in thousand)
The Pakistan Credit Rating Agency Limited (PACRA)	36.00	36.00	2,683,044	2,063,880	41,810	34,242
Central Depository Company of Pakistan Limited (CDC)	10.00	10.00	6,500,000	6,500,000	235,164	223,560
National Clearing Company of Pakistan Limited (NCCPL)	23.53	23.53	3,515,624	2,343,749	116,735	103,071
Pakistan Mercantile Exchange Limited (PMEX)	8.24	11.96	2,272,727	2,272,727	-	-
Institute of Capital Markets (ICM)	2.63	2.63	200	200	-	-
					<u>393,709</u>	<u>360,873</u>

- 18.1 Shares of all associated companies have a face value of Rs. 10/- each, except ICM whose face value per share is Rs. 5,000/- each.
- 18.2 The investments stand at nil value (PMEX and ICM) because the accumulated share of loss of these associated companies exceeds the cost of investment.
- 18.3 During the year PMEX has offered right shares which were not subscribed by the Company due to which the Company's holding decreased from 11.96% to 8.24%.
- 18.4 Movement in carrying amount of equity-accounted investee

	Opening balance	Transfer from revaluation reserve to retained earnings	Share of income for the year - net of tax	Change in other comprehensive income	Revaluation reserve	Dividend received	Closing balance
(----- Rupees in thousand -----)							
The Pakistan Credit Rating Agency Limited (PACRA)	34,242	-	7,653	(85)	-	-	41,810
- For the year ended 30 June 2014	28,773	-	5,469	-	-	-	34,242
- For the year ended 30 June 2013	-	-	-	-	-	-	-
Central Depository Company of Pakistan Limited (CDC)	223,560	1,050	33,390	(2,286)	(1,050)	(19,500)	235,164
- For the year ended 30 June 2014	219,290	1,034	24,388	(618)	(1,034)	(19,500)	223,560
- For the year ended 30 June 2013	-	-	-	-	-	-	-
National Clearing Company of Pakistan Limited (NCCPL)	103,071	-	19,743	(1,392)	-	(4,687)	116,735
- For the year ended 30 June 2014	94,108	-	10,819	19	-	(1,875)	103,071
- For the year ended 30 June 2013	-	-	-	-	-	-	-
Institute of Capital Markets (ICM)	60	-	(60)	-	-	-	-
- For the year ended 30 June 2014	-	-	-	-	-	-	-
- For the year ended 30 June 2013	-	-	-	-	-	-	-
Total	360,873	1,050	60,786	(3,763)	(1,050)	(24,187)	393,709
- For the year ended 30 June 2014	342,231	1,034	40,616	(599)	(1,034)	(21,375)	360,873
- For the year ended 30 June 2013	-	-	-	-	-	-	-

4-11-2014

## 18.5

Summarized financial information of the associated companies at and for the year ended 30 June 2014 is based on initiated financial statements of PACRA, CDC and NCCPL and management accounts of PMEX and ICM:

Name of the associated companies	From 1 July 2013 to 30 June 2014			
	At 30 June 2014	Liabilities	Operating revenues	Profit / (loss) after tax
	----- (Rupees in thousands) -----			
The Pakistan Credit Rating Agency Limited (PACRA)	126,887	9,708	24,547	16,964
Central Depository Company of Pakistan Limited (CDC)	2,813,511	456,977	353,340	329,025
National Clearing Company of Pakistan Limited (NCCPL)	3,269,334	2,778,435	335,441	90,047
Pakistan Mercantile Exchange Limited (PMEX)	1,381,145	1,478,360	(65,566)	(19,695)
Institute of Capital Markets (ICM)	6,126,949	1,223,691	33,231,863	(4,695,957)

## Name of the associated companies

Name of the associated companies	From 1 July 2012 to 30 June 2013			
	At 30 June 2013	Liabilities	Operating revenues	Profit / (loss) after tax
	----- (Rupees in thousands) -----			
The Pakistan Credit Rating Agency Limited (PACRA)	113,535	13,061	28,667	19,546
Central Depository Company of Pakistan Limited (CDC)	2,635,032	401,694	233,470	244,112
National Clearing Company of Pakistan Limited (NCCPL)	2,143,879	1,722,084	241,848	43,456
Pakistan Mercantile Exchange Limited (PMEX)	1,792,469	1,952,774	(32,236)	12,759
Institute of Capital Markets (ICM)	23,195,549	13,596,334	9,806,629	(7,352,204)

- (a) The Company holds 10% (2013: 10%) equity of CDC and has one common director on its Board, due to which the management presumes to have significant influence over CDC.
- (b) The Company holds 8.24% (2013: 11.96%) equity of PMEX and has one common director on its Board, due to which the management presumes to have significant influence over CDC.
- (c) The Company holds 2.63% (2013: 2.63%) equity of ICM however the management presumes to have significant influence over ICM due to rotation of directorship between all three stock exchanges as per directions of SECP.
- (d) The unrecognized share of losses of PMEX and ICM till 30 June 2014 are aggregated to Rs. 33.05 million (2013: Rs. 45.61 million) and Rs. 0.257 million (2013: Rs. 0.133 million) respectively.



	Note	2014 (Rupees in thousand)	2013
19 Long term loans			
<i>Secured - considered good:</i>			
<i>Loans to staff:</i>			
- Executives	19.1&19.2	14,450	181
- Others		-	24
		14,450	205
Less: current portion	23	(2,612)	(87)
		<u>11,838</u>	<u>118</u>

19.1 Reconciliation of carrying amount of loans to executive:

Opening balance	181	2,817
Disbursements during the year	15,200	344
Recovery / deduction	(931)	(2,980)
<b>Closing balance</b>	<u>14,450</u>	<u>181</u>

19.2 This represents loans to executives and employees of the Company for construction of house and expenses on medical treatment or the medical treatment of any near relatives as per the policy of the Company.

During the year loan amounting to Rs. 15 million was granted to Managing Director of the Company for construction of house. The loan is re-payable in 60 equal installment and carry a mark-up of 10% per annum. The loan is secured against the documents of property and is approved by SECP.

19.3 Medical loan is interest free. All the loans are recoverable in monthly installments over a maximum period of three years.

20 Long term deposits

This includes security deposits against utilities amounting to Rs. 0.384 million (2013 : Rs. 0.384 million) and security deposits against trading floors in Sialkot and Faisalabad, amounting to Rs. 1.721 million (2013: Rs. 1.721 million).

*Notes 14*

21 Deferred tax asset

Taxable temporary difference

	Balance at beginning of the year	Recognized in profit and loss	Recognized in other comprehensive income	Balance at end of the year
Accelerated tax depreciation allowances	(11,923)	494	-	(11,429)
Investments in associated companies	(30,161)	(3,463)	-	(33,624)

Deductible temporary difference

	Balance at beginning of the year	Recognized in profit and loss	Recognized in other comprehensive income	Balance at end of the year
Accelerated tax amortisation allowance	(3)	4	-	1
Liabilities against assets subject to finance lease	94	(94)	-	-
Staff retirement benefit - gratuity	1,258	319	475	2,052
Staff retirement benefit - earned leaves	1,081	(488)	-	593
Provision for doubtful receivables	47,461	1,723	-	49,184
Provision for advances related to CWIP	7,595	-	-	7,595
Unused tax losses and tax credits	39,101	(18,734)	-	20,367
	<u>54,503</u>	<u>(20,239)</u>	<u>475</u>	<u>34,739</u>

2013

	Balance at beginning of the year	Recognized in profit and loss	Recognized in other comprehensive income	Balance at end of the year

Deferred tax (asset) / liability

Taxable temporary difference

Accelerated tax depreciation allowances	(8,577)	(3,346)	-	(11,923)
Investments in associated companies	(28,290)	(1,871)	-	(30,161)

Deductible temporary difference

Accelerated tax amortisation allowance	(4)	1	-	(3)
Liabilities against assets subject to finance lease	237	(143)	-	94
Staff retirement benefit - gratuity	7,907	(6,649)	-	1,258
Staff retirement benefit - earned leaves	3,163	(2,082)	-	1,081
Provision for doubtful receivables	46,985	476	-	47,461
Provision for advances related to CWIP	-	7,595	-	7,595
Unused tax losses and tax credits	32,062	7,039	-	39,101
	<u>53,483</u>	<u>1,020</u>	<u>-</u>	<u>54,503</u>

447705 2/11

	Note	2014 (Rupees in thousand)	2013
22 Trade debts			
<u>Unsecured - considered good</u>			
Listing fee	22.1	20,232	22,181
<u>Secured - considered good</u>			
Fund management fee	32.1	29,836	18,221
		<u>50,068</u>	<u>40,402</u>
22.1 Listing fees			
Fees receivable from the listed companies - considered good		20,232	22,181
Fees receivable from the listed companies - considered doubtful		140,525	135,602
		160,757	157,783
<i>Less: provision made against doubtful receivable</i>			
- specific		139,776	135,046
- general	22.1.1	749	556
		140,525	135,602
		<u>20,232</u>	<u>22,181</u>

22.1.1 General provision is charged up to 5% of good debtors (2013: 5%), calculated on the basis of sector wise historical analysis of outstanding receivables.

	Note	2014 (Rupees in thousand)	2013
23 Loans and advances			
<u>Considered good</u>			
Due from defaulted / suspended members	23.1 & 23.2	125,752	161,637
Due from associated undertakings	23.3	1,300	4,387
Due from members	23.4	13,831	14,617
Due from others		5,177	3,459
Current portion of long term loans to employees	19	2,612	87
Advances to employees		1,431	1,542
		<u>150,103</u>	<u>185,729</u>

23.1 These represent amounts due from the defaulted / suspended members who could not settle their clearing house liabilities. The Company had recovered amounts aggregating Rs. 78.088 million from these defaulted members by sale of their pledged shares. Please refer note 11.1 for details. Out of total amount of receivable from members Rs. 35.885 million related to "Members' Contribution Fund", which has been transferred to TREC Fund during the year.

23.2 (a) The Company, during the financial year ended 30 June 2002, auctioned the seat of one of the defaulted / suspended members and realized an amount of Rs. 7.075 million. The Company has the right, under its rules and regulations, to sell one other seats (Trading Right Entitlement Certificate) belonging to the defaulted members namely Iqbal Khawaja, however, the matter is subjudice at various courts of law. At the current market price, this may be sold for Rs. 3.02 million (2013: Rs. 13.25 million) approximately.

*Handwritten signature*

(b) The Company also has the right to sell 3 rooms belonging to above members. At the current market price, the Company may realize Rs. 9.06 million, (2013: Rs. 18 million) approximately from these sales. However, auction of these seats (Trading Right Entitlement Certificate) and rooms is also up held due to pending court cases. Further, shares worth Rs. 1,038.29 million (2013: Rs. 761.35 million) are also available with the Company but SECP has restricted the Company from their sale, pending resolution of the court cases. These shares are held in the CDC accounts and the Civil Judge - Lahore, vide his order dated 07 July 2003 has attached the CDC accounts of a defaulted member and his associates.

23.3 Due from associates includes balances of Rs. 0.861 million (2013: Rs. 3.675 million), Rs. 0.090 million (2013: Rs. 0.075 million) and Rs. 0.349 million (2013: Rs. 0.637 million) receivable from National Clearing Company of Pakistan Limited, Central Depository Company of Pakistan Limited and Pakistan Mercantile Exchange Limited respectively.

23.4 The balance includes Rs. 0.681 million (2013: Rs. 0.681 million) on account of provisional trading of Kohat Cement Limited outstanding since the year 1995.

	2014	2013
	(Rupees in thousand)	
<b>24 Other receivables</b>		
<i>Other receivables:</i>		
Considered good	4,706	4,087
Considered doubtful	1,152	1,152
	<u>5,858</u>	<u>5,239</u>
Less: provision against doubtful receivables	<u>(1,152)</u>	<u>(1,152)</u>
	<u>4,706</u>	<u>4,087</u>

24.1 Other receivables includes Rs. 2.004 million (2013: Rs. 1.309 million) receivable from other stock exchanges, against which a provision of Rs. 1.152 million (2013: 1.152 million) have been created due to doubtful receivables.

	Note	2014	2013
		(Rupees in thousand)	
<b>25 Short term investments - held to maturity</b>			
Certificates of investment	25.1	59,044	91,885
Government treasury bills	25.2	97,213	294,860
Term deposit receipts	25.3	109,147	640,395
		<u>265,404</u>	<u>1,027,140</u>

25.1 During the year the Company invested in Certificates of Investment (COI's) of Pak Brunei Investment Company Limited at the rates ranging from 9% per annum to 9.95% per annum (2013: 9% per annum to 9.8% per annum). The latest maturity of these COI's is 27 August 2014.

25.2 During the year the Company purchased Government Treasury Bills amounting to Rs. 452.37 million (2013: Rs. 517.13 million), having a tenure of 6 and 12 months from the date of purchase, carrying mark-up at the rates ranging from 8.8% to 9.96% per annum (2013: 8.8% to 9.98% per annum).

25.3 Term deposit receipts, during the year, carried mark-up at rates ranging from 7% to 9.40% (2013: 7% to 11.80%) per annum.

*14/08/14*

	Note	2014 (Rupees in thousand)	2013 (Rupees in thousand)
26 Tax refunds due from government - net			
Wealth tax paid:			
- under protest	26.1	10,063	10,063
- with returns	26.2	461	461
		10,524	10,524
Less: provision for wealth tax		(3,728)	(3,728)
		6,796	6,796
Tax deducted at source / advance tax - less provision		46,773	63,014
		53,569	69,810

26.1 The ITAT, vide its order dated 03 June 2003, for the Assessment Years 1992-93 and 1994-95 to 2000-01 accepted the contention that the Company qualifies for exemption under section 5(1)(i)/clause 22 of the Second Schedule to the Wealth Tax Act, 1963 in all the years under consideration. Amounts aggregating Rs. 10.063 million paid under protest have been grouped under 'tax refunds due from the Government'.

26.2 The Department has filed a writ petition before the Lahore High Court, Lahore against the order of the ITAT that the Company qualifies for exemption under the aforementioned clause of the repealed Wealth Tax Act, 1963 for the Assessment Years 1992-93, 1994-95 to 2000-01. The petition is pending adjudication.

	Note	2014 (Rupees in thousand)	2013 (Rupees in thousand)
27 Cash and bank balances			
Cash in hand		174	163
Cash at banks on :			
Current accounts		10,425	934
PLS accounts	27.1 to 27.3	228,199	243,748
Foreign currency accounts		5	5
		238,629	244,687
Share transfer stamps		26	37
		238,829	244,887

27.1 These include Clearing House balances aggregating Rs. 23.814 million (2013: Rs. 30.471 million).

27.2 PLS accounts include defaulters' committee deposits aggregating Rs. 1.070 million (2013: Rs. 1.070 million)

27.3 PLS accounts, during the year, carried mark-up at rates ranging from 6% to 9% (2013: 6% to 9.25%) per annum.

*NOTES P-1*

	Note	2014 (Rupees in thousand)	2013
<b>28 Fee income</b>			
Annual listing fee		66,687	58,808
Initial listing fee		9,078	1,192
Additional listing fee		33,636	32,668
Listing service charges		525	225
Accredited agents		153	7
Membership transfers		-	200
Automated trading fee - collected from members	28.1	525	552
De-listing fees		200	400
Internet trading fees		130	60
Members' annual subscription		-	15
Inactive TREC holder fee		1,710	570
		<u>112,644</u>	<u>94,697</u>

28.1 The Company, during the year, has paid transaction fees to SECP aggregating Rs. 0.169 million (2013: Rs.0.217 million).

	Note	2014 (Rupees in thousand)	2013
<b>29 Rental income - net</b>			
<i>Building rent from:</i>			
- banks		29,469	25,739
- associated companies		2,320	1,881
<i>Members:</i>			
- ground rent		166	167
- lease rentals		218	218
Others		9,040	8,157
		<u>41,213</u>	<u>36,162</u>
Direct expenses incidental to rental income		<u>(18,172)</u>	<u>(16,871)</u>
		<u>23,041</u>	<u>19,291</u>
<b>30 Profit on bank deposits and investments</b>			
Mark-up on deposit accounts	30.1	11,647	7,424
Term deposit receipts		20,840	25,433
Treasury bills		14,223	17,883
Certificates of investment		3,967	4,628
		<u>50,677</u>	<u>55,368</u>

30.1 This amount includes profit earned on funds frozen in different banks amounting to Rs. 120 million in accordance with Division Bench, Lahore High Court Order dated 24 January 2007 in ICA No. 1/2007 titled "Lahore Stock Exchange Vs. Mian Nisar Elahi etc". It may be mentioned that LSE has earned a profit around Rs. 110.57 million (2013: Rs 91 million) on this deposit till 30 June 2014. This amount is being taken into accounts as the interest income of the Company. In case of any decision to pay the frozen amount together with its accrued income, the income of the Company during the earlier years would need to be restated.

	2014 (Rupees in thousand)	2013
<b>31 Software revenue</b>		
Ultra trade lease rentals from Islamabad Stock Exchange	830	1,146
Broker net (software)	144	144
Back office (software)	834	835
Software sale and services	690	734
	<u>2,498</u>	<u>2,859</u>

*Wameer*

	Note	2014 (Rupees in thousand)	2013
32 Other income			
Income from financial assets:			
Mark-up on loan to director	19.2	485	-
Income from assets other than financial assets			
Room transfer fees		-	15
Booth charges		60	60
Room maintenance fees		1,316	1,323
Anti-virus installation / dial-up connection fees		5	25
Gain on disposal of property and equipment		262	629
Recoveries against provisions of listing fees		1,764	2,312
Fund management fee	32.1	27,635	13,008
Other		6,369	6,603
		37,411	23,975
		37,896	23,975

32.1 This represents fund management fee charged from Members' Contribution Fund, Investors Protection Fund, TREC Holder Contribution fund trust and IPF Trust as on 30 June 2014. As per resolution dated 28 February 2014 the Board has decided that the Company will charge a fees of 3% on the closing size of fund of the funds being maintained by the Company.

	Note	2014 (Rupees in thousand)	2013
33 Administrative expenses			
Salaries and benefits	33.1	76,988	87,776
Salaries and benefits outsourced staff		1,158	7,754
I.T. and other related expenses		8,301	9,137
Insurance		1,572	1,624
Travelling and conveyance:			
- directors	33.2	1,899	1,905
- staff and others		4,152	4,548
Printing and stationery		1,800	1,635
Utilities		6,570	5,783
Communication and public relations		6,229	6,045
Repair and maintenance		1,360	1,292
Depreciation	16.1	7,242	7,068
Amortization	17	123	117
Fees and subscription		1,055	1,091
Rent and taxes		847	906
Security expenses		646	604
Marketing and advertisement		1,424	888
Auditor's remuneration:			
- statutory audit		570	550
- out of pocket expenses		63	74
		633	624
Training and courses		536	1,022
Miscellaneous expenses		4,867	4,661
		127,402	144,480

33.1 Salaries and benefits include Rs. 0.910 million (2013: Rs. 15.143 million) and Rs. 3.084 million (2013: Rs. 3.411 million) in respect of contribution to gratuity and provident fund respectively.

33.2 This includes business travelling and conveyance expenses of Managing Director amounting to Rs. 1.637 million (2013: Rs. 1.623 million).

INFORMS B-1

2014 2013  
(Rupees in thousand)

34 Other charges

*Legal and professional charges:*

- legal expenses	2,237	9,998
- retainership fees	675	1,005
	2,912	11,003

*Consultancy charges:*

- Demutualization expenses	1,160	7,827
- Special assignment	2,032	1,601
- Others	1,342	2,071
	4,534	11,499

SECP Supervision fee	1,126	643
Donations	-	325
Loss on encashment of treasury bills	-	69
Provision for re-registration fee	-	15,029
Penalty imposed by LDA	-	2,475

*Provision / write-off against:*

- Doubtful fee receivable	6,727	5,791
- Due from members	-	1,294
	15,299	48,128

35 Finance cost

Lease finance charges	62	71
Bank charges	241	125
	303	196

36 Taxation

*Taxation:*

- Current	16,647	6,325
- Deferred	20,239	(1,020)
	36,886	5,305

The provision for current year taxation represents the tax liability based on presumptive tax regime (PTR). Accordingly tax charge reconciliation has not been prepared and presented.

37 Earnings per share - basic and diluted

Profit for the year after taxation - Rupees in thousands	107,652	38,697
Weighted average number of shares - in thousands	128,284	128,284
Earnings per share - Rupees	0.84	0.30

There is no dilution effect on the basic EPS as the Company has no such commitments.

WTKS P-4



38 Remuneration of directors and executives

Remuneration of directors and executives comprises as follows:

<u>Particulars</u>	<u>Executive / managing director</u>	
	2014	2013
	(Rupees in thousand)	
Managerial remuneration	7,543	5,775
House rent	3,017	2,310
Utilities	754	578
Staff retirement benefits	4,046	1,444
Others	1,677	2,067
	<u>17,037</u>	<u>12,174</u>
Number of executive directors	<u>1</u>	<u>1</u>
Number of non-executive directors	<u>10</u>	<u>9</u>

<u>Particulars</u>	<u>Executives</u>	
	2014	2013
	(Rupees in thousand)	
Managerial remuneration	21,617	32,327
House rent	8,647	12,931
Utilities	2,162	3,233
Staff retirement benefits	-	41,807
Others	4,789	8,107
	<u>37,215</u>	<u>71,764</u>
Number of key executives	<u>38</u>	<u>37</u>

No director other than Managing Director is provided remuneration from the Company.

38.1 Four (2013: Ten) of the executives have been provided with Company maintained cars.

38.2 Meeting fees aggregating Rs. 3.075 million (2013: Rs. 3.155 million) was paid to the directors during the year.

*WMMB 2014*

39 Transactions with related parties

The related parties comprise of associated companies, directors of the Company, companies in which directors also hold directorship and key management personnel.

Transactions with related parties other than those disclosed elsewhere are as follows:

Name of Parties	Nature of relationship	Nature and description of related party transaction	2014		2013	
			Value of transactions made during the year	Closing balance	Value of transactions made during the year	Closing balance
<b>Rupees in thousand</b>						
<b>Central Depository Company of Pakistan Limited</b>	Associated Company	- Reimbursement of utility expenses	240	22	225	25
		- Reimbursement of expenses	269	90	212	75
		- Security deposit	-	312	-	312
		- Dividend received	19,497	-	19,500	-
		- Fee for issuance of shares	-	-	406	-
		- Rent	695	(231)	631	(209)
<b>National Clearing Company of Pakistan Limited</b>	Associated Company	- Reimbursement of expenses	921	689	1,342	569
		- Sale of software	766	173	699	3,106
		- Dividend received	4,687	-	1,875	-
		- Rent	1,625	(275)	1,250	1,250
		- Reimbursement of utilities	732	71	325	67
<b>Pakistan Mercantile Exchange Limited</b>	Associated Company	- Reimbursement of expenses	590	349	720	637
<b>Institute of Capital Market</b>	Associated Company	- Reimbursement of expenses	-	-	-	-

#### 40 Financial instruments

The Company's principal financial liabilities comprise gratuity payable, provision for earned leaves, employee's welfare fund and accrued and other liabilities. The financial assets comprise of investments, long term loans, long term deposits, loans and advances, other receivables, mark-up receivable and cash and bank balances.

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

- Credit risk
- Liquidity risk
- Market risk

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

##### 40.1 Credit risk

Credit risk represents the accounting loss that would be recognized at the reporting date if counter parties failed completely to perform as contracted. The Company's credit risk arises from deposits with banks, investments, trade debts, long term loans, loans and advances and mark-up receivable. The Company has no significant concentration of credit risk as exposure is spread over a large number of counter parties in the case of trade debts.

##### 40.1.1 Exposure to credit risk

The carrying amount of financial assets represents the maximum credit exposure. The maximum exposure to credit risk at the balance sheet date is:

	2014	2013
	(Rupees in thousand)	
Short term investments	168,191	732,280
Bank balances	238,629	244,687
Loans and advances	150,103	185,729
Trade debts - net of provision	50,068	40,402
Interest accrued - receivable	3,519	24,758
Other receivables - net of provision	4,706	4,087
Long term deposits	2,105	2,105
Long term loans	11,838	118
	<u>629,159</u>	<u>1,234,166</u>

All financial assets subject to credit exposure at the balance sheet date represent domestic parties.

*NOTING IN*

#### 40.1.2 Credit quality of financial assets

The credit quality of financial assets that are neither past due nor impaired can be assessed by reference to external credit ratings or to historical information about counterparty default rates.

##### Loans advances and other receivables

Loans and advances primarily include due from defaulted / suspended members against which the Company holds adequate assets of these members. In respect of due from members, the management, based on past experience and long standing relationship with them, does not expect any non-performance by these members.

##### Long term loans

The Company has provided loan to its employees and does not expect to have any material loss. These loans are interest free.

##### Trade debts

Year wise aging of trade debts at the reporting date is as follows:

	Note	2014 (Rupees in thousand)	2013 (Rupees in thousand)
Neither past due not impaired		31,293	18,906
Past due less than 1 year		11,530	32,781
Past due more than 1 but less than 2 years		18,102	35,931
Past due more than 2 years		129,668	88,386
		190,593	176,004
Less: provision made against doubtful fees receivable	22.1.1	140,525	135,602
		50,068	40,402

The movement in provision for doubtful fee receivables during the year is as follows:

Balance at 01 July	135,602	134,242
Provision made during the year	6,727	5,791
Reversal / write off of provision during the year	(1,804)	(4,431)
Balance at 30 June	140,525	135,602

Based on past experience the management believes that no further provision is required in respect of trade receivables considered good at 30 June 2014. Further, provision against doubtful fees receivable, to the extent considered necessary, has been recognised in these financial statements.

##### Bank balances and other investments in financial institutions

Bank balances at balance sheet date are classified as follows:

	Note	2014 (Rupees in thousand)	2013 (Rupees in thousand)
Foreign currency		5	5
Domestic currency		238,624	244,682
12.07.15 L11	27	238,629	244,687

The credit quality of Company's bank balances and certificate of investments can be assessed with reference to external credit rating agencies as follows:

Banks	Rating		Rating agency	2014	2013
	Short term	Long term		(Rupees in thousand)	
Faysal Bank Limited	A1+	AA	PACRA	53,639	49,088
MCB Bank Limited	A1+	AAA	PACRA	125,510	253,145
Bank Al Falah Limited	A1+	AA	PACRA	107,035	194,911
Bank Al Habib Limited	A1+	AA+	PACRA	33,916	137,868
Allied Bank Limited	A1+	AA+	PACRA	45,252	23,781
KASB Bank Limited	A3	BBB	PACRA	840	789
Askari Commercial bank Limited	A1+	AA	PACRA	20,755	19,409
United Bank Limited	A-1+	AA+	JCR-VIS	5	156,170
Habib Bank Limited	A-1+	AAA	JCR-VIS	51,672	45,719
National Bank of Pakistan Limited	A-1+	AAA	JCR-VIS	268	374
Summit Bank Limited	A-3	A -	JCR-VIS	4,143	3,389
Pak Brunei Investment Company	A-1+	AA+	JCR-VIS	59,044	91,885
				<u>502,079</u>	<u>976,528</u>

#### 40.1.3 Concentration of credit risk

Concentration of credit risk exists when the changes in economic or industry factors similarly affect groups of counterparties whose aggregate credit exposure is significant in relation to the Company's total credit exposure. The Company's portfolio of financial instruments is broadly diversified and all other transactions are entered into with credit-worthy counterparties there-by mitigating any significant concentrations of credit risk.

#### 40.2 Liquidity risk

Liquidity risk is the risk that the Company will not be able to meet its financial obligations as they fall due. The Company's approach to managing liquidity is to ensure as far as possible to always have sufficient liquidity to meet its liabilities when due. The Company is not materially exposed to liquidity risk as substantially all obligations / commitments of the Company are short term in nature and are restricted to the extent of available liquidity.

The following are the contractual maturities of financial liabilities, including estimated interest payments as on 30 June 2014 :

	Carrying	Contracted	six months or	Six to	More than
	Amount	cash flow	less	twelve months	one year
	(Rupees in thousand)				
<i>Financial liabilities</i>					
Deferred liabilities	8,908	8,908	-	-	8,908
Long term deposits	192,775	192,775	-	-	192,775
Trade and other payables	187,714	187,714	187,714	-	-
	<u>389,397</u>	<u>389,397</u>	<u>187,714</u>	<u>-</u>	<u>201,683</u>

The following are the contractual maturities of financial liabilities, including estimated interest payments as on 30 June 2013 :

Carrying Amount	Contracted cash flow	six months or less	Six to twelve months	More than one year
----- (Rupees in thousand) -----				
<i>Financial liabilities</i>				
Liabilities against assets subject to finance lease	268	268	268	-
Deferred liabilities	93,013	93,013	-	21,589
Long term deposits	93,013	93,013	-	93,013
Members' contribution fund	519,734	519,734	519,734	-
Investor's protection fund	261,812	261,812	261,812	-
Trade and other payables	184,647	184,647	184,647	-
	<u>1,079,891</u>	<u>1,079,891</u>	<u>966,471</u>	<u>113,420</u>

#### 40.3 Market risk

Market risk is the risk that changes in market price, such as foreign exchange rates, interest rates and equity prices will effect the Company's income or the value of its holdings of financial instruments, the Company does not have any significant assets or liabilities which may affect by the change in market prices.

Market risk comprises of three types of risks:

- currency risk.
- interest rate risk
- other price risk

##### 40.3.1 Currency risk

Currency risk is the risk that the value of a financial instrument will fluctuate due to a change in foreign exchange rates. The Company is exposed to foreign currency risk on its bank balance in saving account. The Company's functional currency is Pak Rupee. The Company's exposure to foreign currency risk is as follows:

	2014	2013
	(Rupees in thousand)	
Foreign currency bank accounts	5	5
Net exposure	<u>5</u>	<u>5</u>

The following significant exchange rates have been applied:

	Reporting date rate	
	2014	2013
USD to PKR	98.35	98.60

##### Sensitivity analysis

At reporting date, if the PKR had strengthened by 10% against the foreign currencies with all other variables held constant, post-tax profit for the year would have been higher by the amount shown below, mainly as a result of net foreign exchange gain on translation of foreign currency account balance.

	2014	2013
	(Rupees in thousand)	
Effect on profit and loss	<u>-</u>	<u>-</u>

*None*

The weakening of the PKR against foreign currencies would have had an equal but opposite impact on the post tax profit.

The sensitivity analysis prepared is not necessarily indicative of the effects on profit/ (loss) for the year and assets / liabilities of the Company.

#### 40.3.2 Interest rate risk

Interest rate risk is the risk that the fair value or future cash flows of a financial instrument will fluctuate because of changes in market interest rates. The Company's exposure to the risk of changes in market interest rates relates primarily to the Company's short term investments, liabilities against assets subject to finance lease and deposits in profit and loss sharing accounts with banks. At the balance sheet date, the interest rate profile of the Company's interest-bearing financial instruments is as follows:

	2014	2013	2014	2013
	Effective rate (in percentage)		Carrying amount (Rupees in thousand)	
<u>Financial assets</u>				
<u>Fixed rate instruments</u>				
Bank balances and short term investments	6% to 9%	7% to 12%	493,603	1,270,888
			<u>493,603</u>	<u>1,271,156</u>

#### Fair value sensitivity analysis for fixed rate instruments

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

#### Cash flow sensitivity analysis for variable rate instruments

A change of 100 basis points in interest rates at the reporting date would have increased / decreased for the year by the amounts shown below. This analysis assumes that all other variables, in particular foreign currency rates, remain constant. The analysis is performed on the same basis for 2013.

	Profit or loss	
	100 bps Increase	100 bps Decrease
	(Rupees in thousands)	
<u>At 30 June 2014</u>		
Cash flow sensitivity - Variable rate financial liabilities	<u>4.45</u>	<u>(4.45)</u>
<u>At 30 June 2013</u>		
Cash flow sensitivity - Variable rate financial liabilities	<u>5.10</u>	<u>(5.10)</u>

The sensitivity analysis prepared is not necessarily indicative of the effects on profit for the year and assets / liabilities of the Company.

WJTHAS p.u

#### 40.3.3 Other price risk

Other price risk is the risk that the fair value or future cash flows of a financial instrument will fluctuate because of changes in market prices (other than those arising from interest rate risk or currency risk). The Company does not have exposure in listed equities at 30 June 2014.

#### 40.3.4 Fair value of financial instruments

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

##### a) Valuation of financial instruments

The carrying values of other financial assets and financial liabilities reported in balance sheet approximate their fair values. The Company measures fair values using the following fair value hierarchy that reflects the significance of the inputs used in making the measurements.

Level 1: Quoted market price (unadjusted) in an active market for an identical instrument.

Level 2: Valuation techniques based on observable inputs.

Level 3: Valuation techniques using significant unobservable inputs. This category includes all instruments where the valuation technique includes inputs not based on observable data

#### 40.3.5 Operational risk

Operational risk is the risk of direct or indirect loss arising from a wide variety of causes associated with the Company's processes, personnel, technology and infrastructure, and from external factors other than credit, market and liquidity risks such as those arising from legal and regulatory requirements and generally accepted standards of corporate behaviour. Operational risks arise from all of the Company's operations.

The Company's objective is to manage operational risk so as to balance the avoidance of financial losses and damage to the Company's reputation with overall cost effectiveness and to avoid control procedures that restrict initiative and creativity.

The primary responsibility for the development and implementation of controls to address operational risk is assigned to senior management within the Company. This responsibility is supported by the development of overall Company standards for the management of operational risk in the following areas:

- requirements for appropriate segregation of duties, including the independent authorization of transactions
- requirements for the reconciliation and monitoring of transactions
- compliance with regulatory and other legal requirements
- documentation of controls and procedures
- requirements for the periodic assessment of operational risks faced, and the adequacy of controls and procedures to address the risks identified
- development of contingency plans
- training and professional development
- ethical and business standards
- risk mitigation, including insurance where this is effective

#### 40.4 Capital management

The Company does not have any share capital nor it has any borrowings, hence, the above disclosure has not been presented in the financial statements.

WANG LU



2014 2013  
(Rupees in thousand)

41 Increase / (decrease) in working capital

Decrease / (increase) in current assets:

Stores	(7,225)	(58)
Loans and advances	35,626	21,311
Trade debts	(16,393)	(17,112)
Other receivables	(619)	(3,830)
Short term prepayments	1,106	(1,957)
	12,495	(1,646)

Increase / (decrease) in current liabilities:

Members' contribution fund	(35,106)	44,805
Investors' protection fund	14,973	19,123
Trade and other payables	765	(14,846)
	(19,368)	49,082
	(6,873)	47,436

42 Operating segments

- 42.1 These financial statements have been prepared on the basis of single reportable segment.  
42.2 Revenue from operations of exchange constitutes 50.78% of the total revenue of the Company.  
42.3 100% (2013: 100%) revenue of the Company relates to customers in Pakistan.  
42.4 All non-current assets of the Company as at 30 June 2014 are located in Pakistan.

43 Number of employees

The total average number of employees during the year and as at June 30, 2014 and 2013 respectively are as follows:

	2014	2013
	No of employees	
Average number of employees during the year	115	79
Number of employees at 30 June	111	79

44 Date of authorization for issue

These financial statements were authorized for issue on 17 OCT 2014 by the Board of Directors of the Company.

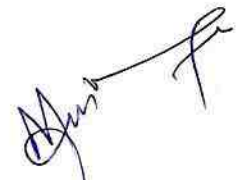
45 General

- 45.1 The Board of Directors of the Company in its meeting held on 17 October 2014 has proposed cash dividend of Rs. 0.42 /- per share. This appropriation will be approved in forth coming Annual General Meeting of the Company. The financial statements of the Company for the year ended 30 June 2014 do not include the effect of this appropriation which will be accounted for in the financial statements for the year ending 30 June 2015.  
45.2 Figures have been rounded off to nearest thousand rupee.

Lahore

  
Managing Director

  
Director

  
Director

