

AUDITORS' REPORT

We have audited the annexed balance sheet of **AM CHAUDHARY SECURITIES (PRIVATE) LIMITED** as at June 30, 2014 and the related profit and loss account, statement of comprehensive income, cash flow statement and statement of changes in equity together with the notes forming part thereof, for the year then ended and we state that we have obtained all the information and explanations which, to the best of our knowledge and belief, were necessary for the purpose of our audit.

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

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

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

LAHORE: September 23, 2014



PHINEHAS & CO.
Chartered Accountants

**AM CHAUDHARY SECURITIES (PVT.) LIMITED
BALANCE SHEET AS AT JUNE 30, 2014**

	Note	2014 Rupees	2013 Rupees
EQUITY AND LIABILITIES			
SHARE CAPITAL			
Authorized			
700,000 ordinary shares of Rs.100 each		70,000,000	70,000,000
Issued, subscribed and paid-up			
100,000 ordinary shares of Rs.100 each fully paid in cash		10,000,000	10,000,000
Accumulated profits/(loss)		(716,329)	-
Share Deposit Money		9,283,671	10,000,000
		24,705,348	8,939,750
NON CURRENT LIABILITIES			
CURRENT LIABILITIES			
Trade and other payables	4	4,259,123	25,000
Provision for Taxation		1,645	-
		4,260,768	25,000
		38,249,787	18,964,750
CONTINGENCIES & COMMITMENTS			
ASSETS			
NON CURRENT ASSETS			
Property and equipment	6	378,800	-
Intangible assets	7	4,461,200	4,411,200
Long term investment	8	4,439,750	4,439,750
		9,279,750	8,850,950
CURRENT ASSETS			
Trade debts	9	16,257,009	-
Loans and advances	10	9,789,683	-
Cash and bank balances	11	2,923,345	10,113,800
		28,970,037	10,113,800
		38,249,787	18,964,750

The annexed notes (1-19) form an integral part of these financial statements.

CHIEF EXECUTIVE



DIRECTOR



[Handwritten signature]

AM CHAUDHARY SECURITIES (PVT.) LIMITED
PROFIT AND LOSS ACCOUNT
FOR THE YEAR ENDED JUNE 30, 2014

	Note	2014 Rupees	2013 Rupees
Brokerage receipts		164,536	-
Administrative expenses	12	961,441	-
Selling and distribution expenses		-	-
Operating profit		961,441	-
Finance cost	13	(796,905)	-
Other operating expenses		2,177	-
		-	-
Other operating income	14	(799,082)	-
Profit before taxation		84,398	-
Taxation	15	(714,684)	-
Profit for the year		1,645	-
		(716,329)	-
Earnings per share	16	(7.16)	-

The annexed notes (1-19) form an integral part of these financial statements.

CHIEF EXECUTIVE



DIRECTOR



**AM CHAUDHARY SECURITIES (PVT.) LIMITED
STATEMENT OF COMPREHENSIVE INCOME
FOR THE YEAR ENDED JUNE 30, 2014**

	Note	2014 Rupees	2013 Rupees
Profit/(Loss) for the year		(716,329)	-
Other comprehensive Income		-	-
Total comprehensive income/(loss)		<u>(716,329)</u>	<u>-</u>

The annexed notes (1-19) form an integral part of these financial statements.

CHIEF EXECUTIVE



DIRECTOR

Umesh P.



[Handwritten signature]

**AM CHAUDHARY SECURITIES (PVT.) LIMITED
STATEMENT OF CHANGES IN EQUITY
FOR THE YEAR ENDED JUNE 30, 2014**

	Share Capital	Accumulated Profit	Total
	Rupees	Rupees	Rupees
Balance as at July 01, 2012	30,000	-	30,000
Shares issued during the year	9,970,000	-	9,970,000
Total comprehensive income	-	-	-
Balance as at June 30, 2013	<u>10,000,000</u>	<u>-</u>	<u>10,000,000</u>
Balance as at July 01, 2013	10,000,000	-	10,000,000
Total comprehensive Income/(loss)	-	(716,329)	(716,329)
Balance as at June 30, 2014	<u>10,000,000</u>	<u>(716,329)</u>	<u>9,283,671</u>

The annexed notes (1-19) form an integral part of these financial statements.

CHIEF EXECUTIVE



DIRECTOR

Umesh Arora



[Handwritten Signature]

AM CHAUDHARY SECURITIES (PVT.) LIMITED
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 2014

1. THE COMPANY AND ITS OPERATION

The company was incorporated as a (SMC) private limited company in Pakistan under the Companies Ordinance, 1984 on May 31, 2006. The company is a corporate member of the Lahore Stock Exchange Limited. Its principal activities include trading and brokerage for equities, underwriting of public issues etc.. The registered office of the company is located at Room no. 311, Lahore Stock Exchange building 19-Khavahan-e-Aiwan-e-Iqbal Lahore

2. BASIS OF PREPARATION

2.1 Statement of compliance

These financial statements have been prepared in accordance with the Accounting and Financial Reporting Standards for Medium-Sized Entities as applicable in Pakistan and the requirements of the Companies Ordinance, 1984. These accounting standards are notified by the Securities and Exchange Commission of Pakistan. In case requirement differ. the provisions or directives of the

2.2 Basis of measurement

These financial statements have been prepared under the historical cost convention without any adjustment for the effect of inflation or current values except investments in shares that have been measured at fair values.

2.3 Functional and presentation currency

These financial statements are presented in Pakistan Rupee which is also the Company's functional currency and presentation currency of the company and rounded off to the nearest rupees.

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

3.1 Taxation

Current

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

Deferred

Deferred tax is accounted for using the balance sheet liability method in respect of all temporary differences arising from differences between the carrying amount of assets and liabilities in the financial statements and the corresponding tax bases used in the computation of the taxable profit. Deferred tax liabilities are generally recognized for all taxable temporary differences and deferred tax assets to the extent that it is probable that taxable profits will be available against which the deductible temporary differences, unused tax losses and tax credits can be utilized.

3.2 Property and equipment

These are stated at cost less accumulated depreciation and impairment loss, if any. 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 item will flow to the Company and the cost of the item can be measured reliably. All other repair and maintenance costs are charged to profit and loss account during the period in which they are incurred.

Depreciation

Depreciation on property, plant and equipment is charged to profit and loss account applying the reducing balance method so as to write off the cost / depreciable amount of the assets over their estimated useful lives. The Company charges the depreciation on additions from the date when the asset is available for use and on deletions up to the date when the asset is de-recognized. The residual values and useful lives are reviewed by the management, at each financial year-end and adjusted if impact on depreciation is significant.

3.3 Intangible assets

Intangible assets with finite useful life are stated at cost less amortization and impairment, if any. Subsequently expenditure is capitalized only when it increases the future economic benefits embodied in the specific assets to which it relates. All other expenditure is expensed as incurred.

Leasehold

Room lease hold rights are stated at cost less impairments, if any. The carrying amount is reviewed at each balance sheet date to assess whether these are recorded in excess of their recoverable amounts, and where carrying value is in excess of recoverable amount, these are written down to their estimated recoverable amount.

3.4 Trade and other receivables

Trade debts and other receivables are carried at original invoice value less an estimate made for doubtful debts based on a review of all outstanding amounts at the year end. Bad debts are written off when identified.

3.5 Cash and cash equivalents

Cash and cash equivalents are carried at cost in the balance sheet. For the purpose of cash flow statement, cash and cash equivalents comprise of cash in hand, bank balances and short term borrowings.

3.6 Trade and other payables

Trade and other payables are recognized initially at fair value plus directly attributable cost, if any, and subsequently measured at amortized cost.

3.7 Borrowing costs

Interest, mark-up and other charges on long-term finances are capitalized up to the date of commissioning of respective qualifying assets acquired out of the proceeds of such long-term finances. All other interest, mark-up and other charges are recognized in profit and loss account.

3.8 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 obligations and a reliable estimate of the amount can be made.

3.9 Financial instruments

Financial assets and liabilities are recognized when the Company becomes a party to the contractual provisions of instrument. Initial recognition is made at fair value plus transaction costs directly attributable to acquisition, except for "financial instruments at fair value through profit or loss" which are initially measured at fair value.

Financial assets are de-recognized when the Company loses control of the contractual rights that comprise the financial asset. The Company loses such control if it realizes the rights to benefits specified in contract, the rights expire or the Company surrenders those rights. Financial liabilities are de-recognized when the obligation specified in the contract is discharged, cancelled or expired. Any gain or loss on subsequent measurement (except available for sale investments) and de-recognition is charged to the profit or loss currently. The particular measurement methods adopted are disclosed in the individual policy statements associated with each item.

3.10 Borrowings

Borrowings are recognized initially at fair value and are subsequently stated at amortized cost. Any difference between the proceeds and the redemption value is recognized in the profit and loss account over the period of the borrowings using the effective interest method.

3.11 Impairment

At each reporting date, the Company reviews the carrying amounts of its assets to determine whether there is any indication that those assets have suffered an impairment loss. If any such indication exists, the recoverable amount of the asset is estimated in order to determine the extent of the impairment loss (if any). If the recoverable amount of an asset is estimated to be less than its carrying amount, the carrying amount of the asset is reduced to its recoverable amount. Impairment losses are recognized as an expense immediately.

3.12 Earnings per share (EPS)

Basic EPS is calculated by dividing the profit or loss attributable to ordinary shareholders of the Company by the weighted average number of ordinary shares outstanding during the year.

Diluted EPS is calculated by adjusting basic EPS by the weighted average number of ordinary shares that would be issued on conversion of all dilutive potential ordinary shares into ordinary shares and post-tax effect of changes in profit or loss attributable to ordinary shareholders of the Company that would result from conversion of all dilutive potential ordinary shares into ordinary shares.

3.13 Off setting of financial instruments

Financial assets and liabilities are off-set and the net amount reported in the balance sheet when there is a legally enforceable right to offset the recognized amounts and there is an intention to settle on a net basis, or realize the asset and settle the liability simultaneously.

3.14 Investments

Available-for-sale

Investments which are intended to be held for an undefined period of time but may be sold in response to the need for liquidity or changes in interest rates are classified as available-for-sale

Subsequent to initial recognition at cost, these are remeasured at fair value. The Company uses latest stock exchange quotations to determine the fair value of its quoted investments whereas fair value of investments in un-quoted companies is determined by applying the appropriate valuation techniques as permissible under IAS 39 (Financial Instruments: Recognition and Measurement). Gains or losses on available-for-sale investments are recognized directly in other comprehensive income until the investments are sold or disposed-off, or until the investments are determined to be impaired, at that time cumulative gain or loss previously recognized in other comprehensive income, is re-classified from equity to profit and loss as re-classification adjustment.

At fair value through profit or loss

Investments at fair value through profit and loss are those which are acquired for generating a profit from short-term fluctuation in prices. All investments are initially recognized at cost, being the fair value of the consideration given. Subsequent to initial recognition, these investments are re-measured at fair value (quoted market price). Any gain or loss from a change in the fair value is recognized in income.

Investment in subsidiary

Investments in subsidiaries and associates are stated at cost and the carrying amount is adjusted for impairment, if any.

Subsidiary is an enterprise in which the Company directly controls, beneficially owns or holds more than 50% of the voting securities or otherwise has power to elect and / or appoint more than 50% of its directors. The existence and effect of potential voting right that are currently exercisable or convertible when assessing whether the group controls another entity.

3.15 Loans and advances

Loans and advances are recognized initially at cost and subsequently measured at amortized cost.

3.16 Revenue recognition

- Brokerage income is recognized as and when such services are rendered.
- Mark up income, return on bank deposits and balances are recognized on accrual basis.
- Dividend income is recorded when the right to receive the dividend is established.

	Note	2014 Rupees	2013 Rupees
4. TRADE AND OTHER PAYABLES			
Trade creditors		4,105,657	-
Accruals and Other liabilities		153,466	25,000
Workers welfare fund	4.1	-	-
		<u>4,259,123</u>	<u>25,000</u>

5. CONTINGENCIES AND COMMITMENTS

Contingencies

There were no contingencies as at year end. (2013 : Nil)

Commitments

There were no commitments as at year end. (2013 : Nil)

8. LONG TERM INVESTMENT

Available for sale

Unquoted - shares of Lahore Stock Exchange Limited (LSE)		4,439,750	4,439,750
		<u>4,439,750</u>	<u>4,439,750</u>

Pursuant to demutualization of the Lahore Stock Exchange Limited (LSE), the ownership rights in a Stock Exchange were segregated from the right to trade on an exchange. As a result of such demutualization, the Company received shares and TREC from the LSE against its membership card.

The above arrangement has resulted in allocation of 843,975 shares at Rs. 10 each with a total face value of Rs. 8.44 million and TREC to the Company by the LSE. Out of total shares issued by the LSE, the Company has actually received 40% equity shares i.e. 337,590 shares. The remaining 60% shares have been transferred to CDC sub-account in the Company's name under the LSE's participant IDs with the CDC which will remain blocked until these are divested/sold to strategic investor(s), general public and financial institutions and proceeds are paid to the

The Institute of Chartered Accountants of Pakistan in its technical guide dated May 29, 2013, concluded that the demutualization, in substance, had not resulted in exchange of dissimilar assets, and therefore no gain or loss should be recognized and the segregation of ownership rights and the trading rights should be accounted for by allocating the cost/carrying value of the membership card between the two distinct assets on a reasonable basis.

Further recently, the LSE has introduced a minimum capital regime for the brokers, and for this purpose has valued TREC at Rs.4 million as per the decision of the Board of Directors of the LSE. This fact indicates an acceptable level of value for TREC which is also used by the Stock Exchange for risk management and to safeguard the investor's interest. In the absence of an active market for TREC, this assigned value of Rs. 4 million has been considered as the closest estimate of the fair value of the TREC.

	Note	2014 Rupees	2013 Rupees
9. TRADE DEBTS-Unsecured			
Considered good		16,257,009	-
Considered doubtful		-	-
		16,257,009	-
Provision for doubtful debts		-	-
		<u>16,257,009</u>	<u>-</u>
10. LOAN AND ADVANCES			
Security deposit		780,000	-
Advance income tax		9,683	-
Advance to Director		9,000,000	-
		<u>9,789,683</u>	<u>-</u>
11. CASH AND BANK BALANCES			
Cash in hand		60,866	10,100,702
Cash at bank - in current accounts		2,862,479	13,098
- in saving accounts		-	-
		2,862,479	13,098
		<u>2,923,345</u>	<u>10,113,800</u>
12. OPERATING AND ADMINISTRATIVE EXPENSES			
Directors remuneration		-	-
Salaries, wages and benefits		478,000	-
L.S.E charges		435	-
C. D. C charges		44,415	-
NCCPL charges		60,131	-
Remote terminal charges		-	-
Electricity		50,804	-
Legal and professional charge		68,575	-
Communication		51,469	-
Postage and telegram		4,494	-
Rent, rate and taxes		670	-
Entertainment		7,238	-
Repair and maintenance		40,650	-
Printing and stationary		3,260	-
Auditor's remuneration		75,000	-
Depreciation		51,700	-
Charity and Donations		10,000	-
Miscellaneous expenses		14,600	-
		<u>961,441</u>	<u>-</u>
13. FINANCE COST			
Bank charges		2,177	-
		<u>2,177</u>	<u>-</u>
14. OTHER OPERATING INCOME			
Dividend income		84,398	-
		<u>84,398</u>	<u>-</u>
15. TAXATION			
Current		-	-
for the year		1,645	-
for prior year		-	-
		1,645	-
		<u>1,645</u>	<u>-</u>

16. EARNING PER SHARE

BASIC

(Loss) / profit for the year

2014
Rupees

2013
Rupees

(716,329)

-

Number of shares

Weighted average number of ordinary shares

100,000

100,000

(Loss) / earnings per share

(7.16)

-

DILUTED

There is no dilution effect on the basic earning per share of the company as the company has no such commitments.

17. CASH AND CASH EQUIVALENTS

Cash in hand

60,866

10,100,702

Cash at bank

In current accounts

2,862,479

13,098

In saving accounts

-

-

-

-

2,862,479

13,098

2,923,345

10,113,800

18. DATE OF AUTHORISATION FOR ISSUE

These financial statements were authorized for issue by the board of Directors of the company in their meeting held on September 23, 2014.

19 GENERAL

- Corresponding figures have been reclassified wherever necessary. However, for the purpose of better comparison no material reclassification has been
- Figures in these financial statements has been rounded off to the nearest Rupee.

6. PROPERTY AND EQUIPMENT

Net book value at the beginning of the year
 Addition
 Depreciation for the year
Net book value at the end of the year

Cost
 Accumulated depreciation
Net book value at the 30 June 2014

Depreciation rate (% per annum)

2014				
Furniture & Fixtures	Office Equipments	Computers	Vehicles	Total
Rupees	Rupees	Rupees	Rupees	Rupees
-	-	-	-	-
145,500	135,000	150,000	-	430,500
(9,700)	(9,000)	(33,000)	-	(51,700)
135,800	126,000	117,000	-	378,800
145,500	135,000	150,000	-	430,500
(9,700)	(9,000)	(33,000)	-	(51,700)
135,800	126,000	117,000	-	378,800
10%	10%	33%	10%	

Net book value at the beginning of the year
 Addition
 Depreciation for the year
Net book value at the end of the year

Cost
 Accumulated depreciation
Net book value at the 30 June 2013

Depreciation rate (% per annum)

2013				
Furniture & Fixtures	Office Equipments	Computers	Vehicles	Total
Rupees	Rupees	Rupees	Rupees	Rupees
-	-	-	-	-
-	-	-	-	-
-	-	-	-	-
-	-	-	-	-
-	-	-	-	-
-	-	-	-	-
10%	10%	33%	10%	

7. INTANGIBLE ASSETS

	2014				Total Rupees
	Computer software Rupees	Pre-operating Expenses Rupees	Trading Right Entitlement Certificate Rupees	Rooms at LSE Rupees	
Net book value at the beginning of the year	-	411,200	4,000,000	0	4,411,200
Addition	50,000	-	-	-	50,000
Transfer to long term investments - available for sale	-	-	-	-	-
Net book value at the end of the year	50,000	411,200	4,000,000	0	4,461,200
Cost	50,000	411,200	4,000,000	0	4,461,200
Accumulated amortization	-	-	-	-	-
Accumulated impairment	-	-	-	-	-
Net book value at the 30 June 2014	50,000	411,200	4,000,000	0	4,461,200
Amortization rate (% per annum)	30%	20%	N/A	N/A	

It represents Trading Right Entitlement Certificate (TREC) received from Lahore Stock Exchange Limited (LSE) in accordance with the requirements of the Stock Exchanges (Corporatization, Demutualization and Integration) Act, 2012 (the Act). The Company has also received shares of LSE after completion of demutualization process. For details, refer note 3.

	2013				Total Rupees
	Computer software Rupees	Preliminary expenses Rupees	Trading Right Entitlement Certificate Rupees	Rooms at LSE Rupees	
Net book value at the beginning of the year	-	365,600	8,439,750	0	8,805,350
Addition	-	45,600	-	-	45,600
Transfer to long term investments - available for sale	-	-	(4,439,750)	-	(4,439,750)
Net book value at the end of the year	-	411,200	4,000,000	0	4,411,200
Cost	-	411,200	4,000,000	0	4,411,200
Accumulated amortization	-	-	-	-	0
Net book value at the 30 June 2013	-	411,200	4,000,000	0	4,411,200
Amortization rate (% per annum)	30%	20%	N/A	N/A	