

Lahore Stock Exchange Limited

Financial Statements for the year ended
30 June 2013



KPMG Taseer Hadi & Co.
Chartered Accountants
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Auditors' Report to the Members

We have audited the annexed balance sheet of **Lahore Stock Exchange Limited** ("the Company") as at 30 June 2013 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;
 - ii) the expenditure incurred during the year was for the purpose of the Company's business; and
 - iii) the business conducted, investments made and the expenditure incurred during the year were in accordance with the objects of the Company;

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- c) in our opinion and to the best of our information and according to the explanations given to us, the balance sheet, profit and loss account, statement of comprehensive income, 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 2013 and of the profits, its changes in equity and its cash flows for the year then ended; and
- d) in our opinion no Zakat was deductible at source by the Company under section 7 of the Zakat and Ushr Ordinance, 1980 (XVIII of 1980).

We draw attention to the following matters:

- i) Note 24 to the financial statements states that, due to pending court cases, recoverability of Rs. 161.637 million due from the defaulted / suspended members depends upon favourable judgements by the respective courts.
- ii) As explained in notes 14.2 and 15.2 to the financial statements, the balances pertaining to the Company's Members Contribution Fund (MCF) and Investors Protection Fund (IPF) amounting to Rs. 519.734 million and Rs. 261.812 million respectively, are included in the Company's balance sheet. Although the Company has established separate trusts for MCF and IPF, but the entire amounts pertaining to these are still to be transferred to these trusts. The same is contrary to the Company's regulatory framework and the Securities and Exchange Commission of Pakistan's explicit directives that the entire amount being carried in the balance sheet in respect of MCF and IPF should be transferred to such trusts so that the same remain fully funded.

Our opinion is not qualified in respect of these matters.

Lahore

Date: 09 October 2013



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

Lahore Stock Exchange Limited

Balance Sheet

As at 30 June 2013

	Note	2013 (Rupees in thousand)	2012 (Rupees in thousand)
Equity and liabilities			
Share capital and reserves			
Issued, subscribed and paid-up capital	6	1,282,842	-
Members' initial contribution	7	77,390	116,102
Reserves		1,360,232	878,301
		994,403	
Surplus on revaluation of fixed assets	8	60,879	420,681
Non-current liabilities			
Liabilities against asset subject to finance lease	9	-	268
Long term liabilities	10	93,013	84,810
Deferred liabilities	11	20,407	39,391
		113,420	124,469
Current liabilities			
Trade and other payables	12	184,647	184,464
Current portion of long term liabilities	13	18,263	14,747
Members' contribution fund	14	519,734	495,179
Investors' protection fund	15	261,812	242,689
		984,456	937,079
Contingencies and commitments			
	16	2,518,987	2,476,632
		<u>2,518,987</u>	<u>2,476,632</u>
Assets			
Non-current assets			
Property and equipment	17	497,493	478,616
Intangibles	18	167	284
Long term investments	19	360,873	342,231
Long term loans	20	118	2,266
Long term deposits	21	2,105	2,105
Deferred taxation	22	54,503	53,483
		915,259	878,985
Current assets			
Stores	23	1,439	1,382
Trade debts	24	40,402	29,081
Loans and advances		185,729	207,040
Short term prepayments	25	5,476	3,519
Interest accrued	26	24,758	23,970
Other receivables	27	4,087	1,551
Short term investments	28	1,027,140	1,160,056
Tax refunds due from Government	29	69,810	71,920
Cash and bank balances		244,887	99,128
		1,603,728	1,597,647
		<u>2,518,987</u>	<u>2,476,632</u>

The annexed notes 1 to 46 form an integral part of these financial statements.

WITNESSED BY



Lahore

Managing Director



Director

Lahore Stock Exchange Limited

Profit and Loss Account

For the year ended 30 June 2013

	Note	2013 (Rupees in thousand)	2012
Revenue			
Fee income	30	94,697	88,654
Rental income - net	31	19,291	16,992
Profit on bank deposits and investments	32	55,368	60,014
Software revenues	33	2,859	5,808
Other operating income	34	23,975	40,293
		<u>196,190</u>	<u>211,761</u>
Expenses			
Administrative expenses	35	(144,480)	(133,833)
Other charges	36	(48,128)	(58,737)
		<u>3,582</u>	<u>19,191</u>
Operating profit			
Finance cost	37	(196)	(1,097)
Share of after tax profit of equity-accounted investees - net of tax		40,616	30,456
		<u>44,002</u>	<u>48,550</u>
Profit before taxation			
Taxation	38	(5,305)	61,923
		<u>38,697</u>	<u>110,473</u>
Profit for the year - after taxation			
Earning per share - basic and diluted - (Rupees)	39	<u>0.30</u>	<u>-</u>

The annexed notes 1 to 46 form an integral part of these financial statements.

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Lahore

Managing Director

Director

Director

Lahore Stock Exchange Limited
 Statement of Comprehensive Income
 For the year ended 30 June 2013

	Note	2013 (Rupees in thousand)	2012
Profit for the year		38,697	110,473
Other comprehensive income for the year			
Share of the comprehensive income of equity-accounted investees in respect of gain on revaluation of 'available for sale' investments	19.1.2	(599)	919
Total comprehensive income for the year		<u><u>38,098</u></u>	<u><u>111,392</u></u>

The annexed notes 1 to 46 form an integral part of these financial statements.

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Lahore



 Managing Director



 Director



 Director

Lahore Stock Exchange Limited
Statement of changes in equity
For the year ended 30 June 2013

	Share capital	Members initial contribution	Capital reserve		Revenue reserve	
			Capital reserve	Fair value reserve	Retained earning	Total
Balance at 30 June 2011	-	116,102	1,342	580	763,007	881,031
<i>Note</i> ----- Rupees in thousand -----						
Total comprehensive income for the year:						
Profit for the year	-	-	-	-	110,473	110,473
Total other comprehensive income	-	-	919	-	-	919
Total comprehensive income for the year	-	-	919	-	110,473	111,392
Incremental depreciation for the year on surplus on revaluation of fixed assets - net of deferred tax	-	-	-	-	1,980	1,980
Balance at 30 June 2012	-	116,102	1,342	1,499	875,460	994,403
Total comprehensive income for the year:						
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 fixed assets - net of deferred tax	-	-	-	-	1,646	1,646
Transactions with owners of the Company:						
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
Dividend paid:						
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

The annexed notes 1 to 46 form an integral part of these financial statements.

Managing Director



Director



Director

Lahore

Lahore Stock Exchange Limited

Cash Flow Statement

For the year ended 30 June 2013

	2013	2012
	(Rupees in thousand)	
Cash flow from operating activities		
Profit before taxation	44,002	48,550
Adjustments for:		
Depreciation	9,610	14,719
Amortization of intangibles	118	69
Share of profit from equity-accounted investees	(40,616)	(30,456)
Staff retirement benefits - gratuity	15,144	7,549
Provision for earned leaves	2,672	3,519
Profit / interest on bank deposits and investments	(55,368)	(60,014)
Lease rentals	(33,630)	(34,494)
Gain on disposal of property and equipment	(629)	(1,719)
Employees' welfare fund	1,000	1,500
Provision for re-registration fee		
Provision against:	15,029	-
- fee receivable	5,791	35,666
- other receivables	1,294	1,152
Finance cost	196	1,097
	(79,389)	(61,412)
Increase in working capital	27,186	77,717
	(8,201)	64,855
Deposits (liabilities)	45,489	11,370
Provident fund	5,954	6,708
Long term loans	2,148	909
	53,591	18,987
Cash generated from operations	45,390	83,842
Taxation paid	(4,215)	(9,721)
Employees benefits paid	(43,754)	(2,094)
Finance cost paid	(196)	(1,096)
Net cash (used in) / generated from operating activities	(2,775)	70,931
Cash flow from investing activities		
Fixed capital expenditure	(30,531)	(13,183)
Proceeds from sale of property and equipment	2,673	3,403
Investments matured during the year	-	24,369
Investments made during the year	132,916	(97,523)
Profit / interest received on bank deposits	54,580	37,545
Dividend received	21,375	15,000
Net cash generated from / (used in) investing activities	181,013	(30,389)
Cash flow from financing activities		
Lease rentals paid	(408)	(342)
Dividend paid	(32,071)	-
Net cash used in financing activities	(32,479)	(342)
Net increase in cash and cash equivalents	145,759	40,200
Cash and cash equivalents at the beginning of the year	99,128	58,928
Cash and cash equivalents at the end of the year	244,887	99,128

The annexed notes I to 46 form an integral part of these financial statements.

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Lahore

Managing Director

Director

Director

Lahore Stock Exchange Limited

Notes to the Financial Statements

For the year ended 30 June 2013

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 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 Significant event during the year

Issuance of certificate of re-registration and allotment of shares

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.

On 27 August 2012, the registrar issued a certificate of re-registration to the Company as evidence of its change in status from a company limited by guarantee to a public company limited by shares.

3 Basis of preparation

3.1 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.

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3.2 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.

3.3 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.

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 next year 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 equipments

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 equipments with a corresponding affect on the depreciation charge and impairment.

- Intangibles

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

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- **Staff retirement benefits**

Certain actuarial assumptions have been adopted as disclosed in 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 and loss. Individually significant financial assets are tested for impairment on individual basis. An impairment loss in respect of available-for-sale financial assets is calculated by the reference to its current fair value. Any cumulative loss in respect of an available-for-sale financial asset recognised previously in equity is transferred to profit and loss.

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.

For available-for-sale financial assets that are equity securities, the reversal is recognised directly in equity.

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

4.1 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.

4.2 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 2013:

WMMO 141

