RAO & COMPANY
CHARTERED ACCOUNTANTS

TELEPHONES
2412778 & 2412779
FAX : 2419452
TELEGRAMS
AKOUNTVIEW

Securities & Exchange Commission of Pakistan
Diary No.
10 AUG 2012
CRO KARACHI.

4 Karachi Chambers
Hasrat Mohani Road
P.O. Box 5061
Karachi-2
PAKISTAN

Auditors' Report to the Members

We have audited the annexed balance sheet of **Lahore Broadcasting Corporation (Private) Limited**, Karachi, as at 30th June, 2011 and the related profit & loss account, cash flow statement and statement of changes in equity together with the notes forming part thereof, for the year then ended and we state that we have obtained all the information and explanations which, to the best of our knowledge and belief, were necessary for the purposes of our audit.

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

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

a) in our opinion, proper books of account have been kept by the Company as required by the Companies Ordinance, 1984.

b) in our opinion:-

   i) the balance sheet and profit & 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, the profit & loss account, 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 30th June 2011, and of the profit and changes in equity for the year then ended and:

d) in our opinion, no Zakat was deductible at source under the Zakat & Ushr Ordinance, 1980.

Karachi:
Date: 10 OCT 2011

RAO & COMPANY
CHARTERED ACCOUNTANTS
Audit Engagement Partner
(NISAR AHMED) FCA

Securities and Exchange Commission of Pakistan Karachi Regional Office

CHARTERED ACCOUNTANTS RAO & CO. Karachi

LAHORE BROADCASTING CORPORATION (PRIVATE) LIMITED
BALANCE SHEET
AS AT JUNE 30, 2011

	Note	2011 Rupees	2010 Rupees
ASSETS			
NON-CURRENT ASSETS			
Property, Plant & Equipment	4	6,125,085	6,351,370
Intangible Assets	5	2,080,000	2,340,000
Deferred Cost		-	69,060
LONG TERM DEPOSITS		60,800	222,800
		8,265,885	8,983,230
CURRENT ASSETS			
Stock in Store		62,426	140,458
Due from Related Parties	6	22,044,335	22,864,380
Trade Debts-Un-secured-Considered Good		18,126,200	13,056,418
Advances, Deposits, Prepayments and Other Receivables	7	1,211,229	1,498,595
Cash and Bank Balances	8	813,398	860,398
		42,257,588	38,420,249
		50,523,473	**47,403,479**
EQUITY AND LIABILITIES			
SHARE CAPITAL & RESERVES			
Authorized Share Capital			
2,500,000 Ordinary Shares of Rs. 10/- each		25,000,000	25,000,000
Paid up Capital	9	10,000,000	10,000,000
Unappropriated Profit / (Loss)		11,928,773	10,883,236
Shareholders' Equity		21,928,773	20,883,236
LONG TERM LOAN (SECURED)			
Term Finance Loan	10	-	-
Obligations under Fianace Lease	11	-	158,724
		21,928,773	21,041,960
CURRENT LIABILITIES			
Current Portion of Long Term Loan	10	-	43,999
Current Portion of Obligation under Finance Lease	11	-	286,698
Over Due Loan	12	9,535,377	9,535,377
Craditors & Accrued expenses	13	18,390,755	15,687,367
Provision for Taxation		668,568	808,078
		28,594,700	26,361,519
Contingencies & Commitments	14		
		50,523,473	**47,403,479**

The annexed notes 1 to 21 form an integral part of these financial statements

CHIEF EXECUTIVE

DIRECTOR

LAHORE BROADCASTING CORPORATION (PRIVATE) LIMITED
PROFIT & LOSS ACCOUNT
FOR THE YEAR ENDED JUNE 30, 2011

	Note	2011	2010
		Rupees	Rupees
Advertising Income	15	32,401,771	37,029,957
Less: Cost of Transmission	16	(21,131,875)	(25,595,322)
Gross Profit		11,269,896	11,434,635
Operating Expenses			
Administrative & Selling Expenses	17	9,279,667	9,032,976
Finance Cost	18	80,033	106,890
		9,359,700	(9,139,866)
Operating Profit for the year		1,910,196	2,294,769
Profit on Investment		-	330,955
Profit Before Tax		1,910,196	2,625,724
Taxation - Current Year		668,568	(808,078)
- Prior Year		196,091	(4,254)
		864,659	(812,332)
Profit after Taxation		1,045,537	1,813,392
Earnings per Share - Basic	19	1.05	1.81

The annexed notes form an integral part of these financial statements

CHIEF EXECUTIVE

DIRECTOR

LAHORE BROADCASTING CORPORATION (PRIVATE) LIMITED
CASH FLOW STATEMENT
FOR THE YEAR ENDED JUNE 30, 2011

	2011 Rupees	2010 Rupees
CASH FLOW FROM OPERATING ACTIVITIES		
Net Profit (Loss) before taxation	1,910,196	2,625,724
Adjustment for non-cash and other items:		
Depreciation	1,113,064	1,032,998
Amortization	329,060	329,070
	1,442,124	1,362,068
Operating profit / (loss) before working capital changes	3,352,320	3,987,792
Adjustment for Working Capital Changes		
(Increase)/ Decrease in current assets		
Stock and Stores	78,032	93,638
Due from Associated	820,045	(3,153,040)
Trade Debtors	(5,069,780)	862,281
Advances, Deposits and Other Receivables	287,366	57,299
	(3,884,337)	(2,139,822)
Increase/ (Decrease) in current liabilities		
Creditors	2,703,388	(296,620)
Income Tax Paid	(1,004,169)	(950,765)
Due to Associated	-	-
	1,699,219	(1,247,385)
Net Cash inflow/ (outflow) from operating activities	1,167,202	600,585
CASH FLOW FROM INVESTING ACTIVITIES		
Property, Plant & Equipment purchased	(886,781)	(831,137)
License Fee paid	-	(2,600,000)
Long Term Deposit	162,000	-
Net Cash inflow/ (outflow) from investing activities	(724,781)	(3,431,137)
CASH FLOW FROM FINANCING ACTIVITES		
Long Term Loan	(43,999)	(161,332)
Obligations under Finance Lease	(445,422)	(285,060)
Net Cash Flow / (used in) financing Activities	(489,421)	(446,392)
Net increase / (decrease) in Cash & cash Equivalent	(47,000)	(3,276,944)
Cash & Cash Equivalent at the begning of the year	860,398	4,137,342
Cash & Cash Equivalent at the end of the year	813,398	860,398

Note: The annexed notes form an integral part of these accounts.

CHIEF EXECUTIVE

DIRECTOR

LAHORE BROADCASTING CORPORATION (PRIVATE) LIMITED
STATEMENT OF CHANGES IN EQUITY
FOR THE YEAR ENDED JUNE 30, 2011

	Share capital	Unappropriated Profit/(loss)	Total
	---------- Rupees ----------		
Balance as at July 1,2009	10,000,000	9,069,844	19,069,844
Net Profit/(loss) for the year	-	1,813,392	1,813,392
Balance as at June 30,2010	10,000,000	10,883,236	20,883,236
Net Profit/(loss) for the year	-	1,045,537	1,045,537
Balance as at June 30, 2011	10,000,000	11,928,773	21,928,773

Note: The annexed notes form an integral part of these accounts.

CHIEF EXECUTIVE

DIRECTOR

LAHORE BROADCASTING CORPORATION (PRIVATE) LIMITED
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 2011

1. STATUS AND NATURE OF BUSINESS

The Company was incorporated as a Private Limited Company, on 12th January,1995 under the Companies Ordinance 1984, The Company has been issued a License by the Ministry of Information & Broadcasting, Government of Pakistan, to establish, operate and run a Radio Station in Pakistan. The Registered Office of the Company is situated at Plot No 43-5, E/3, block 6, P.E.C.H.S., Karachi.

2. STATEMENT OF COMPLIANCE

These financial statements have been prepared in accordance with approved accounting standards, as applicable in Pakistan. Approved Accounting Standards comprise of Accounting and Financial Reporting Standards for "Small-Sized Entities (SSEs) issued by the Institute of Chartered Accountants of Pakistan and provisions of and directives issued under the Companies Ordinance, 1984 . In case requirements differ, the provisions or directives of the Companies Ordinance, 1984 shall prevail.

3. SIGNIFICANT ACCOUNTING POLICIES

3.1 Accounting Convention

These financial statements have been prepared under the historical cost convention without any adjustment for the effect of inflation or current values, except where indicated.

Significant Accounting Estimates and Judgments

The preparation of financial statements in conformity with the Accounting and Financial Reporting Standards for Small-Sized Entities issued by the Institute of Chartered Accountants of Pakistan requires management to make judgments, estimates and assumptions that affect the application of policies and reported amounts of assets and 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 carrying values of assets and liabiliteis 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 recognised in the period in which the estimates are revised.

Significant areas requiring the use of management estimates in these financial statements relate to the useful life of depreciable assets, provision for doubtful receivables and slow moving inventory. However, assumptions and judgments made by the management in the application of accounting policies that have significant effect on the financial statements are not expected to result in material adjustment to the carrying amounts of assets and liabilities in the next year.

3.2 Property, Plant and Equipment

a) Property, Plant and Equipment are stated at cost less accumulated depreciation.

b) Depreciation is charged to income appling the "Diminishing Balance Method" at the rates specified in the schedule of fixed Capital Expenditure. Depreciation for addition is charged for the number of months, these are used during the year. And no depreciation is charged on deletion during the year.

c) Minor repairs and maintenance are charged to current expenses, while major Renewals and improvements are capitalised.

d) Any Gain or Loss on disposal of property, plant & equipment is charged to current year's Revenue.

e) Assets Subject to Finance Lease:
These are stated at lower of persent value of minimum lease payments and fair market value of Assets acquired on lease.

3.3 Intangible Assets

Intangible assets are recognized if it is probable that the future economic benefits that are attributable to the assets will flow to the enterprise and that the cost of such assets can also be measured reliably. Generally expenditure incurred to acquire Licences and Software is capitalized as intangible assets at cost less accumulated amortization and impairment loss, if any. Licence costs are amortized on a Straight Line basis over the license period from the date of license, whereas cost of Software is also amortized from the date of instalation of Software over the useful life of Software under the straight line method.

3.4 Taxation

Provision for current taxation is made on the basis of taxable income at the current rate of taxation with out considering defferred taxation after taking into account available adjustments.

3.5 Revenue Recognition

Advertising Income is recorded at the time of issuance of bill. The other Income is recognised on accrual basis.

3.6 Trade Debts

Trade debts orginated by the company are recognised and carried at original invoice amount. An estimate for doubtful debts is made when collection of the full amount is no longer probable. Bad debts are written off as incurred.

3.7 Provision

Provisions are recorded when the company has a present obligation as a result of past events, which it is probable will result in an outflow of economic bebefits and a reliable estimate can be made of the amount of the obligation.

3.8 Foreign Currency Transactions

Foreign currency transactions are converted into rupee at the rates of exchange approximating to those ruling at the date of transaction. Assets and Liabilities in foreign currencies have been translated into rupees at the rates of exchange approxing those ruling at the balance sheet date. Exchange gains or losses are included in income currently.

3.9 Off Setting

Financial asset and liabilities are offset and the net amount is reported in the balance sheet where there is a legally enforceable right to set off the recognized amount and the company intends to either settle on a net bases or to realise the assets and assets the liability simultaneously.

3.10 Financial Instruments

All the financial assets and liabilities are recognized at the time when the company becomes a party to the contractual provisions of the instrument. Any gain or loss on the recognition and derecognition of financial assets and liabilities is included in the income currently.

3.11 Trade and Other Payable

Liability for trade and other amounts payable are carried at cost which is the fair value of the consideration to be paid in the future for goods and services received, whether or not billed to the company.

3.12 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 such indication exists, the recoverable amount of the assests is estimated. Impairment loss is recognised whenever the carrying amount of an asset exceeds its recoverable amount. Impairment losses are recognised in profit and loss account currently.

3.13 Cash & Cash Equivalents

For the purposes of cash flow statement, cash & cash equivalents comprise of cash in hand and balances with banks.

3.14 Stock and Stores

Store and Spares are measured at lower of cost and net realizable value. Cost of Inventory has been calculated using The First in First out Method of valuation.

3.15 Related, Party transaction

All transacious with related parties are conducted at arm's length under admissible valuation method. Diversion in extremely rare cases, if any, are approved by the Board of Directors.

LAHORE BROADCASTING CORPORATION (PVT) LTD
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 2011

4 PROPERTY, PLANT & EQUIPMENT

(Amount in Rupees)

DESCRIPTION	COST			DEPRECIATION						Written Down Value As on 30-06-2011
	As on 01-07-2010	Additions/ (Deletions)	As on 30-06-2011	As on 01-07-2010	Adjustment on Disposal	Amt.for Dep.Charge	Charged for the year Rate	Charged for the year Amount	As on 30-06-2011	
Owned										
Machiery & Equipment	17,715,038	190,500	17,905,538	14,267,404	-	3,638,134	15%	545,720	14,813,124	3,092,414
Office Equipment	1,198,996	-	1,198,996	627,733	-	571,263	15%	85,689	713,422	485,574
Furniture & Fixtures	1,579,095	15,000	1,594,095	1,261,757	-	332,338	15%	49,851	1,311,608	282,487
Air Conditioners	325,416	-	325,416	249,265	-	76,151	15%	11,423	260,688	64,728
Electric Appliances	261,570	-	261,570	143,824	-	117,746	15%	17,662	161,486	100,084
Computer & Accessories	209,962	112,781	322,743	140,471	-	182,272	30%	54,682	195,153	127,590
Vehicles	1,070,482	568,500	1,638,982	477,712	-	1,161,270	15%	174,191	651,903	987,079
Generator	675,000	810,000	1,485,000	101,250	224,775	1,158,975	15%	173,846	499,871	985,129
	23,035,559	1,696,781	24,732,340	17,269,416	224,775	7,238,149		1,113,064	18,607,255	6,125,085
Leased Assets										
Generator	810,000	(810,000)	-	224,775	(224,775)	-		-	-	-
2011 Rupees	23,845,559	886,781	24,732,340	17,494,191	-	7,238,149		1,113,064	18,607,255	6,125,085
2010 Rupees	23,014,422	831,137	23,845,559	16,461,193	-	7,384,366		1,032,998	17,494,190	6,351,370

Allocation of Depreciation is as under:

	2011 Rupees	2010 Rupees
Charged to cost of Transmission	526,580	558,247
Charged to Administrative Expense	586,484	474,751
	1,113,064	1,032,998

4.1) The Schedule of Property Plant and Equipment for the financial year 2010 showing addition in Generator for Rs. 675,000/ erroneously in leased assets instead of owned assets, which now has been rectified.

	2011 Rupees	2010 Rupees
5 INTANGIBLE ASSETS		
Cost of License Fee	2,600,000	-
Addition (at cost)	-	2,600,000
	2,600,000	2,600,000
Amortization as at 1st July	260,000	-
Amortization during the year	260,000	(260,000)
	520,000	(260,000)
	2,080,000	2,340,000

This is fee of FM Radio Licence for Lahore, paid to Pakistan Electronic Media Regulatory Authority shall be valid for ten years.

6 DUE FROM RELATED PARTIES		
FMS (PVT) LTD.	16,798,109	19,339,620
M/s Capital FM (Pvt) Ltd.	5,246,226	3,524,760
	22,044,335	22,864,380
7 ADVANCES, DEPOSITS, PRE-PAYMENTS AND OTHER RECEIVABLES		
Loan & Advance to Staff	56,112	51,432
Deposit	328,334	328,334
Advance Income Tax-2010/2009	810,974	1,104,652
Prepaid Expense	15,809	14,177
	1,211,229	1,498,595
8 CASH & BANK BALANCES		
Cash in hand	26,353	40,657
Cash at Banks - Current Accounts	787,045	819,741
	813,398	860,398

LAHORE BROADCASTING CORPORATION (PVT) LTD
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 2011

	2011 Rupees	2010 Rupees
9 ISSUED & PAIDUP CAPITAL		
1,000,000/- Ordinary Shares of Rs. 10/- each fully paidup in cash	10,000,000	10,000,000
10 LONG TERM FINANCE		
Opening balance	43,999	205,332
Loan obtain during year	-	-
Less: Paid during the year	(43,999)	(161,333)
Closing Balance of Liability	-	43,999
Less Current Portion	-	(43,999)
Long Term Portion	-	-
11 OBLIGATION UNDER FINANCE LEASE		
Cost of Leased Assets	1,017,180	1,017,180
Add: Financial Charges 36 month	(1,017,180)	-
Total amount of Installments	-	1,017,180
Less: Payment upto 30th June	-	(571,758)
Installment Payable	-	445,422
Less: Current Portion of Liability	-	(286,698)
	-	158,724
12 OVER DUE LOAN (UN-SECURED)	9,535,377	9,535,377

From Foreign Sponsors.

This represents the amount of US $ 171,534 paid by the Foreign Sponsors, to foreign supplier of Transmitters & Equipment. The loan bears mark-up at the rate of 2% plus LIBOR per annum, and was repayable within two years after the start of commercial operation of the project. The loan amount was translated @ Rs.55.58/- per US$ prevailing on 30.06.2005. The liability, thereafter, was assumed by the local sponsers which does not carry any mark-up and was payable in local currency.

13 CREDITORS & ACCRUED LIABILITIES		
General Sales Tax	826	20,173
Trade Payable	16,579,333	14,113,289
Expense Payable	1,810,596	1,553,905
	18,390,755	15,687,367

14 CONTINGENCIES & COMMENTS

There is no contigencies & commitments as on June 30,2011, (2010:nil)

15 ADVERTISING AND PRODUCTION INCOME		
Gross Income	40,747,080	48,400,955
Less:		
i) Discount	916,152	3,015,005
ii) General Sales Tax	2,596,117	2,868,591
iii) Agency Commission	4,833,040	5,487,402
	8,345,309	11,370,998
	32,401,771	37,029,957
16 COST OF TRANSMISSION		
Production Charges	12,660,742	18,443,014
Salaries & Allowance	3,560,628	2,757,533
Telephone & Communication	430,053	344,712
Electricity Expenses	988,302	852,363
Rent, Rates & Taxes	1,113,346	952,261
Machinery Repairs & Maintanance	256,949	303,511
Depreciation	526,580	558,247
Advertisement & Consultation	200,000	401,045
Vehicle Running Expenses	1,395,275	982,636
	21,131,875	25,595,322

LAHORE BROADCASTING CORPORATION (PVT) LTD
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 2011

	Note	2011 Rupees	2010 Rupees
17 ADMINISTRATIVE & SELLING EXPENSES			
Staff Salaries & Allowance		1,957,085	2,038,944
Sales Commission		1,142,520	1,299,497
Director Remuneration		1,483,500	702,000
Staff Welfare		188,935	191,247
Rent, Rate & Taxes		617,230	622,397
Electricity		280,701	365,298
Sales Promotion		411,532	1,215,325
Telephone & Fax		112,880	147,734
Printing & Stationary		47,762	98,129
Postage & Courier Services		43,240	47,861
Vehicle Running		312,261	421,130
Conveyance		74,320	82,005
Office, Repair & Maintanance		37,905	158,805
Travelling and Hoteling Expense		18,680	41,275
Security Charges		114,678	129,541
Entertainment		43,788	61,389
Amortization	5	260,000	260,000
Audit Fee		50,000	50,000
Legal & Professional Charges		415,000	313,100
Fee & Subscription		733,891	54,800
News Paper & Periodicals		28,351	20,299
Janitorial Services		69,814	77,560
Miscellaneous		15,300	16,215
E.O.B.I/PESSI/CESS		134,074	105,886
Insurance		99,736	37,788
Depreciation		586,484	474,751
		9,279,667	9,032,976
18 FINANCE COST			
Mark-up on Lease Finance		73,627	97,042
Bank Charges		6,406	9,848
		80,033	106,890
19 EARNING PER SHARE			
No of Share		1,000,000	1,000,000
Profit for the year		1,045,537	1,813,392
		1.05	1.81

20 DATE OF AUTHORISATION

These financial statements were authorised for issue in the Board of Directors meeting held on 10 OCT 2011

21 GENERAL

Figures have been rounded off to nearest rupee.

Figures have been rearranged / regrouped wherever deemed necessary to facilitate comparision

CHIEF EXECUTIVE

DIRECTOR