

**DARSON SECURITIES  
(PRIVATE) LIMITED  
YEAR ENDED 30 JUNE 2017  
FINANCIAL STATEMENT**

Auditors' Report to the Members

We have audited the annexed balance sheet of **DARSON SECURITIES (PRIVATE) LIMITED** ("the Company") as at June 30, 2017 and the related profit and loss account, statement of comprehensive income, cash flow statement and statement of changes in equity, together with the notes forming part thereof, for the year then ended and we state that we have obtained all the information and explanations which, to the best of our knowledge and belief, were necessary for the purposes of our audit.

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and present the above said statements in conformity with the approved accounting standards and the requirements of the repealed Companies Ordinance, 1984.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

We conduct 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- a) in our opinion, proper books of account have been kept by the Company as required by the repealed Companies Ordinance, 1984;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the balance sheet and profit and loss account together with the notes thereon have been drawn up in conformity with the repealed Companies Ordinance, 1984, and are in agreement with the books of account and are further in accordance with accounting policies consistently applied;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 repealed 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, 2017 and of the profit, total comprehensive income, its cash flow 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 27, 2017



*Parker Randall A.J.S.*

Parker Randall - A.J.S.  
Chartered Accountants  
Engagement Partner: Faisal Iqbal Khawaja

**DARSON SECURITIES (PRIVATE) LIMITED**  
**BALANCE SHEET**  
**AS AT JUNE 30, 2017**

	Note	2017 RUPEES	2016 RUPEES
<b>NON CURRENT ASSETS</b>			
Property and equipment	4	6,604,602	6,507,903
Intangible assets	5	56,552,165	56,552,165
Long term investments	6	14,137,000	20,636,040
		<u>77,293,767</u>	<u>83,696,108</u>
<b>CURRENT ASSETS</b>			
Trade receivables	7	66,430,091	126,178,399
Loans and advances	8	48,208,688	-
Short term deposits		54,752,243	12,399,669
Short term investments	9	85,929,413	77,034,149
Tax refund due from the Government	10	30,303,514	15,888,357
Cash and bank balances	11	61,772,734	82,376,551
		<u>347,396,683</u>	<u>313,877,125</u>
<b>TOTAL ASSETS</b>		<u><u>424,690,450</u></u>	<u><u>397,573,233</u></u>
<b>EQUITY AND LIABILITIES</b>			
<b>Authorized Share Capital</b>			
5,000,000 (2016: 5,000,000) ordinary shares of Rs. 100 each		<u>500,000,000</u>	<u>500,000,000</u>
<b>Issued, subscribed and paid-up share capital</b>	12	<u>200,000,000</u>	<u>200,000,000</u>
<b>Accumulated profits</b>		<u>166,344,835</u>	<u>77,013,136</u>
		<u>366,344,835</u>	<u>277,013,136</u>
<b>CURRENT LIABILITIES</b>			
Trade and other payables	13	<u>58,345,615</u>	<u>53,560,097</u>
Short term loan	14	<u>-</u>	<u>67,000,000</u>
		<u>58,345,615</u>	<u>120,560,097</u>
Contingencies and commitments	15		
<b>TOTAL EQUITY AND LIABILITIES</b>		<u><u>424,690,450</u></u>	<u><u>397,573,233</u></u>

The annexed notes from 1 to 34 form an integral part of these financial statements.

*[Signature]*  
**CHIEF EXECUTIVE**

*[Signature]*  
**DIRECTOR**



**DARSON SECURITIES (PRIVATE) LIMITED**  
**PROFIT AND LOSS ACCOUNT**  
**FOR THE YEAR ENDED JUNE 30, 2017**

	Note	2017 RUPEES	2016 RUPEES
Brokerage income	16	32,704,081	28,731,279
Un-realized gain / (loss) on re-measurement of investments classified as financial assets at fair value through profit or loss	17	25,621,308	(322,097)
Gain on disposal of investments		80,845,906	11,399,929
Dividend income		3,487,373	5,900,221
		<u>142,658,668</u>	<u>45,709,332</u>
Administrative and general expenses	18	36,352,771	37,479,786
Finance cost	19	180,978	40,725
		<u>36,533,749</u>	<u>37,520,511</u>
Profit from operations		106,124,919	8,188,821
Other operating income	20	758,827	13,511,487
Other operating expense	21	(14,824,454)	-
<b>Profit before taxation</b>		<u>92,059,292</u>	<u>21,700,308</u>
Taxation	22	2,727,593	3,165,306
<b>Profit after taxation</b>		<u>89,331,699</u>	<u>18,535,002</u>
<b>Earning per share</b>	23	<u>44.67</u>	<u>9.27</u>

The annexed notes from 1 to 34 form an integral part of these financial statements.

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CHIEF EXECUTIVE

DIRECTOR



**DARSON SECURITIES (PRIVATE) LIMITED**  
**STATEMENT OF COMPREHENSIVE INCOME**  
**FOR THE YEAR ENDED JUNE 30, 2017**

	2017 RUPEES	2016 RUPEES
Profit after taxation	89,331,699	18,535,002
Other comprehensive income	-	-
Total comprehensive income for the year	<u>89,331,699</u>	<u>18,535,002</u>

The annexed notes from 1 to 34 form an integral part of these financial statements.



CHIEF EXECUTIVE

DIRECTOR



**DARSON SECURITIES (PRIVATE) LIMITED**  
**STATEMENT OF CHANGES IN EQUITY**  
**FOR THE YEAR ENDED JUNE 30, 2017**

<b>PARTICULARS</b>	<b>Share capital</b>	<b>Accumulated profits</b>	<b>TOTAL</b>
(----- Amount in rupees -----)			
Balance as on July 01, 2015	200,000,000	58,478,134	258,478,134
Total comprehensive income for the year	-	18,535,002	18,535,002
<b>Balance as on June 30, 2016</b>	<b>200,000,000</b>	<b>77,013,136</b>	<b>277,013,136</b>
Balance as on July 01, 2016	200,000,000	77,013,136	277,013,136
Total comprehensive income for the year	-	89,331,699	89,331,699
<b>Balance as on June 30, 2017</b>	<b>200,000,000</b>	<b>166,344,835</b>	<b>366,344,835</b>

The annexed notes from 1 to 34 form an integral part of these financial statements.



CHIEF EXECUTIVE



DIRECTOR



**DARSON SECURITIES (PRIVATE) LIMITED**  
**CASH FLOW STATEMENT**  
**FOR THE YEAR ENDED JUNE 30, 2017**

	Note	2017 RUPEES	2016 RUPEES
<b>Profit before taxation</b>		<b>92,059,292</b>	<b>21,700,308</b>
Adjustments for:			
Depreciation		1,009,101	1,097,475
Impairment loss		-	3,019,900
Bad debts		14,824,454	-
Finance cost		180,978	40,725
Unrealized loss / (gain)		(25,621,308)	322,097
Cash flow from operating activities before changes in working capital		<u>82,452,517</u>	<u>26,180,505</u>
<b>(Increase)/ decrease in current assets</b>			
Trade receivables		44,923,854	85,625,736
Loans and advances		(48,208,688)	-
Short term deposits		(42,352,574)	11,050,028
Short term Investments		16,726,044	21,785,776
Tax refund due from the Government		(14,415,157)	(3,225,074)
<b>Increase/ (decrease) in current liabilities</b>			
Trade and other payable		4,785,518	(831,890)
<b>Cash generated from operations</b>		<u>43,911,514</u>	<u>140,585,081</u>
Financial charges paid		(180,978)	(40,725)
Income tax paid		(2,727,593)	(3,165,306)
<b>Net cash generated from operating activities</b>		<u>41,002,943</u>	<u>137,379,050</u>
<b>Cash flows from investing activities</b>			
Long term investments		6,499,040	-
Capital expenditure on property and equipment		(1,105,800)	-
<b>Net cash generated from investing activities</b>		<u>5,393,240</u>	<u>-</u>
<b>Cash flows from Financing Activities</b>			
Repayment of short term loan		(67,000,000)	(133,000,000)
<b>Net cash used in financing activities</b>		<u>(67,000,000)</u>	<u>(133,000,000)</u>
Increase/ (Decrease) in cash and cash equivalents		(20,603,817)	4,379,050
Cash and cash equivalents at the beginning of the year		82,376,551	77,997,501
<b>Cash and cash equivalents at the end of the year</b>	11	<u><u>61,772,734</u></u>	<u><u>82,376,551</u></u>

The annexed notes from 1 to 34 form an integral part of these financial statements.

*[Signature]*  
**CHIEF EXECUTIVE**

*[Signature]*  
**DIRECTOR**



**DARSON SECURITIES (PRIVATE) LIMITED**  
**NOTES TO THE FINANCIAL STATEMENTS**  
**FOR THE YEAR ENDED JUNE 30, 2017**

**Note**

**1 STATUS AND NATURE OF BUSINESS**

Darson Securities (Private) Limited ("*the Company*") was incorporated in Pakistan under the repealed Companies Ordinance, 1984 having CIUN 0041048 as a private limited company on March 11, 2000.

The Company is a holder of Trading Right Entitlement Certificate (TREC) Pakistan Stock Exchange Limited (PSX) [formerly Karachi Stock Exchange Limited] and member of Pakistan Stock Exchange Limited (PMEX). The Company has also acquired the membership of the National Commodity Exchange Limited. The principal activity of the company is to carry on business of trading and share brokerage and money market brokerage. Other activities include investment in a mix of listed and un-listed equity securities. The registered office of the company is situated at Room no. 102, 1st Floor, Lahore Stock Exchange Building, Lahore.

**2 BASIS OF PREPARATION**

**2.01 Statement of Compliance**

During the year, the Companies Act 2017 ("*the Act*") has been promulgated, however, Securities and Exchange Commission of Pakistan vide its Circular No. CLD/CCD/PR(11)/2017 dated July 20, 2017 communicated that the Commission has decided that the companies whose financial year closes on or before June 30, 2017 shall prepare their financial statements in accordance with the provisions of the repealed Companies Ordinance, 1984. Accordingly, these financial statements have been prepared in accordance with approved accounting standards as applicable in Pakistan. Approved accounting standards comprise of such International Financial Reporting Standards (IFRSs) issued by the International Accounting Standard Board (IASB) as are notified under the repealed Companies Ordinance, 1984, provisions of and directives issued under the repealed Companies Ordinance, 1984. Wherever, the requirements of the repealed Companies Ordinance, 1984 and the directives issued by the Securities and Exchange Commission of Pakistan differ with the requirements of these standards, the requirements of the repealed Companies Ordinance, 1984 or the requirements of the said directives take precedence.

**2.02 Basis of Measurement**

These financial statements have been prepared on the basis of 'historical cost' convention, except for certain short term investments which are stated at fair value and as otherwise stated in respective policy notes.

**2.03 Functional and presentation currency**

These financial statements are presented in Pakistan rupees, which is the functional and presentation currency of the Company and rounded-off to the nearest rupee.

**2.04 Use of estimates and judgments**

The preparation of financial statements in conformity with the approved accounting standards, as applicable in Pakistan, requires managements 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 judgments about the carrying values of assets and liabilities that are nor readily apparent from other sources. Actual results may differ from these estimates.



## DARSON SECURITIES (PRIVATE) LIMITED

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

Information about significant areas of estimation, uncertainty and critical judgments in applying accounting policies that have the most significant effect on amounts recognized in the financial statements.

The estimates and judgements that have a significant effect on the financial statements are in respect of the followings:

- Long term investments. (Note 6)
- Residual values and useful lives of property and equipment. (Note 4)
- Useful life of intangible assets. (Note 5)
- Recognition of provision for taxation. (Note 22)
- Provision against trade receivables. (Note 7)

### 2.05 Initial application of standards, amendments or an interpretation to existing standards

#### a) Standards, amendments and interpretations to approved accounting standards that became effective during the year

The following new standards and amendments with respect to the approved accounting standards as applicable in Pakistan are effective for the first time for the year ended June 30, 2017 and are relevant to the Company:

##### - **Amendments to IFRS 11 - Joint Arrangements**

This amendment adds new guidance on how to account for the acquisition of an interest in a joint operation that constitutes a business. The amendments specify the appropriate accounting treatment for such acquisitions. The amendment does not have any significant impact on the Company's financial statements.

##### - **IAS 1 - Presentation of Financial Statements**

The amendments provide clarification on number of issues, including:

**Materiality:** An entity should not aggregate or disaggregate information in a manner that obscures useful information. Where items are material, sufficient information must be provided to explain the impact on the financial position or performance.

**Disaggregation and subtotals:** Line items specified in IAS 1 may need to be disaggregated where this is relevant to an understanding of the entity's financial position or performance. There is also new guidance on the use of subtotals.

**Notes:** confirmation that the notes do not need to be presented in a particular order.

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### - IAS 16 - Property, Plant and Equipment & IAS 38 - Intangible Assets

This amendment clarifies that the use of revenue-based methods to calculate the depreciation of an asset is not appropriate because revenue generated by an activity that includes the use of an asset generally reflects factors other than the consumption of the economic benefits embodied in the asset. The IASB has also clarified that revenue is generally presumed to be an inappropriate basis for measuring the consumption of the economic benefits embodied in an intangible asset. The presumption may only be rebutted in certain limited circumstances. These are where the intangible asset is expressed as a measure of revenue; or where it can be demonstrated that revenue and the consumption of the economic benefits of the intangible asset are highly correlated. The amendment does not have any significant impact on the Company's financial statements.

### - IAS 19 - Employee benefits

The amendment clarifies that, when determining the discount rate for post-employment benefit obligations, it is the currency that the liabilities are denominated in that is important, not the country where they arise. The assessment of whether there is a deep market in high-quality corporate bonds is based on corporate bonds in that currency, not corporate bonds in a particular country. Similarly, where there is no deep market in high-quality corporate bonds in that currency, government bonds in the relevant currency should be used. The amendment is retrospective but limited to the beginning of the earliest period presented. The standard does not have any significant impact on the Company's financial statements.

### - Amendments to IAS 27 - Equity method in separate financial statements

This amendment allows entities to use the equity method to account for investments in subsidiaries, joint ventures and associates in their separate financial statements. The amendment will not have any significant impact on the Company's financial statements.

### - Amendments to IAS 34 - Interim financial reporting

This amendment clarifies what is meant by the reference in the standard to 'information disclosed elsewhere in the interim financial report'. The amendment also amends IAS 34 to require a cross-reference from the interim financial statements to the location of that information. The amendment is retrospective. The amendment will not have any significant impact on the Company's financial statements.

### b) Standards and amendments to published standards that are not yet effective and have not been early adopted by the Company

The following standards, amendments and interpretations to standards are only effective for accounting periods, beginning on or after July 1, 2017 and have not been early adopted by the Company:

### - Amendments to IFRS 12, 'Disclosure of interests in other entities' regarding clarification of the scope of the standard (effective from accounting period beginning on or after 1 January 2017)

The amendment clarified that the disclosure requirements of IFRS 12 are applicable to interest in entities classified as held for sale except for summarized financial information. Previously, it was unclear whether all other IFRS 12 requirements were applicable for these interests. The objective of IFRS 12 was to provide information about nature of interests in other entities, risks associated with these interests, and the effect of these interests on financial statements.

## DARSON SECURITIES (PRIVATE) LIMITED

- **Amendments to IAS 7, Statement of cash flows on disclosure initiative (effective from accounting period beginning on or after 1 January 2017)**

These amendments to IAS 7 introduce an additional disclosure that will enable users of financial statements to evaluate changes in liabilities arising from financing activities. The amendment is part of the IASB's Disclosure Initiative, which continues to explore how financial statement disclosures can be improved. The amendment will not have any significant impact on the Company's financial statements.

- **Amendments to IAS 12, 'Income taxes' on recognition of deferred tax assets for unrealized losses (effective from accounting period beginning on or after 1 January 2017)**

These amendments on the recognition of deferred tax assets for unrealized losses clarify how to account for deferred tax assets related to debt instruments measured at fair value. The amendment will not have any significant impact on the Company's financial statements.

- **IFRIC 22 'Foreign currency transactions and advance consideration'(effective from accounting period beginning on or after 1 January 2018)**

This IFRIC addresses foreign currency transactions or parts of transactions where there is consideration that is denominated or priced in a foreign currency. The interpretation provides guidance for when a single payment/receipt is made as well as for situations where multiple payments / receipts are made. The guidance aims to reduce diversity in practice. The amendment will not have any significant impact on the Company's financial statements.

There are number of other standards and amendments to the published standards that are not relevant to the Company and therefore have not been presented here.

The adoption of the above accounting standards did not have any effect on the financial statements, except increased disclosure requirements.

### 2.06 **New accounting standards, interpretations, amendments and IFRS interpretations that are not yet effective:**

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

Standard, amendment or interpretation	Effective Date (Annual periods beginning or after)
IFRS 2: Share-based Payments – Classification and measurement of Share based Payments Transaction (Amendments).	January 01, 2018
IFRS 4 - Insurance Contracts : Applying IFRS 9 Financial Instruments with IFRS 4 Insurance Contracts. (Amendment)	January 01, 2018
IFRS 9 – Financial Instruments	January 01, 2018
IFRS 10 - Consolidated Financial Statements and IAS 28 - Investment in Associates and Joint Ventures - Sale or Contribution of Assets between and Investor and its Associates of Joint Venture. (Amendment)	Not yet finalized.
IFRS 15 – Revenue from Contracts with Customers	January 01, 2018
IFRS 16 – Leases	January 01, 2019

## DARSON SECURITIES (PRIVATE) LIMITED

IFRIC 22 -- Foreign Currency Transactions and Advance Consideration	January 01, 2018
IFRIC 23 -- Uncertainty over Income Tax Treatments	January 01, 2019
IAS 40 : Investment Property - Transfers of Investment Property. (Amendment)	January 01, 2018

The above standards and amendments are not expected to have any material impact on the Company's financial statements in the period of initial application.

In addition to the above standards and amendments, improvements to various accounting standards have also been issued by the IASB. Such improvements are generally effective for accounting periods beginning on or after January 01, 2018. The Company expects that such improvements to the standards will not have any material impact on the Company's financial statements in the period of initial application.

### **3 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES**

#### **3.01 Tangible Fixed Assets- Property and Equipment**

##### **Owned**

Property and equipment are stated at cost less accumulated depreciation and accumulated impairment losses, if any. Cost of these assets consists of historical cost and directly attributable cost of bringing the assets to working condition. Depreciation on addition and deletion is charged on the basis of number of days the asset remains in use of the Company. Depreciation is charged when asset is available for use until asset is disposed off. Assets residual values, useful life and depreciation rates are reviewed and adjusted, if appropriate, at each balance sheet date. Any impairment loss, or its reversal, is also charged to income. When an impairment loss is recognized, the depreciation charge is adjusted in future periods to allocate the assets' carrying amount less the residual value over its estimated useful life. Normal repair and maintenance is charged to income as and when incurred. Major renewals and improvements are capitalized. Depreciation is charged to profit and loss account using reducing balance method at the rates specified in note 4.

Gains and losses on disposal of an item of property and equipment are determined by comparing the proceeds from disposal with the carrying amount of property, plant and equipment, and are recognized in profit and loss account.

The company assesses at each balance sheet date whether there is any indication that a fixed asset may be impaired. If such indication exists, the carrying amounts of such assets are reviewed to assess whether they are recorded in excess of their recoverable amount. Where carrying amount exceed the estimated recoverable amount, assets are written down to the recoverable amount.

#### **3.02 Intangible assets**

These include membership cards of PMEX, Trading Right Entitlement Certificates (TREC) and rooms.

##### **a) Finite useful life**

These are measured on initial recognition at cost. Following initial recognition these are carried at cost less accumulated amortization and accumulated impairment losses, if any. The carrying amounts are reviewed at each balance sheet date to assess whether they are recorded in excess of their recoverable amounts and where carrying values exceed estimated recoverable amount, these are written down to their estimated recoverable amount. Intangible assets are amortized using the reducing balance method over their useful life.

## DARSON SECURITIES (PRIVATE) LIMITED

### b) Infinite useful life

These are measured on initial recognition at cost. Following initial recognition these are carried at cost less accumulated impairment, if any. Cost on initial recognition in an acquisition transaction is determined as the amount of cash or cash equivalents paid or the fair value of other consideration given to acquire an asset at the time of asset acquisition. When there is an exchange of assets and the fair value of neither the asset received nor the asset given up can be reliably measured, the cost of the asset received should be measured at the carrying amount of the asset given up. The carrying amounts are reviewed at each balance sheet date to assess whether they are recorded in excess of their recoverable amounts and where carrying values exceed estimated recoverable amount, these are written down to their estimated recoverable amount.

### 3.03 Investments

Investments intended to be held for less than twelve months from the balance sheet date or to be sold to raise operating capital, are included in current assets, all other investments are classified as non-current. The cost of investments acquired in exchange transaction is measured at the carrying value of the asset with which it has been exchanged.

#### a) Loans and Receivables

Loans and receivables are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market. Loans and receivables are initially measured at fair value plus directly attributable transaction costs. After initial measurement loans and receivables are subsequently measured at amortized cost using effective interest rate method less impairment, if any. These are classified as current and non-current assets in accordance with criteria set out by the IFRS.

#### b) Investment at fair value through profit or loss

Investment which are acquired principally for the purpose of generating profit from short term fluctuation in price or are part of the portfolio in which there is recent actual pattern for short term profit making are classified under this category, After initial recognition, these are re-measured at fair value. Gain or losses on re-measurement of these investments are recognized in the profit and loss account currently.

### 3.04 Trade receivables

These are stated initially at cost less provision for doubtful debts. Full provision is made against the debts considered doubtful. This includes receivable from members of stock exchange and customers.

### 3.05 Other receivables

Other receivables are recognized at nominal amount which is the fair value of the consideration to be received less an allowance for any uncollectible amount.

### 3.06 Revenue recognition

Revenue is recognized to the extent that it is probable that the economic benefits will flow to the Company and the amount of revenue can be measured reliably. Revenue is measured at the fair value of the consideration received or receivable, net of any direct expenses. Revenue is recognized on the following basis:

- Brokerage, commission etc. are recognized as and when such services are provided.
- Profit on saving accounts, Profit on exposure deposits and markup on marginal financing is recognized at effective yield on time proportion basis.
- Dividend income is recorded when the right to receive the dividend is established.

## DARSON SECURITIES (PRIVATE) LIMITED

- Gains / (losses) arising on sale of investments are included in the profit and loss account in the period in which they arise.
- Unrealized capital Gains / (losses) arising from mark to market of investments classified as at financial assets at fair value through profit or loss are included in profit and loss account for the period in which they arise.

### 3.07 Borrowing costs

Mark-up, interest and other charges on borrowings which are directly attributable to the acquisition, construction or production of a qualifying asset are capitalized as part of the cost of that asset. All other borrowing costs i.e. mark-up, interest and other charges are charged to the profit and loss account in the period in which they are incurred.

### 3.08 Foreign currency translation

Transactions in foreign currency are accounted for at the exchange rates prevailing on the date of transactions. All monetary assets and liabilities denominated in foreign currencies at the year end are translated at exchange rates prevailing at the balance sheet date. Non monetary items that are measured in terms of historical cost in a foreign currency are translated using the exchange rate at the date of the transactions. Exchange differences are included in profit and loss account for the year.

### 3.09 Trade and other payables

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

### 3.10 Taxation

#### Current

Provision for current taxation is the amount computed on taxable income at the current rates of taxation or alternative corporate tax computed on accounting income or minimum tax on turnover, whichever is higher, and taxes paid / payable on final tax basis, after taking into account tax credit available, if any. The charge for the current tax also includes adjustments where necessary, relating to prior years which arise from the assessments made / finalized during the year.

#### Deferred

Deferred tax is accounted for using the balance sheet approach providing for temporary differences between the carrying amounts of assets and liabilities for financial reporting purposes and the amounts used for tax purposes. In this regard, the effects on deferred taxation of the portion of income that is subject to final tax regime is also considered in accordance with the treatment prescribed by the Institute of Chartered Accountants of Pakistan. Deferred tax is measured at rates that are expected to be applied to the temporary differences when they reverse, based on laws that have been enacted or substantively enacted by the reporting date. Deferred tax liabilities are generally recognized for all taxable temporary differences and deferred tax assets is recognized for deductible temporary differences 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. Deferred tax assets are reviewed at each reporting date and are reduced to the extent that it is no longer probable that the related tax benefit will be realized.

## DARSON SECURITIES (PRIVATE) LIMITED

### 3.11 Impairment

#### a) Financial assets

A financial asset is considered to be impaired if objective evidence indicate that one or more events had a negative effect on the estimated future cash flow of that asset. An impairment loss in respect of a financial asset measured at amortized cost is calculated as a difference between its carrying amount and the present value of the estimated future cash flows discounted at the original effective interest rate. An impairment loss in respect of an available-for-sale financial asset is calculated by reference to its current fair value. Individually significant financial assets are tested for impairment on an individual basis. The remaining financial assets are assessed collectively in groups that share similar credit risk characteristics.

#### b) Non- financial assets

The carrying amount of the Company's assets are reviewed at each balance sheet date to determine whether there is any indication of impairment. If such indications exist, the asset's recoverable amount is estimated in order to determine the extent of the impairment loss, if any. Impairment loss is recognized as expense in the profit and loss account. An impairment loss is reversed only to the extent that the asset's carrying amount does not exceed the carrying amount that would have been determined, net of depreciation or amortization, if no impairment loss had been recognized.

### 3.12 Dividend and appropriation to reserves

Dividend distribution to the Company's shareholders and appropriation to reserves is recognized in the financial statements in the period in which these are approved.

### 3.13 Cash and cash equivalents

Cash and cash equivalents are carried in the balance sheet at cost. For the purpose of cash flow statement, cash and cash equivalents comprise cash in hand, cash with banks and short term highly liquid investments that are readily convertible to known amounts of cash and which are subject to insignificant risk of change in value.

### 3.14 Earning per share

The Company presents basic and diluted earnings per share (EPS) data for its ordinary shares. Basic EPS is calculated by dividing the profit or loss attributable to ordinary shareholders of the Company by the weighted average number of ordinary shares outstanding during the period. Diluted EPS is determined by adjusting the profit or loss attributable to ordinary shareholders and the weighted average number of ordinary shares outstanding for the effects of all dilutive potential ordinary shares.

## DARSON SECURITIES (PRIVATE) LIMITED

### **3.15 Share capital**

Ordinary shares are classified as equity and recognized at their fair value. Incremental costs directly attributable to the issue of new shares or options are shown in equity as deduction, net of tax, from the proceeds.

### **3.16 Financial instruments**

All financial assets and liabilities are recognized at the time when the company becomes a party to the contractual provisions of the instrument. All financial assets and liabilities are initially measured at cost, which is the fair value of the consideration given and received respectively. These financial assets and liabilities are subsequently measured at fair value, amortized cost or cost as the case may be. A financial asset is de-recognized when the company loses control of its contractual rights that comprise the financial asset. A financial liability is de-recognized when it is extinguished. Any gain or loss on de-recognition of the financial assets or liabilities is taken to profit and loss account currently. The Company recognizes the regular way purchase or sale of financial assets using settlement date accounting.

### **3.17 De-recognition**

Financial asset are de-recognized when the right to receive cash flows from the financial assets have expired, have been realized or transferred, and the company has transferred substantially all risks and rewards of ownership.

### **3.18 Off-setting of financial assets and financial liabilities**

A financial asset and a financial liability is off set and the net amount is reported in the balance sheet if the company has a legally enforceable right to set off the recognized amounts and intends either to settle on a net basis or to realize the asset and settle the liability simultaneously.



**4 PROPERTY AND EQUIPMENT**

	<b>Furniture and Fixture</b>	<b>Office Equipment</b>	<b>Computer Equipment</b>	<b>Motor Vehicles</b>	<b>Total</b>
<b>As at June 30, 2015</b>					
Cost	5,796,214	3,093,923	4,234,000	11,707,832	24,831,969
Accumulated depreciation	3,912,069	2,040,979	2,935,080	8,338,464	17,226,592
Net book value	<u>1,884,145</u>	<u>1,052,944</u>	<u>1,298,920</u>	<u>3,369,368</u>	<u>7,605,377</u>
<b>Year ended 30 June 2016</b>					
Opening net book value	1,884,145	1,052,944	1,298,920	3,369,368	7,605,377
Additions during the year	-	-	-	-	-
Disposals/transfer/write-off					
Cost	-	-	-	-	-
Accumulated depreciation	-	-	-	-	-
Net book value	-	-	-	-	-
Depreciation for the year	188,415	105,294	129,892	673,874	1,097,475
Closing net book value	<u>1,695,731</u>	<u>947,650</u>	<u>1,169,028</u>	<u>2,695,494</u>	<u>6,507,903</u>
<b>As at June 30, 2016</b>					
Cost	5,796,214	3,093,923	4,234,000	11,707,832	24,831,969
Accumulated depreciation	4,100,484	2,146,273	3,064,972	9,012,338	18,324,067
Net book value	<u>1,695,731</u>	<u>947,650</u>	<u>1,169,028</u>	<u>2,695,494</u>	<u>6,507,903</u>
<b>Year ended June 30, 2017</b>					
Opening net book value	1,695,731	947,650	1,169,028	2,695,494	6,507,903
Additions during the year	-	766,400	339,400	-	1,105,800
Disposals/transfer/write-off					
Cost	-	-	-	-	-
Accumulated depreciation	-	-	-	-	-
Net book value	-	-	-	-	-
Depreciation for the year	169,573	160,221	140,208	539,099	1,009,101
Closing net book value	<u>1,526,157</u>	<u>1,553,829</u>	<u>1,368,220</u>	<u>2,156,396</u>	<u>6,604,602</u>
<b>As at June 30, 2017</b>					
Cost	5,796,214	3,860,323	4,573,400	11,707,832	25,937,769
Accumulated depreciation	4,270,057	2,306,494	3,205,180	9,551,436	19,333,167
Net book value	<u>1,526,157</u>	<u>1,553,829</u>	<u>1,368,220</u>	<u>2,156,396</u>	<u>6,604,602</u>
Annual rate of depreciation	<u>10%</u>	<u>10%</u>	<u>10%</u>	<u>20%</u>	

## DARSON SECURITIES (PRIVATE) LIMITED

5	<u>INTANGIBLE ASSETS</u>	Note	2017 RUPEES	2016 RUPEES
	Trading Right Entitlement Certificate	5.1	5,000,000	5,000,000
	Membership - Pakistan Mercantile Exchange Limited (PMEX)		1,000,000	1,000,000
			<u>6,000,000</u>	<u>6,000,000</u>
	Rooms		50,552,165	50,552,165
			<u>56,552,165</u>	<u>56,552,165</u>
<b>5.1 <u>Trading Right Entitlement Certificate</u></b>				
	Cost		5,000,000	8,019,900
	Impairment		-	(3,019,900)
			<u>5,000,000</u>	<u>5,000,000</u>

The company has been granted Trading Right Entitlement Certificates (TREC) in pursuance of section 5 of the Stock Exchanges (Corporatization, Demutualization and Integration) Act, 2012 (*the act*) and with regulation 6 of the Stock Exchanges (Corporatization, Demutualization and Integration) Regulations, 2012.

These have been carried at cost less impairment. The ownership in a stock exchange segregated from the right to trade on the exchange. Accordingly the company has received equity shares of PSX and a Trading Right Entitlement Certificates (TRECs) in lieu of its membership card of PSX. Pakistan Stock Exchange Limited has determined value of Pakistan Stock Exchange Limited Trading Right Entitlement Certificates for base minimum capital purpose amounting to Rs.5 million.

## 6 LONG TERM INVESTMENTS

### Investments - at cost

- LSE Financial Services Limited	6.1	3,846,040	3,846,040
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### Investments - at fair value through profit or loss account

- Pakistan Stock Exchange Limited	6.2	10,290,960	16,790,000
		<u>14,137,000</u>	<u>20,636,040</u>

6.1 This represents the investment in 843,975 unquoted ordinary shares of M/s. LSE Financial Services Limited.

337,590 number of unblocked shares.

506,385 number of blocked shares.

This represents unquoted shares of Stock Exchanges received by the Company in pursuance of Stock Exchanges (Corporatization, Demutualization and Integration) Act, 2012.

The total number of shares received by the Company were 843,975 shares of LSE Financial Services Limited (formerly LSEL), with a face value of Rs. 10 each.

Out of total number of shares owned, 60% shares of the said entities are held in separate CDC blocked Account, to restrict the sale of these shares by the members. Whereas stock exchanges will dispose of these shares under the Demutualization Act, however the proceeds of these shares and right to dividend/bonus is vested with the Company whereas the voting rights attached to these shares are suspended.

## DARSON SECURITIES (PRIVATE) LIMITED

During the period, a memorandum of understanding was signed between Karachi stock exchange (KSE), the Lahore stock exchange (LSE) and the Islamabad stock exchange (ISE) for integration of all three stock exchanges in Pakistan as envisaged in the stock exchanges (Corporatization, Demutualization) Act 2012 (XV of 2012) vide SECP's order 01/2016 dated January 11, 2016. As a consequence of the integration scheme, the business model of ISE and LSE have been changed and they have obtained the license to operate as NBFC as per NBFC rules and KSE would carry the same business as Stock Exchange under the name of Pakistan Stock Exchange Limited.

The net asset value of shares of LSE Financial Service Limited is Rs. 18.29 per share based on unaudited financial statements as at June 30, 2017.

- 6.2** This represents the investment in ordinary shares of Pakistan Stock Exchange Limited (PSX) received by the Company in pursuance of the promulgation of Stock Exchanges (Corporatization, Demutualization and Integration) Act, 2012. The total number of shares received by the Company were 4,007,383 out of which 60% shares were held in a separate blocked account in the Central Depository Company of Pakistan Limited (CDC) to restrict the sale of such shares by the members of PSX.

During the current year, PSX sold 60% shares of its shares held by the Company (previously held in a separate blocked account in CDC) at an offer price of Rs. 28 per ordinary share. Further, as per Section 5(2) of Public Offering Regulations, 2017, the Company is required to retain not less than 25% of the total paid up capital for a period of not less than three financial years from the last date for the public subscription.

Given the above, the investment to the extent of 25% of ordinary shares of PSX has been classified as long term investment while the remaining investment in such shares has been classified as short term investment.

		2017 RUPEES	2016 RUPEES
<b>7 TRADE RECEIVABLES</b>	Note		
Trade debts - considered good ( <i>unsecured</i> )		66,430,091	126,178,399
Trade debts - considered doubtful		<u>14,824,454</u>	-
		81,254,545	126,178,399
Less : Provision for doubtful debts	7.1	<u>(14,824,454)</u>	-
		<u><u>66,430,091</u></u>	<u><u>126,178,399</u></u>
<b>7.1 Provision for doubtful debts</b>			
Balance as at July 01, 2016		-	-
Provision for the year		<u>14,824,454</u>	-
		14,824,454	-
Bad debts written-off		-	-
Balance as at June 30, 2017		<u><u>14,824,454</u></u>	-
<b>7.2 Aging Analysis</b>		<b>Amount</b>	<b>Custody Value</b>
		<b>Rupees</b>	
Upto five days		11,060,512	111,108,065
more than five days		<u>55,369,579</u>	<u>433,635,132</u>
		<u><u>66,430,091</u></u>	<u><u>544,743,197</u></u>

## DARSON SECURITIES (PRIVATE) LIMITED

		2017 RUPEES	2016 RUPEES
<b>8 <u>LOANS AND ADVANCES</u></b>	Note		
Advance to employees against salaries		1,086,407	-
Other receivables	8.1	47,122,281	-
		48,208,688	-
8.1	This represents interest free and non-contractual loan paid to Director of the Company. Although, the same loan has been received-back during subsequent months.		
<b>9 <u>SHORT TERM INVESTMENTS</u></b>			
Financial assets at fair value through profit or loss - held for trading:			
9.1	Investment in quoted equity securities		
		85,929,413	77,034,149
<b>10 <u>TAX REFUND DUE FROM THE GOVERNMENT</u></b>			
		30,303,514	15,888,357
<b>11 <u>CASH AND BANK BALANCES</u></b>			
		391,436	91,958
		61,381,298	82,284,593
		61,772,734	82,376,551
11.1	<b>Cash at bank</b>		
		34,449,680	39,682,353
		26,931,618	42,602,240
		61,381,298	82,284,593
<b>12 <u>ISSUED, SUBSCRIBED AND PAID-UP SHARE CAPITAL</u></b>			
	2017	2016	2017
	(----- Number of shares -----)		(----- Amount in rupees -----)
	2,000,000	2,000,000	200,000,000
	2,000,000	2,000,000	200,000,000
	<i>Ordinary shares of Rs. 100 each fully paid in cash</i>		
<b>13 <u>TRADE AND OTHER PAYABLES</u></b>			
		54,836,552	51,878,728
		2,064,839	-
		1,444,224	1,681,369
		58,345,615	53,560,097
<b>14 <u>SHORT TERM LOAN</u></b>			
		-	67,000,000
	14.1	-	67,000,000
14.1	This represents un-secured interest free and non-contractual loan amount which was payable in last year.		

## DARSON SECURITIES (PRIVATE) LIMITED

### 15 CONTINGENCIES AND COMMITMENTS

There are no known contingencies and commitments at the balance sheet date (2016 : NIL).

16 <u>BROKERAGE REVENUE</u>	Note	2017 RUPEES	2016 RUPEES
Brokerage income		<u>32,704,081</u>	<u>28,731,279</u>
16.1 Proprietary trade		-	-
Retail customers		<u>32,704,081</u>	<u>28,731,279</u>
		<u>32,704,081</u>	<u>28,731,279</u>

### 17 UN-REALIZED (LOSS) / GAIN ON RE-MEASUREMENT OF INVESTMENTS AT FAIR VALUE CLASSIFIED AS FINANCIAL ASSETS THROUGH PROFIT OR LOSS

Market value	85,929,413	77,034,149
Cost of the investment	<u>60,308,105</u>	<u>77,356,246</u>
	<u>25,621,308</u>	<u>(322,097)</u>

### 18 ADMINISTRATIVE AND GENERAL EXPENSES

Salaries and other benefits		9,829,530	6,648,000
Directors' remuneration		3,525,000	3,000,000
CDC and NCCPL charges		4,013,547	4,191,031
Commission expenses		2,243,829	3,959,140
Utility expenses		3,943,476	3,553,227
L.S.E and K.S.E Charges		1,294,360	1,844,054
Depreciation		1,009,101	1,097,475
Computer expenses		2,058,337	1,474,629
Legal and professional charges		1,887,969	1,431,119
Entertainment		2,109,366	1,523,888
Donation	18.1	-	1,300,000
Impairment loss	18.2	-	3,019,900
Repair and maintenance		1,367,144	1,074,751
Printing and stationery		514,043	822,905
Vehicle running and maintenance		1,008,616	1,212,095
Communication and postage		903,940	577,741
Travelling and conveyance		353,849	313,806
Miscellaneous expenses		40,664	166,518
Auditors' remuneration		250,000	250,000
Newspapers and periodicals		-	19,507
		<u>36,352,771</u>	<u>37,479,786</u>

18.1 None of the directors and their spouses have any interest in donee's fund to which donations are made.

18.2 During last year, Impairment loss represents decrease in value of TREC amounting to Rs. 3,019,900. These were carried at cost previously amounting to Rs. 8,019,900/- Now Pakistan Stock Exchange Limited (PSX) has currently valued TREC at Rs.5 million resulting in this impairment loss. However, no such impairment loss has been observed at year end by impairment test undertaken by the management.

### 19 FINANCE COST

Bank charges	<u>180,978</u>	<u>40,725</u>
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## DARSON SECURITIES (PRIVATE) LIMITED

20 <u>OTHER OPERATING INCOME</u>	Note	2017 RUPEES	2016 RUPEES
Market making fee		-	13,511,487
Other misc. income		<u>758,827</u>	-
		<u><u>758,827</u></u>	<u><u>13,511,487</u></u>

20.1 This represents one of payment received during last year from PMEX on account of market making fee for securing foreign clients.

### 21 OTHER OPERATING EXPENSE

Bad debts		<u>14,824,454</u>	<u>-</u>
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### 22 TAXATION

Current	22.1	2,727,593	3,165,306
Deferred	22.2	-	-
		<u>2,727,593</u>	<u>3,165,306</u>

22.1 This represents provision for current taxation taxed under 'Final / Minimum Tax Regime'. Assessment upto tax year 2016 have been finalized under section 120 of the Income Tax Ordinance, 2001.

22.2 The Company based on current years' results and future years projections estimates that deferred tax asset amounting to Rs. 21,166,892 as at balance sheet date not to be recognized as the Company does not foresee sufficient taxable profits against which the said deferred tax asset can be utilized.

Moreover, there is no relationship between tax expense and accounting profit since the Company's profits are subject to tax under the 'Final Tax Regime'. However, this trend is expected to continue in foreseeable future. Accordingly, no deferred tax asset has been recognized.

### 23 EARNINGS PER SHARE

There is no dilutive effect on the basic earning per share of the company, which is based on:

Profit after taxation	<u>89,331,699</u>	<u>18,535,002</u>
Weighted average number of ordinary shares	<u>2,000,000</u>	<u>2,000,000</u>
Earnings per share	<u>44.67</u>	<u>9.27</u>

### 24 REMUNERATION OF CHIEF EXECUTIVE AND DIRECTORS

The aggregate amount charged in the accounts during the year for remuneration including benefits to Executives are as follows:

	30-Jun-17		30-Jun-16	
	Chief Executive	Directors	Chief Executive	Director
Remuneration	<u>2,400,000</u>	<u>1,125,000</u>	<u>2,400,000</u>	<u>600,000</u>
Number of Persons	<u>1</u>	<u>1</u>	<u>1</u>	<u>1</u>

## DARSON SECURITIES (PRIVATE) LIMITED

### 25 RELATED PARTY TRANSACTIONS

The related parties comprise associated undertaking companies, related group companies and directors of the Company who are also the key management personnel etc. The Company in the course of business carries out transactions with these related parties at arm's length.

Transactions with related parties such as remuneration and other benefits paid to directors during the year are disclosed in 18 and 8.1 of notes to the accounts. However, details of other transactions with the related parties have been specifically disclosed elsewhere in these financial statements, where-ever applicable.

Short term interest free loan has been obtained from Director's of the Company, nature and terms of such loan are disclosed in 14.1 of notes to the financial statements. During the year, balance movement of these loan amount is shown as under:

	2017	2016
Note	RUPEES	RUPEES
Opening balance - Director's loan	67,000,000	200,000,000
Repayments during the year	<u>(67,000,000)</u>	<u>(133,000,000)</u>
	<u>-</u>	<u>67,000,000</u>

### 26 FINANCIAL RISK MANAGEMENT

#### 26.1 Risk management framework

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

The Board meets frequently throughout the year for developing and monitoring the Company's risk management policies. The Company's risk management policies are established to identify and analyze the risks faced by the Company, to set appropriate risk limits and controls, and to monitor risks and adherence to limits. Risk management policies and systems are reviewed regularly to reflect changes in market conditions and the Company's activities. The Company, through its training and management standards and procedures, aims to develop a disciplined and constructive control environment in which all employees understand their roles and obligations.

#### 26.2 Financial assets and liabilities by category and their respective maturities

	30-Jun-17		30-Jun-16	
	Maturity up to one year	Maturity after one year	Maturity up to one year	Maturity after one year
	(----- Rupees -----)			
<b><i>Financial Asset</i></b>				
Long term investments	-	14,137,000	-	20,636,040
Trade receivables	66,430,091	-	126,178,399	-
Loans and advances	48,208,688	-	-	-
Short term deposits	54,752,243	-	12,399,669	-
Short term investments	85,929,413	-	77,034,149	-
Tax refund - Government	54,752,243	-	15,888,357	-
Cash and bank balances	85,929,413	-	82,376,551	-
	<u>396,002,091</u>	<u>14,137,000</u>	<u>313,877,125</u>	<u>20,636,040</u>

## DARSON SECURITIES (PRIVATE) LIMITED

	30-Jun-17		30-Jun-16	
	Maturity up to one year	Maturity after one year	Maturity up to one year	Maturity after one year
	(----- Rupees -----)			
<b>Financial Liability</b>				
Trade and other payables	58,345,615	-	53,560,097	-
Short term loan	-	-	67,000,000	-
	58,345,615	-	120,560,097	-

### 26.3 Fair Values

The carrying values of the financial assets and financial liabilities approximate their fair values. Fair value is the amount for which an asset could be exchanged, or a liability settled, between knowledgeable, willing parties in an arm's length transaction. If the transaction is not based on market terms, or if a market price cannot be readily determined, then an estimate of future cash payments or receipts, discounted using the current market interest rate for a similar financial instrument, is used to approximate the fair value except for loan from director which is stated at cost.

### 26.4 Financial Risk Factors

The Company's activities expose it to a variety of financial risks: credit risk, liquidity risk and market risk (interest/mark-up rate risk and price risk). The Company's overall risk management program focuses on the unpredictability of financial markets and seeks to minimize potential adverse effects on the financial performance. Overall, risks arising from the company's financial assets and liabilities are limited. The Company consistently manages its exposure to financial risk without any material change from previous periods in the manner described in notes below. The Board of Directors has overall responsibility for the establishment and oversight of Company's risk management framework. All treasury related transactions are carried out within the parameters of these policies.

#### Credit risk

Credit risk is the risk that one party to a financial instrument will fail to discharge an obligation and cause the other party to incur a financial loss, without taking into account the fair value of any collateral. Concentration of credit risk arises when a number of counter parties are engaged in similar business activities or have similar economic features that would cause their ability to meet contractual obligations to be similarly affected by changes in economics, political or other conditions. Concentrations of credit risk indicate the relative sensitivity of the company's performance to developments affecting a particular industry.

Credit risk of the Company arises from deposits with banks and financial institutions, trade debts, deposits, long term investments and short term investments and other receivables. The carrying amount of financial assets represents the maximum credit exposure. To reduce the exposure to credit risk, the Company has developed its own risk management policies and guidelines whereby clients are provided trading limits according to their net worth and proper margins are collected and maintained from the clients. The management continuously monitors the credit exposure towards the clients and makes provision against those balances considered doubtful of recovery. The Company's management as part of risk management policies and guidelines, reviews clients' financial position, considers past experience and other factors, and obtains necessary collaterals to reduce credit risks. Further, credit risk on liquid funds is limited because the counter parties are banks with reasonably high credit ratings.



## DARSON SECURITIES (PRIVATE) LIMITED

Credit risk of the Company arises from deposits with banks and financial institutions, trade debts, deposits, long term investments and short term investments and other receivables. The carrying amount of financial assets represents the maximum credit exposure. To reduce the exposure to credit risk, the Company has developed its own risk management policies and guidelines whereby clients are provided trading limits according to their net worth and proper margins are collected and maintained from the clients. The management continuously monitors the credit exposure towards the clients and makes provision against those balances considered doubtful of recovery. The Company's management as part of risk management policies and guidelines, reviews clients' financial position, considers past experience and other factors, and obtains necessary collaterals to reduce credit risks. Further, credit risk on liquid funds is limited because the counter parties are banks with reasonably high credit ratings.

The Company's policy is to enter into financial contracts in accordance with the internal risk management policies, investment and operational guidelines approved by the Board of Directors. In addition, credit risk is also minimized due to the fact that the Company invests only in high quality financial assets, majority of which have been rated by a reputable rating agency. The Company does not expect to incur material credit losses on its financial assets.

### a) Counterparties without external credit ratings:

The counterparties for which external credit ratings are not available have been assessed by reference to internal credit ratings determined based on their historical information for any default in meeting obligations. These mainly include long-term deposits, long term investment, trade debts and other receivables which are considered good.

### b) Counterparties with external credit ratings:

These include banking companies and financial institutions which are counterparties to cash deposits, term deposits & margin deposits thereon etc.

Following are the credit ratings of the counterparties with external credit ratings:

<u>Bank Name</u>	<u>Agency</u>	<u>ST Rating</u>	<u>LT Rating</u>	<u>2017 Rupees</u>	<u>2016 Rupees</u>
MCB Bank Ltd	PACRA	AAA	A1+	12,363,492	4,754,993
Habib Bank Ltd	JCR-VIS	AAA	A1+	38,392,947	65,059,930
Bank Al Habib Ltd	PACRA	AA+	A1+	9,408,608	1,994,250
Bank Alfalah Ltd	PACRA	AA	A1+	629,653	7,358,680
Silk Bank Limited	JCR-VIS	A-2	A-	16,150	21,759
H-METRO BANK	PACRA	A1+	AA+	63,329	277,607
BANK ISLAMI Pk	JCR-VIS	A1	A+	311,049	777,875
NIB Bank Ltd	PACRA	A1+	AA-	26,069	32,729
Summit Bank Ltd	JCR-VIS	-	A-	-	52,622
JS Bank Ltd	PACRA	-	A+	63,580	282,310
United Bank Ltd.	JCR-VIS	A-1+	AAA	106,421	1,671,837
				<b>61,381,298</b>	<b>82,284,593</b>

## DARSON SECURITIES (PRIVATE) LIMITED

### Exposure to credit risk

Credit risk of the Company arises from deposits with banks and financial institutions, trade debts, short term loans, deposits, receivable against sale of securities and other receivables. The carrying amount of financial assets represents the maximum credit exposure. To reduce the exposure to credit risk, the Company has developed its own risk management policies and guidelines whereby clients are provided trading limits according to their net worth and proper margins are collected and maintained from the clients. The management continuously monitors the credit exposure towards the clients and makes provision against those balances considered doubtful of recovery. The Company's management, as part of risk management policies and guidelines, reviews clients' financial position, considers past experience, obtain authorized approvals and arrange for necessary collaterals in the form of equity securities to reduce credit risks and other factors.

### Concentration of credit risk

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

The carrying amount of financial assets represent the maximum credit exposure, as specified below;

<u>Financial Asset</u>	2017 Rupees	2016 Rupees
Long term investments	14,137,000	20,636,040
Trade receivables	66,430,091	126,178,399
Short term deposits	54,752,243	12,399,669
Short term investments	85,929,413	77,034,149
Advances	30,303,514	15,888,357
Bank balances	61,381,298	82,284,593
	<u>312,933,558</u>	<u>334,421,207</u>

### Liquidity risk

Liquidity risk is the risk that the Company will not be able to meet its financial obligations as they fall due. Prudent liquidity risk management implies maintaining sufficient cash and marketable securities, the availability of adequate funds through committed credit facilities and the ability to close out market positions due to dynamic nature of the business. The Company finances its operations through equity, borrowings and working capital with a view to maintaining an appropriate mix between various sources of finance to minimize risk. The management aims to maintain flexibility in funding by keeping regular committed credit lines.

The following are the contractual maturities of the financial liabilities;

	Within 1 year	Within 1 year
Trade and other payables	58,345,615	53,560,097
Short term loan	-	67,000,000
	<u>58,345,615</u>	<u>120,560,097</u>

## DARSON SECURITIES (PRIVATE) LIMITED

### Market risk

Market risk means that the future cash flows of a financial instrument will fluctuate because of changes in market prices such as foreign exchange rates, equity prices and interest rates. The objective is to manage and control market risk exposures within acceptable parameters, while optimizing the return. The Company's market risk comprises of two types of risk: foreign exchange or currency risk and interest/ markup rate risk. The market risks associated with the Company's business activities are discussed as under:

### Foreign currency risk

Foreign currency risk arises mainly where receivables and payables exist due to transaction in foreign currency. Currently, the Company is not exposed to currency risk since there are no foreign currency transactions and balances at the reporting date.

### Price Risk

Price risk represents the risk that the fair value of a financial instrument will fluctuate because of changes in the market prices (other than those arising from interest/ mark up rate risk or currency risk), whether those changes are caused by factors specific to the individual financial instrument or its issuer, or factors affecting all or similar financial instruments traded in the market. Presently, daily stock market fluctuation is controlled by government authorities with cap and floor of 5%. The restriction of floor prices reduces the volatility of prices of equity securities and the chances of market crash at any moment. The Company manages price risk by monitoring the exposure in quoted equity securities and implementing the strict discipline in internal risk management and investment policies, which includes disposing of its own equity investment and collateral held before it led the company to incur significant mark to market and credit losses.

The carrying value of investments subject to equity price risk is based on quoted market prices as of the reporting date. Market prices are subject to fluctuation and consequently the amount realized in the subsequent sale of an investment may significantly differ from the reported market value. Fluctuation in the market price of a security may result from perceived changes in the underlying economic characteristics of the investee, the relative price of alternative investments and general market conditions. Furthermore, amount realized in the sale of a particular security may be affected by the relative quantity of the security being sold.

The Company's portfolio of short term investments is broadly diversified so as to mitigate the significant risk of decline in prices of securities in particular sector of the market.

### Fair Values estimate

In case of equity instruments, the Company measures fair value 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.

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.

#### i) Fair value at initial recognition

The Company takes in to account factors specific to the transaction and to the asset or liability, when determining whether or not the fair value at initial recognition equals the transaction price. Except for long term deposits, Long term investment, and Employee Vehicle Scheme the fair value of financial assets and financial liabilities recognized in these financial statements equals the transaction price at initial recognition. Due to immaterial effect the fair value of the long-term deposits, long term investment and employee vehicle scheme has not been determined and their carrying value has been assumed to be equal to their fair value.

## DARSON SECURITIES (PRIVATE) LIMITED

ii) Valuation techniques and inputs used

For instruments carried at amortized cost, since majority of the interest bearing instruments are variable rate based instruments, there is no difference in carrying amount and the fair value. Further, for fixed rate instruments, since there is no significant difference in market rate and the rate of instrument and therefore most of the fixed rate instruments are of short term in nature, fair value significantly approximates to carrying value.

iii) Fair value of the Company's financial assets and liabilities that are measured at fair value on recurring basis after initial recognition

The company uses widely recognized valuation techniques, for determining the fair value of assets and liabilities, that use only observable market data and require little management judgment and estimation. The short term investments held for trading has been categorized as level 1.

iv) Fair value of the Company's financial assets and liabilities that are not measured at fair value after initial recognition

The carrying amount of financial assets and financial liabilities recognized in these financial statements approximate their respective fair values. Fair values of financial assets and liabilities carried at amortized cost.

**Financial assets carried at Fair Value:**

	June 30, 2017		June 30, 2016	
	Carrying Value	Fair Value	Carrying Value	Fair Value
	(----- Amount in rupees -----)		(----- Amount in rupees -----)	
<b>LEVEL-1</b>				
Short Term Investments	85,929,413	85,929,413	77,034,149	77,034,149

v) Determination of fair values:

A number of the Company's accounting policies and disclosures require the determination of fair value, for both financial and non-financial assets and liabilities. Fair values have been determined for measurement and / or disclosure purposes based on the following methods;

a) Non-derivative financial assets

The fair value of non-derivative financial assets is estimated as the present value of future cash flows, discounted at the market rate of interest at the reporting date. This fair value is determined for disclosure purposes.

b) Non-derivative financial liabilities

Fair value, which is determined for disclosure purposes, is calculated based on the present value of future principal and interest cash flows, discounted at the market rate of interest at the reporting date.

## DARSON SECURITIES (PRIVATE) LIMITED

### 27 CAPITAL RISK MANAGEMENT

The company's objective when managing capital is to safe guard its ability to continue as a going concern so that it can continue to provide returns for shareholders and benefits for other stake holders: and to maintain strong capital base to support the development of its business.

The company manages its capital structure in the context of economic conditions and the risk characteristics of the underlying assets. In order to maintain or adjust the capital structure the company may adjust amount of dividend paid to shareholders or issue new shares. The company is not subject to externally imposed capital requirements.

### 28 DETAIL OF SECURITIES AS PER BACK OFFICE RECORD AND CDC RECORD

As per Back Office Record	As per Back Office Record		As per CDC Record	As per CDC Record	
	Own Account	Client Account		Own Account	Client Account
	<b>No. of Shares</b>		<b>No. Of Shares</b>		
Securities Held	12,491,616	70,303,506	Securities available	9,182,199	69,206,281
			Pledge with KSE/ NCCPL	1,719,650	-
			Securities pledged with banks	-	-
			Pending out	-	775,161
			Reconciliation entries	(13,186)	322,064
			Freezed securities	1,602,953	-
<b>Total</b>	<b>12,491,616</b>	<b>70,303,506</b>	<b>Total</b>	<b>12,491,616</b>	<b>70,303,506</b>

### 29 DETAIL OF SECURITIES PLEDGED

	No. of shares	Amount
- House account	1,719,650	30,130,102
- Client account	-	-
	<b>1,719,650</b>	<b>30,130,102</b>

## DARSON SECURITIES (PRIVATE) LIMITED

### 30 PATTERN OF SHARE HOLDING

<b>CATEGORIES OF SHAREHOLDERS</b>			
<b>DIRECTORS AND THEIR SPOUSE(S) AND MINOR CHILDREN</b>	<b>SHAREHOLDERS</b>	<b>SHARES HELD</b>	<b>PERCENTAGE</b>
<b>NAME</b>	10		
Zeeshan Dar		750,000	37.50%
Muhammad Anwar Dar		227,000	11.35%
Muhammad Farooq Dar		692,000	34.60%
Robina Mehmood		50,100	2.51%
Muhammad Ghayas Uddin		1,000	0.05%
Sabahat Dar		60,000	3%
Imrana Farooq		59,900	3%
Malik Nadeem Asghar		55,000	2.75%
Waheed Asghar Malik		55,000	2.75%
Shameem Akhtar		50,000	2.50%
Associated companies, undertakings and related parties	NIL		
Executives	NIL		
Public Sector Companies and Corporations			
Banks, development finance institutions, non-banking finance companies, insurance companies, takaful, modarabas and pension funds	NIL		
Others	NIL		
<b>Total</b>	<b>10</b>	<b>2,000,000</b>	<b>100%</b>
<b>SHAREHOLDERS HOLDING 5% OR MORE</b>			
<b>NAME</b>		<b>SHARES HELD</b>	<b>PERCENTAGE</b>
Zeeshan Dar		750,000	69.70%
Muhammad Farooq Dar		692,000	15.01%
Muhammad Anwar Dar		227,000	12.90%

### 31 TURNOVER FOR THE PERIOD

	<b>BUY QUANTITY</b>	<b>SELL QUANTITY</b>	<b>BUY AMOUNT</b>	<b>SELL AMOUNT</b>
<b>CLIENTS</b>	1,850,098,267	82,638,153,683	1,860,179,052	82,616,775,633
<b>PROPRIETARY</b>	51,501,864	2,146,670,415	53,413,854	2,205,648,863

### 32 NUMBER OF EMPLOYEES

Number of employees at year end	<u>18</u>	<u>17</u>
Average number of employees during the year	<u>18</u>	<u>17</u>

## DARSON SECURITIES (PRIVATE) LIMITED

### 33 DATE OF AUTHORIZATION

These financial statements were authorized for issue on September 26, 2017 by the board of directors.

### 34 GENERAL

- Figures have been rounded off to the nearest rupee.

- Figures for the previous year have been re arranged wherever necessary for comparison purposes.



CHIEF EXECUTIVE

DIRECTOR

