



# ARSHAD & CO

## Chartered Accountant

### AUDITORS' REPORT TO THE MEMBERS

We have audited the annexed balance sheet of DARSON SECURITIES (PRIVATE) LIMITED as at June 30, 2015 and the related profit and 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 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 Companies Ordinance, 1984;
- b) in our opinion:
  - i) the balance sheet and profit and loss account together with the notes thereon have been drawn up in conformity with the Companies Ordinance, 1984, and are in agreement with the books of account and are further in accordance with accounting policies consistently applied;
  - ii) the expenditure incurred during the year was for the purpose of the Company's business; and
  - iii) the business conducted, investments made and the expenditure incurred during the year were in accordance with the objects of the Company;
- c) in our opinion and to the best of our information and according to the explanations given to us, the balance sheet, profit and loss account, cash flow statement and statement of changes in equity together with the notes forming part thereof conform with approved accounting standards as applicable in Pakistan, and give the information required by the Companies Ordinance, 1984, in the manner so required and respectively give a true and fair view of the state of the Company's affairs as at June 30, 2015 and of the Profit, 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  
August 07, 2015

  
ARSHAD & COMPANY  
Chartered Accountant

ILITIES (PRIVATE) LIMITED

2015

AND ASSETS

CURRENT ASSETS

Property and equipment

Intangibles

Intangible assets

Long-term investments

CURRENT ASSETS

Trade receivable - Considered good

Short term deposits

Short term investments

Other receivables

Cash and bank balances

NET ASSETS

SHARE CAPITAL AND RESERVES

Authorized Share Capital

2,000,000 (2014: 2,000,000) ordinary shares of Rupees 100 each

Issued, subscribed and paid up share capital

2,000,000 (2014: 2,000,000) ordinary shares of Rupees 100 each fully paid in cash

Accumulated profit

NON CURRENT LIABILITIES

Loans from directors and their relatives

CURRENT LIABILITIES

Trade and other payables

Accrued Markup

CONTINGENCIES AND COMMITMENTS

TOTAL EQUITY & LIABILITIES

Note	2015 RUPEES	2014 RUPEES
4	7,605,377	8,918,387
5	50,552,165	50,552,165
6	9,019,900	9,019,900
7	20,636,040	20,636,040
	<u>87,813,482</u>	<u>89,126,492</u>

	211,804,135	209,012,867
	23,449,698	17,798,621
8	99,142,022	90,750,181
9	12,663,283	27,934,588
10	77,997,501	52,477,394
	<u>425,056,639</u>	<u>457,973,651</u>
	<u>512,870,121</u>	<u>547,100,143</u>

200,000,000 200,000,000

200,000,000 200,000,000

58,478,134 43,341,749

258,478,134 243,341,749

11 30,000,000 30,000,000

12 224,391,987 273,526,079

222,315

224,391,987 273,758,394

13

512,870,121 547,100,143

The annexed notes from 1 to 20 form an integral part of these financial statements.

LAHORE

AUGUST 07, 2015

*Amir Mubal*  
  
 CHIEF EXECUTIVE DIRECTOR

**SECURITIES (PRIVATE) LIMITED**  
**INCOME STATEMENT AND LOSS ACCOUNT**  
**FOR THE YEAR ENDED JUNE 30, 2015**

	Note	2015 RUPEES	2014 RUPEES
Brokerage income	14	23,234,090	22,694,732
Less:			
Operating expenses	15	28,311,844	29,426,110
Finance cost	16	60,561	2,115,013
		<u>28,372,405</u>	<u>31,541,123</u>
(Loss)/Profit from operations		(5,138,315)	(8,846,391)
Other income	17	21,846,844	36,197,070
Profit/(Loss) before taxation		<u>16,708,529</u>	<u>27,350,679</u>
Taxation		1,572,144	3,860,436
Profit/(Loss) after taxation		<u>15,136,385</u>	<u>23,490,243</u>
Other Comprehensive income			
Total Comprehensive income/(loss) for the year		<u>15,136,385</u>	<u>23,490,243</u>

The annexed notes from 1 to 20 form an integral part of these financial statements.

LAHORE  
AUGUST 07, 2015

  
  
**CHIEF EXECUTIVE DIRECTOR**

SECURITIES (PRIVATE) LIMITED  
 STATEMENT  
 YEAR ENDED JUNE 30, 2015

	Note	2015 RUPEES	2014 RUPEES
Cash flows from operating activities			
Profit/(Loss) before taxation		16,708,529	27,350,679
Adjustment for:			
Depreciation		1,313,010	1,575,892
Finance cost		60,564	2,115,213
Unrealized capital (Gain)/loss		(5,007,694)	2,642,771
Cash flow from operating activities before changes in working capital		13,074,406	33,684,355
(Increase)/decrease in current assets			
Trade receivables		57,208,732	106,576,601
Short term deposits		(5,651,077)	(11,040,225)
Short term investments		(3,384,147)	80,092,067
Other receivables		19,835,086	
Increase/(decrease) in current liabilities			
Trade and other payable		(49,144,092)	(43,299,825)
Short term borrowings		-	(33,559,636)
Cash generated from operations		31,938,908	132,453,337
Financial charges paid		(282,876)	(2,112,109)
Income tax paid		(6,135,925)	(28,501,394)
Net cash generated from/ (used in) operating activities		25,520,107	101,839,834
Cash flows from investing activities			
Purchase of property plant & equipment		-	(3,023,020)
Addition in loans		-	(15,971,390)
Net cash generated from investing activities		-	(18,994,810)
Cash flows from Financing Activities			
Increase in share capital		-	80,000,000
Payment of loan		-	(120,000,000)
Share deposit money		-	(40,000,000)
Net cash used in financing activities		-	(80,000,000)
Increase/ (Decrease) in cash and cash equivalents		25,520,107	2,845,034
Cash and cash equivalents at the beginning of the year		52,477,394	49,632,370
Cash and cash equivalents at the end of the year	10	77,997,501	52,477,394

The annexed notes from 1 to 20 form an integral part of these financial statements.

LAKHORE  
 AUGUST 07, 2015

*Anand*  
 CHIEF EXECUTIVE DIRECTOR

**SECURITIES (PRIVATE) LIMITED**

**STATEMENT OF CHANGES IN EQUITY**  
**FOR THE YEAR ENDED JUNE 30, 2015**

ARTICULARS	-----RUPEES-----			
	Share Capital	Un-appropriated profit / (Loss)	Share Deposit Money	TOTAL
Balance as on July 01, 2013	120,000,000	19,851,506	40,000,000	179,851,506
increase in Share Capital	80,000,000	-	-	80,000,000
Total comprehensive income for the year	-	23,490,243	-	23,490,243
Share deposit money received during the year	-	-	(40,000,000)	(40,000,000)
<b>Balance as on June 30, 2014</b>	<b>200,000,000</b>	<b>43,341,749</b>	<b>-</b>	<b>243,341,749</b>
Balance as on July 01, 2014	200,000,000	43,341,749	-	243,341,749
Total comprehensive income for the year	-	15,136,385	-	15,136,385
<b>Balance as on June 30, 2015</b>	<b>200,000,000</b>	<b>58,478,134</b>	<b>-</b>	<b>258,478,134</b>

LAHORE  
 AUGUST 07, 2015

CHIEF EXECUTIVE

DIRECTOR

*Signature*



**1 STATUS AND NATURE OF BUSINESS**

The company was incorporated in Pakistan, as a private limited company on March 11, 2000. The company is a corporate member of Lahore and Karachi Stock Exchange (Guarantee) Limited. The principal activity of the company is to carry on the business of trading and brokerage in stocks and securities. The company has also acquired the membership of the National Commodity Exchange Limited.

**2 BASIS OF PREPARATION**

**2.1 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 Standard for Medium-Sized Entities (MSFE) 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.

**2.2 Basis of Measurement**

These financial statements have been prepared under the historical cost convention except as otherwise stated in the respective policies and notes given hereunder. Further accrual basis of accounting is followed in the preparation of these financial statements except for the cash flow statement.

**2.3 Use of Estimates & Judgements**

The preparation of financial statements in conformity with the Accounting and Financial Reporting Standards for Medium-Sized Entities issued by the Institute of Chartered Accountants of Pakistan require 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 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 to 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 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 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES**

**3.01 Taxation**

Provision for current taxation is based on taxable income at rates of taxation after taking into account tax rebates and tax credits available, if any. The company provides for deferred taxation using liability method for all significant taxable temporary differences, if any.

**3.02 Property and equipment**

Property and equipment are stated at cost less accumulated depreciation. Depreciation is charged on reducing balance method at the rates specified in relevant laws. Depreciation on additions and disposals during the year is charged on the basis of proportionate period of use. Normal repair and maintenance are charged to current year income as and when incurred. Gain or losses on disposal of assets are included in current year's income.

The company assesses at each balance sheet date whether there is any indication that assets may be impaired. If such indication exists the carrying amount of such assets are reviewed to assess whether they are recorded in excess of their recoverable amount, if so, assets are written down to their recoverable amount and the resulting impairment loss is recognized in current income. The recoverable amount is the higher of an asset's fair value less costs to sell and value in use. Where an impairment loss is recognized the depreciation charged is adjusted in the future periods to allocate the asset's revised carrying amount over its estimated useful life.

#### Accounts

These are stated at acquisition cost less impairment loss, if any.

#### 3.04 Intangible assets

##### Membership card

These are stated at acquisition cost less impairment loss, if any. The carrying amount is reviewed at each balance sheet date to assess whether they are recorded in excess of their recoverable amounts, and where carrying value exceeds estimated recoverable amounts, these are written down to their estimated recoverable amount.

#### 3.05 Investments

The management determines the appropriate classification of its investments in accordance with the requirements of the Accounting and Financial Reporting Standards for Medium-Sized Entities at the time of purchase and re-evaluates this classification on a regular basis. Investments are dealt as under:

##### At Fair Value Through Profit and Loss

Investments which are acquired principally for the purpose of selling in the near term or the investments that are part of a portfolio of financial instruments exhibiting short-term profit taking are classified as investment at fair value through profit and loss.

These are stated at fair values with any resulting gains or losses recognized directly in the profit and loss account. The fair value of such investments representing listed equity is determined on the basis of prevailing market prices.

#### 3.06 Trade Debts

These are stated net of provisions for the doubtful debts. Full provisions are made against the debts considered doubtful. This includes receivable from members of stock exchange, customers and others.

#### 3.07 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, bank balances and liquid securities.

#### 3.08 Borrowing Costs

Borrowing cost is charged to profit and loss account as incurred.

#### 3.09 Revenue Recognition

##### Capital Gain or Loss

Capital gains and losses on sale of marketable securities are recorded on the date of sale.

##### Brokerage

Brokerage income is recognized as and when such services are provided.

##### Dividend

Dividend income is recognized when the right to receive payment is established. Whereas, on securities other than shares it is recognized on accrual basis.

#### 3.10 Impairment

The carrying amounts of assets are reviewed at each balance sheet date to determine whether there is any objective evidence that an asset or group of assets may be impaired. If any such evidence exist, the asset or group of asset's recoverable amount is estimated. An impairment loss is recognized whenever the carrying amount of an asset exceeds its recoverable amount. Impairment losses are recognized in profit and loss account.

#### 3.11 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.

#### 3.12 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.

PROPERTY AND EQUIPMENT

	Furniture and Fixture	Office Equipment	Computers	Vehicles	TOTAL
<b>At June 30, 2014</b>					
Cost	5,790,214	3,093,923	4,234,000	11,703,432	24,821,569
Accumulated Depreciation	(3,902,720)	(1,923,945)	(2,790,755)	(7,496,122)	(15,913,542)
<b>Net Book Value</b>	<b>2,093,494</b>	<b>1,169,978</b>	<b>1,443,245</b>	<b>4,211,710</b>	<b>8,918,387</b>
<b>Year Ended June 30, 2015</b>					
Opening net book value	2,093,494	1,169,978	1,443,245	4,211,710	8,918,387
Additions					
Disposal during the year					
Depreciation charge	(209,549)	(116,974)	(144,325)	(842,342)	(1,313,010)
<b>Closing net book value</b>	<b>1,884,145</b>	<b>1,052,944</b>	<b>1,298,920</b>	<b>3,369,368</b>	<b>7,605,377</b>
<b>At June 30, 2015</b>					
Cost	5,796,714	3,093,923	4,234,000	11,707,852	24,831,909
Accumulated depreciation	(3,912,669)	(2,040,979)	(2,935,081)	(8,334,164)	(17,222,592)
<b>Net Book Value</b>	<b>1,884,145</b>	<b>1,052,944</b>	<b>1,298,920</b>	<b>3,369,368</b>	<b>7,605,377</b>
Asset's Rate of Depreciation	10%	10%	10%	20%	

Note 2015 2014  
RUPEES RUPEES

Depreciation charge has been allocated as follows:-

Operating expenses		1,313,010	1,575,892
<b>5. ROOMS</b>		<b>50,552,165</b>	<b>50,552,165</b>
<b>6. INTANGIBLE ASSETS</b>			
Trading Right Entitlement Certificate			
Korchi	6.1	4,210,000	6,210,000
Lahori	6.1	1,800,000	1,800,000
Member ship of PMEX		1,000,000	1,000,000
		<b>9,010,000</b>	<b>9,010,000</b>



Members trading rights in Lahore Stock Exchange Limited (LSE) and Karachi Stock Exchange Limited (KSE) which have replaced membership cards of stock exchanges pursuant to the promulgation of Stock Exchanges (Corporatization, Demutualization and Privatization) Act, 2012 (the 2012 Act). Before demutualization the stock exchanges were functioning as Guarantee Limited Companies, their ownership and trading rights were conferred to members through membership cards. Pursuant to demutualization, the ownership in a stock exchange has been segregated from the right to trade on the exchange. Therefore the membership cards have now been replaced by shares in the exchange representing ownership in the exchange and trading rights entitlement certificates (TREC) representing rights to trade in the exchange. As result 843,975 shares of Rs.10/- each in LSE and 4,007,383 shares of Rs. 10/- each in KSE have been allotted to the Company out of which 60% of the shares are blocked in a separate account held with CDC and would be sold to strategic investors and general public in future at a price which remains to be finalized, proceeds of which would come to the members, while the remaining 40% are available to members with no condition on their future sale. The Institute of Chartered Accountants of Pakistan in its technical guide dated May 29, 2013, concluded that the demutualization, in substance, had not resulted in exchange of dissimilar assets, and therefore no gain or loss should be recognized and the segregation of ownership rights and the trading rights should be accounted for by allocating the cost/carrying value of the membership card between the two distinct assets on a reasonable basis. The TREC can only be sold or transferred once, however once sold it would not be saleable / transferable again. The transaction is in nature an exchange of an intangible asset (membership card) with a financial asset (shares) together with an intangible asset (TREC).

Taking into account the above factors and in absence of an active market to determine the fair value of TREC and shares, the value of shares and TREC have initially been measured at the carrying amount of the membership card with which they have been exchanged. The membership card has been allocated to TREC and shares in the ratio of 32:68 for LSE and 27:73 for KSE which has been determined as mentioned below. Resultantly the shares have been recognized at Rs. 3,846,040 and TREC at Rs. 1,809,900 for LSE and recognized shares at Rs. 16,790,000 Million and TREC at Rs. 6,210,000 Million for KSE.

For the purpose of determining the above mentioned ratio the value of shares has been taken at Rs. 8,435 Million @ Rs. 10/ Share for LSE and at Rs. 40 Million @ Rs. 10/ for KSE being the par value of the shares determined on the basis of the fair valuation of the underlying assets and liabilities of the Stock Exchanges in accordance with the requirements of the Demutualization Act., while the value of TREC for the above purpose has been taken at Rs. 4.00 Million for LSE and at Rs. 15 Million for KSE being the value assigned to TREC for base minimum capital purposes by the BOD of the Lahore Stock Exchange.

Institute of Chartered Accountants of Pakistan further in its 'selected opinion' stressed that any subsequent measurement of the shares and / or TREC would only be possible where reliable fair values can be measured. This would most likely happen when the blocked shares are sold to the strategic investor or to the general public through an IPO and an active market develops for the TREC.

Institute of Chartered Accountants of Pakistan further in its 'selected opinion' stated that the apportioned carrying value would be required to be tested for impairment as per IAS 36, if any. When the management and the auditor conclude that there is no impairment, they may continue to use the apportioned carrying value.

		2015 RUPEES	2014 RUPEES
7	<b>Long Term Investment</b>		
	4,007,383 number of shares in Karachi Stock Exchange Limited	Refer to note 7.1	16,790,000
	843,975 number shares in Lahore Stock Exchange Limited	Refer to note 7.2	3,846,040
			<u>20,636,040</u>
7	<b>Karachi Stock Exchange</b>		
	1,002,953 unblocked shares (refer note 6.1)		
	2,404,430 blocked shares (refer note 6.1)		
7.2	<b>Lahore Stock Exchange</b>		
	137,500 unblocked shares (refer note 6.1)		
	306,383 blocked shares (refer note 6.1)		
8	<b>SHORT TERM INVESTMENTS</b>		
	Investment at fair value through profit and loss		
	Investment in fixed securities		<u>99,142,022</u>
			<u>90,750,181</u>
9	<b>OTHER RECEIVABLES</b>		
	Advance Income Tax on	12,663,283	8,099,502
	National Clearing Company of Pakistan Limited		19,835,046
		<u>12,663,283</u>	<u>27,934,548</u>
10	<b>CASH AND BANK BALANCES</b>		
	Cash at bank - Current Accounts	77,911,751	52,434,140
	Cash in hand	85,750	43,234
		<u>77,997,501</u>	<u>52,477,374</u>
11	<b>LOAN FROM DIRECTORS AND THEIR RELATIVES</b>		
	Loans from directors and their relatives	11.1	<u>30,000,000</u>

11.1 This is present interest free unsecured loan obtained from sponsors. There is no fixed repayment schedule for these loans. In absence of

availability of defined repayment schedule, the fair value of these loans is not determinable and hence they have been stated at cost.

	2015 RUPEES	2014 RUPEES
<b>TRADE AND OTHER PAYABLES</b>		
Trade Creditors & Other payables	223,371,340	272,804,229
Accrued Expenses	1,020,647	731,850
	<u>224,391,987</u>	<u>273,536,079</u>
<b>13 CONTINGENCIES AND COMMITMENTS</b>		
There is no contingencies and commitments in the balance sheet date.		
<b>14 BROKERAGE INCOME</b>		
Total commission	27,365,823	27,017,534
Less: Cost brokerage	(4,131,733)	(4,117,806)
Net brokerage income	<u>23,234,090</u>	<u>22,899,728</u>
<b>15 OPERATING EXPENSES</b>		
15.1 & 15.2 Charges	2,243,363	2,295,808
CTD and NCTPL charges	1,434,382	1,210,775
Salaries and other benefits	9,869,687	9,019,479
Utility expenses	3,627,915	3,247,756
Traveling and conveyance	184,966	252,278
Communication and postage	307,940	332,816
Auditors' remuneration	100,000	100,000
Fees and professional charges	822,781	791,231
Newspapers and periodicals	23,484	23,696
Printing and stationery	343,043	339,996
Repair and maintenance	567,196	1,833,690
Computer expenses	1,858,592	1,780,271
Entertainment	1,444,825	2,079,754
Vehicle Running and Maintenance	1,094,620	1,541,662
Insurance	-	137,800
Advertisement	512,869	452,900
Miscellaneous charges	132,265	133,187
Depreciation	1,313,810	1,575,892
	<u>28,311,844</u>	<u>29,426,110</u>
<b>16 FINANCE COST</b>		
Markup on short term borrowings		2,441,182.00
Bank charges	60,561	1,261.00
	<u>60,561</u>	<u>2,442,443.00</u>
<b>17 OTHER INCOME/(CHARGES)</b>		
Gain/(Loss) on sale of assets	12,646,485	33,023,582
Dividend Income	4,192,665	3,816,259
Gain/(Loss) on re-measurement of investments through profit or loss	5,007,694	(2,842,371)
	<u>21,846,844</u>	<u>33,997,470</u>

## 18 FINANCIAL RISK MANAGEMENT

### 18.1 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.

12. Financial assets and liabilities by category and their respective maturities

	2015 RUPEES	2014 RUPEES
<u>Financial Asset</u>		
Long-term investments		
Trade receivable - Considered good	20,636,040	20,636,040
Short-term deposits	211,504,135	269,512,867
Short-term investments	23,449,698	17,798,621
Other receivables	99,142,022	90,750,181
Cash and bank balances	12,663,283	27,934,588
	77,997,501	52,477,394
	<u>445,692,679</u>	<u>478,609,691</u>
<u>Financial Liability</u>		
Due from directors and their relatives	30,000,000	30,000,000
Trade and other payables	224,391,987	273,536,079
Accrued Markup	-	222,315
	<u>254,391,987</u>	<u>303,758,394</u>

18.3. 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 settled at cost.

18.4. Financial Risk Factors

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

- Credit Risk
- Liquidity Risk
- Market Risk

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 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 economic, political or other conditions. Concentrations of credit risk indicate the relative sensitivity of the Company's performance to developments affecting a particular industry. 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.

Credit risk of the Company arises from deposits with banks and financial institutions, trade debts, short term loans, deposits, 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 operations 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.

The carrying amount of financial assets exceeds the maximum credit exposure, as specified below.

Financial Asset	2015	2014
	RUPEES	RUPEES
Long-term investments	20,636,040	20,636,040
Trade receivable - Considered good	211,804,135	269,912,867
Short term deposits	13,449,698	13,798,621
Short term investments	99,142,012	90,750,181
Other receivables	12,663,283	27,954,588
Bank balances	77,911,751	52,438,140
	<u>445,606,929</u>	<u>478,586,437</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 raise additional 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:

	RUPEES 2015	RUPEES 2014
	Within 1 year	Within 1 year
Loan from directors and their relatives		
Trade and other payables	224,391,987	273,336,879
Accrued Markup		272,315
	<u>224,391,987</u>	<u>273,258,394</u>

#### Market risk

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

#### Interest Rate Risk

Interest rate risk is the risk that the fair value or future cash flows of a financial instrument will fluctuate due to changes in market interest rates. Significant interest rate risk exposures are primarily managed by a mix of borrowings at fixed and variable interest rates and entering into interest rate swap contracts. The company's interest rate risk arises from short term cash finance facility. The company analyzes its interest rate exposure on a regular basis by reconsidering existing facilities against prevailing market interest rates and taking into accounts various other financing options available.

#### Price Risk

Price risk represents the risk that fair value of financial instrument will fluctuate because of changes in the market prices, whether those changes are caused by factors specific to the individual financial instrument or its issuer, or factor affecting all or similar financial instruments traded in the market. The company is not exposed to equity price risk since it has no investments in quoted equity securities.

**DATE OF AUTHORIZATION**

These financial statements were authorized for issue on August 07, 2015 by the board of directors.

**20 GENERAL**

- Figures have been rounded off to the nearest rupee
- Figures for the previous year have been re-arranged wherever necessary for comparison purposes.

LAHORE  
AUGUST 07, 2015

DARSON INDUSTRIES  
(PRIVATE) LIMITED  
YEAR ENDED 31st MARCH 2015  
FINANCIAL STATEMENTS

*Aminder*

CHIEF EXECUTIVE



DIRECTOR