



SUMMIT CAPITAL (PRIVATE) LIMITED  
[FORMERLY ATLAS CAPITAL MARKET (PRIVATE)  
LIMITED]

FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 DECEMBER 2011

**Ernst & Young Ford Rhodes Sidat Hyder**  
Chartered Accountants  
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## AUDITORS' REPORT TO THE MEMBERS

We have audited the annexed balance sheet of **Summit Capital (Private) Limited [Formerly Atlas Capital Markets (Private) Limited]** (the Company) as at **31 December 2011** 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 Companies Ordinance, 1984. Our responsibility is to express an opinion on these statements based on our audit.

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

- (a) in our opinion, proper books of account have been kept by the Company as required by the Companies Ordinance, 1984;
- (b) in our opinion :
  - (i) the balance sheet and profit and loss account together with the notes thereon have been drawn up in conformity with the Companies Ordinance, 1984, and are in agreement with the books of account and are further in accordance with accounting policies consistently applied except for the changes as stated in note 4.1 to the financial statements with which we concur;
  - (ii) the expenditure incurred during the year was for the purpose of the Company's business; and
  - (iii) the business conducted, investments made and the expenditure incurred during the year were in accordance with the objects of the Company;

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- (c) in our opinion and to the best of our information and according to the explanations given to us, the balance sheet, profit and loss account, statement of comprehensive income, 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 31 December 2011 and of the loss, comprehensive loss, its cash flows and changes in equity for the year then ended; and
- (d) in our opinion no Zakat was deductible at source under the Zakat and Ushr Ordinance, 1980.



Chartered Accountants

Audit Engagement Partner: Shabbir Yunus

Date: 28 February 2012

Karachi

**SUMMIT CAPITAL (PRIVATE) LIMITED**  
**[FORMERLY ATLAS CAPITAL MARKETS (PRIVATE) LIMITED]**  
**BALANCE SHEET**  
**AS AT DECEMBER 31, 2011**

	Note	2011 ----- (Rupees in '000) -----	2010
<b><u>ASSETS</u></b>			
<b>NON-CURRENT ASSETS</b>			
Fixed assets	7	81,386	81,103
Investment property	8	22,193	22,646
Long-term loans, deposits and trade debts	9	3,091	7,914
Deferred tax asset - net	10	20,819	15,482
		127,489	127,145
<b>CURRENT ASSETS</b>			
Trade debts	9.3	23,048	35,951
Short-term loans, deposits and prepayments	11	9,532	4,803
Accrued mark-up	12	335	1,252
Other receivables	13	10	259
Investment in an associate	14	28,910	-
Advance tax - net		10,017	8,861
Cash and bank balances	15	41,791	107,125
		113,643	158,251
		241,132	285,396
<b><u>EQUITY AND LIABILITIES</u></b>			
<b>SHARE CAPITAL AND RESERVES</b>			
Authorised capital			
50,000,000 (2010: 50,000,000)			
Ordinary shares of Rs.10 each		500,000	500,000
Issued, subscribed and paid-up capital	16	300,000	300,000
Accumulated losses		(105,105)	(90,798)
		194,895	209,202
<b>NON-CURRENT LIABILITIES</b>			
Long-term loans and deposits	17	664	18,480
Deferred liability	18	2,074	1,693
		2,738	20,173
<b>CURRENT LIABILITIES</b>			
Trade and other payables	19	24,765	56,013
Accrued interest		734	8
Current maturity of long-term loan		18,000	-
		43,499	56,021
<b>CONTINGENCIES AND COMMITMENTS</b>			
	20	241,132	285,396
		241,132	285,396

The annexed notes from 1 to 30 form an integral part of these financial statements.

*Signature*

*Signature*

Chief Executive Officer

*Signature*

Director

**SUMMIT CAPITAL (PRIVATE) LIMITED**  
**[FORMERLY ATLAS CAPITAL MARKETS (PRIVATE) LIMITED]**  
**PROFIT AND LOSS ACCOUNT**  
**FOR THE YEAR ENDED DECEMBER 31, 2011**

	Note	2011 ----- (Rupees in '000) -----	2010 ----- (Rupees in '000) -----
<b>Income</b>			
Equity brokerage commission		13,900	20,582
Money market and forex brokerage commission		11,295	7,644
Fee on distribution of open end units		261	2,077
Net gain on investments at fair value through profit or loss		-	553
Other income	21	25,665	14,421
		51,121	45,277
<b>Expenditure</b>			
Operating and administrative expenses	22	55,617	57,324
Provision for impairment in an associate		9,438	-
Financial charges	23	3,550	2,254
		68,605	59,578
		(17,484)	(14,301)
Share of profit of an associate	14.2	1,148	-
<b>Loss before taxation</b>		(16,336)	(14,301)
Taxation - current		3,308	2,688
- deferred		(5,337)	(3,218)
		(2,029)	(530)
<b>Loss after taxation</b>		(14,307)	(13,771)
<b>Loss per share - basic (Rupee)</b>		(0.48)	(0.46)

The annexed notes from 1 to 30 form an integral part of these financial statements.

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*Rohat Sain*

Chief Executive Officer

*[Signature]*

Director

**SUMMIT CAPITAL (PRIVATE) LIMITED**  
**[FORMERLY ATLAS CAPITAL MARKETS (PRIVATE) LIMITED]**  
**STATEMENT OF COMPREHENSIVE INCOME**  
**FOR THE YEAR ENDED 31 DECEMBER 2011**

	2011	2010
	----- (Rupees in '000) -----	
Net loss for the year	(14,307)	(13,771)
<b>Other comprehensive income / (loss)</b>		
Unrealised loss on revaluation of available-for-sale investments	-	-
<b>Total comprehensive loss for the year</b>	<b>(14,307)</b>	<b>(13,771)</b>

The annexed notes from 1 to 30 form an integral part of these financial statements.

*EV/MSA*

*Rahat Khan*

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 Chief Executive Officer

*[Signature]*

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 Director

**SUMMIT CAPITAL (PRIVATE) LIMITED**  
**[FORMERLY ATLAS CAPITAL MARKETS (PRIVATE) LIMITED]**  
**CASH FLOW STATEMENT**  
**FOR THE YEAR ENDED DECEMBER 31, 2011**

	Note	2011 ----- (Rupees in '000) -----	2010 ----- (Rupees in '000) -----
<b>CASH FLOWS FROM OPERATING ACTIVITIES</b>			
Loss before taxation		(16,336)	(14,301)
Interest income on staff loan		(25)	(22)
		<u>(16,361)</u>	<u>(14,323)</u>
<b>Adjustments for:</b>			
Depreciation	7.1 & 8	4,878	4,938
Amortization	7.2	702	672
Provision for leave encashment	18	640	190
Provision for gratuity	19.1.5	758	862
Provision for impairment in an associate		9,438	-
Share of profit in an associate		(1,148)	-
Gain on sale of operating fixed assets	7.1.1	(291)	(585)
Operating fixed assets written off		806	70
Financial charges		3,550	2,254
		<u>19,333</u>	<u>8,401</u>
<b>(Increase) / decrease in assets</b>			
Trade debts		12,903	59,986
Short-term loans, deposits and prepayments		(4,729)	(1,329)
Accrued mark-up		917	(303)
Other receivables		249	(241)
Long-term loans, deposits and trade debts		4,823	11,594
		<u>14,163</u>	<u>69,707</u>
<b>(Decrease) / increase in liabilities</b>			
Trade and other payables		(32,006)	5,130
Accrued interest		726	(3,007)
Long-term deposits		184	33
		<u>(31,096)</u>	<u>2,156</u>
<b>Cash generated from operations</b>			
		<u>(13,961)</u>	<u>65,941</u>
Leave encashment paid		(259)	(397)
Income tax paid		(4,464)	(3,867)
Financial charges paid		(3,550)	(2,254)
<b>Net cash used in / (generated from) operating activities</b>		<u>(22,234)</u>	<u>59,423</u>
<b>CASH FLOWS FROM INVESTING ACTIVITIES</b>			
Capital expenditure incurred		(6,897)	(1,214)
Proceed from sale of tangible fixed assets		972	2,096
Short-term investments		(37,200)	2,127
Interest received on staff loan		25	22
<b>Net cash used in / (generated from) investing activities</b>		<u>(43,100)</u>	<u>3,031</u>
<b>CASH FLOWS FROM FINANCING ACTIVITIES</b>			
Long-term loan obtained		-	18,000
Long-term loan repaid		-	(70,000)
<b>Net cash used in financing activities</b>		<u>-</u>	<u>(52,000)</u>
<b>Net increase in cash and cash equivalents</b>		<u>(65,334)</u>	<u>10,454</u>
<b>Cash and cash equivalents at beginning of the year</b>		<u>107,125</u>	<u>96,671</u>
<b>Cash and cash equivalents at the end of the year</b>		<u>41,791</u>	<u>107,125</u>
<b>Cash and cash equivalents:</b>			
Cash and bank balances	15	<u>41,791</u>	<u>107,125</u>

The annexed notes from 1 to 30 form an integral part of these financial statements.

*Signature*

*Signature*

Chief Executive Officer

*Signature*

Director

**SUMMIT CAPITAL (PRIVATE) LIMITED**  
**[FORMERLY ATLAS CAPITAL MARKETS (PRIVATE) LIMITED]**  
**STATEMENT OF CHANGES IN EQUITY**  
**FOR THE YEAR ENDED DECEMBER 31, 2011**

	Issued, subscribed and paid-up capital	Accumulated losses	Total
	----- (Rupees in '000) -----		
Balance as at January 01, 2010	300,000	(77,027)	222,973
Loss for the year	-	(13,771)	(13,771)
Other comprehensive income / (loss)	-	-	-
Total comprehensive loss for the year	-	(13,771)	(13,771)
<b>Balance as at December 31, 2010</b>	<b>300,000</b>	<b>(90,798)</b>	<b>209,202</b>
Loss for the year	-	(14,307)	(14,307)
Other comprehensive income / (loss)	-	-	-
Total comprehensive loss for the year	-	(14,307)	(14,307)
<b>Balance as at December 31, 2011</b>	<b>300,000</b>	<b>(105,105)</b>	<b>194,895</b>

The annexed notes from 1 to 30 form an integral part of these financial statements.

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*Rahat S. in*

Chief Executive Officer

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Director

**SUMMIT CAPITAL (PRIVATE) LIMITED**  
**[FORMERLY ATLAS CAPITAL MARKETS (PRIVATE) LIMITED]**  
**NOTES TO THE FINANCIAL STATEMENTS**  
**FOR THE YEAR ENDED DECEMBER 31, 2011**

**1. THE COMPANY AND ITS OPERATIONS**

Summit Capital (Private) Limited [Formerly Atlas Capital Markets (Private) Limited] (the Company) is a private limited company, incorporated in Pakistan on March 08, 2006 under the Companies Ordinance, 1984. The Company is a corporate member of Karachi Stock Exchange (Guarantee) Limited, Lahore Stock Exchange (Guarantee) Limited, Islamabad Stock Exchange (Guarantee) Limited and National Commodity Exchange Limited. The principal activities of the Company are equity and money market brokerage, advisory and consultancy services and distribution of open end units. The registered office of the Company is situated at 209-B, 2nd Floor, Park Towers, Shahrah-e-Firdousi, Clifton, Karachi. The Company is a wholly owned subsidiary of Summit Bank Limited.

**2. STATEMENT OF COMPLIANCE**

These financial statements have been prepared in accordance with approved accounting standards as applicable in Pakistan. Approved accounting standards comprise of such International Financial Reporting Standards (IFRS) issued by the International Accounting Standards Board as are notified under the Companies Ordinance, 1984, provisions of and directives issued under the Companies Ordinance, 1984. In case requirements differ, the provisions or directives of the Companies Ordinance, 1984 shall prevail.

**3. BASIS OF PREPARATION**

These financial statements have been prepared under the historical cost convention except for investments which are carried at fair value as referred to in note 4.7 below.

**4. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES**

The accounting policies adopted in the preparation of these financial statements are consistent with those of the previous financial year except as follows:

**4.1 New and amended standards and interpretations**

The Company has adopted the following new and amended IFRS and related interpretations and improvements which became effective during the year:

IAS 24 – Related Party Disclosures (Revised)

IAS 32 – Financial Instruments: Presentation – Classification of Rights Issues (Amendment)

IFRIC 14 – Prepayments of a Minimum Funding Requirement (Amendment)

IFRIC 19 - Extinguishing Financial Liabilities with Equity Instruments

In May 2010, International Accounting Standards Board (IASB) issued amendments to various standards primarily with a view to removing inconsistencies and clarifying wording. These improvements are listed below:

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**IFRS 3 - Business Combinations**

- Transition requirements for contingent consideration from a business combination that occurred before the effective date of the revised IFRS
- Measurement of non-controlling interests (NCI)
- Un-replaced and voluntarily replaced share-based payment awards

**IFRS 7 - Financial Instruments: Disclosures**

- Clarification of disclosures

**IAS 1 - Presentation of Financial Statements**

- Clarification of statement of changes in equity

**IAS 27 - Consolidated and Separate Financial Statements**

- Transition requirements for amendments made as a result of IAS 27 Consolidated and Separate Financial Statements

**IAS 34 - Interim Financial Reporting**

- Significant events and transactions

**IFRIC 13 - Customer Loyalty Programmes**

- Fair value of award credits

The adoption of the above standards, amendments / improvements and interpretations did not have any material effect on these financial statements.

**4.2 Operating fixed assets**

These are stated at cost less accumulated depreciation and impairment, if any. Such costs include the cost of replacing parts of fixed assets when that cost is incurred. Maintenance and normal repairs are charged to income as and when incurred. Depreciation is charged to income over the useful life of the asset on a systematic basis applying the reducing balance method at the rates specified in note 7.1 to the financial statements.

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, assets are written down to their estimated recoverable amount. Depreciation is charged from the month of purchase and no depreciation is charged from the month of disposal.

An item of fixed asset is derecognised upon disposal or when no future economic benefits are expected from its use or disposal.

The assets' residual values, useful lives and methods are reviewed and adjusted, if appropriate at each financial year end.

Gains and losses on disposals, if any, of assets are included in income currently.

**4.3 Intangible assets**

These are stated at cost less accumulated amortisation and impairment, if any. Amortisation is charged over the useful life of the asset on a systematic basis to income applying the reducing balance method at the rate specified in note 7.2 to the financial statements. Depreciation is charged from the month of purchase and no depreciation is charged from the month of disposal.

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Intangible assets with indefinite useful lives are not amortised. Instead they are systematically tested for impairment at each balance sheet date. Intangible assets include KSE membership card, and rooms and booths at KSE, the carrying amounts of which are reviewed at each balance sheet date to assess whether these are in excess of their recoverable amounts, and where the carrying amount exceeds the estimated recoverable amount, the carrying amount is written down to the estimated recoverable amount.

Cost associated with maintaining assets are recognized as an expense in the period in which these are incurred.

Gains and losses on disposals, if any, of assets are included in income currently.

#### **4.4 Investment property**

Property held for long-term rental yield, or for capital appreciation or both is classified as investment property.

This is stated at cost less accumulated depreciation and impairment, if any. Maintenance and normal repairs are charged to income as and when incurred. Depreciation is charged to income over the useful life of the asset on a systematic basis applying the reducing balance method at the rates specified in note 8 to the financial statements.

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, assets are written down to their estimated recoverable amount.

An item of investment property is derecognised upon disposal or when no future economic benefits are expected from its use or disposal.

The assets' residual values, useful lives and methods are reviewed and adjusted, if appropriate, at each financial year end.

Gains and losses on disposals, if any, of assets are included in income currently.

#### **4.5 Trade debts and other receivables**

These are stated net of provision for doubtful debts. Full provision is made against the debts considered doubtful.

#### **4.6 Investments**

Investments are classified as either 'investments at fair value through profit or loss', 'held-to-maturity' investments or 'available-for-sale' investments, as appropriate.

When investments are recognised initially, these are measured at fair value plus, in the case of investments not at fair value through profit or loss, directly attributable transaction cost.

##### **Investment at fair value through profit or loss**

Investment classified as 'investment at fair value through profit or loss' are carried at fair value. Gain / loss on remeasurement of such investments to fair value is recognised in the profit and loss account.

##### **Held-to-maturity investments**

Investments with fixed or determinable payments and fixed maturities are classified as held-to-maturity where management has both the positive intent and ability to hold them to maturity. After initial measurement held-to-maturity investments are stated at amortised cost using the effective interest rate method, less impairment. Provision for impairment in value, if any, is charged to income.

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**Available-for-sale**

Investments classified as available-for-sale are measured at fair value. Gains or losses on available-for-sale investments are recognised directly in equity until the investment is sold, derecognised or is determined to be impaired, at which time the cumulative gain or loss previously reported in equity is included in income. Upon impairment, gain / loss including that had been previously recognised directly in equity, is included in the profit and loss account for the year.

The fair value of those investments representing listed equity and other securities i.e. debt instruments are determined on the basis of year-end bid prices obtained from stock exchange quotations.

The listed equity securities purchased and sold with a commitment to resell / repurchase are presented as a receivable or payable against repurchase transactions. The income from such transactions is presented as income from repurchase transactions of listed securities.

**Investment in associates - equity method**

Investments in associates, where the Company has significant influence but not control, are accounted for by using the equity method of accounting. These investments are initially recognised at cost and the carrying amount with Company's share of the profit and loss, distribution received and change in the comprehensive income of the investee at the end of each reporting period. After application of the equity method, the Company determines whether it is necessary to recognize any impairment loss with respect to the Company's net investment in the associate.

**4.7 Derivatives**

These are measured at their fair value. Derivatives with positive market values (unrealised gains) are included in other assets and derivatives with negative market values (unrealised losses) are included in other liabilities in the balance sheet. The resultant gains and losses are included in the income currently.

**4.8 Securities purchased / sold under resale / repurchase agreements**

Transactions of purchase under resale (reverse-repo) of marketable securities including the securities purchased under continuous funding system are entered into at contracted rates for specified periods of time. Securities purchased with a corresponding commitment to resell at a specified future date (reverse-repos) are not recognised in the balance sheet. Amount paid under these agreements in respect of reverse repurchase transactions are included in assets. The difference between purchase and resale price is treated as income from reverse repurchase transactions in marketable transactions / continuous funding system and accrued over the life of the reverse repo agreement.

Transactions of sale under repurchase (repo) of marketable securities are entered into at contracted rates for specified periods of time. Securities sold with a simultaneous commitment to repurchase at a specified future date (repos) continue to be recognised in the balance sheet and are measured in accordance with accounting policies for investments. The counterparty liabilities for amounts received under these transactions are recorded as liabilities. The difference between sale and repurchase price is treated as borrowing charges and accrued over the life of the repo agreement.

**4.9 Financial instruments**

All the financial assets and financial liabilities are recognised at the time when the Company becomes a party to the contractual provisions of the instrument. Financial assets are derecognised when the Company loses control of the contractual rights that comprise the financial assets. Financial liabilities are derecognised when they are extinguished, that is, when the obligation specified in the contract is discharged, cancelled, or expired. Any gain or loss on derecognition of the financial assets and financial liabilities is taken to income currently.

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#### 4.10 Trade and settlement date accounting

All 'regular way' purchases and sales of financial assets are recognised on the trade date, i.e. the date on which commitment to purchase / sale is made by the Company. Regular way purchases or sales of financial assets are those, the contract for which requires delivery of assets within the time frame generally established by regulation or convention in the market place.

#### 4.11 Off-setting of financial assets and financial liabilities

Financial assets and financial liabilities are offset and the net amount is reported in the balance sheet if the Company has a legally enforceable right to set-off the transaction and also intends either to settle on a net basis or to realise the asset and settle the liability simultaneously. Income and expenses arising from such assets and liabilities are also accordingly offset.

#### 4.12 Revenue recognition

Brokerage, commission, consultancy and advisory fee are recognized as such services are rendered.

Income from placements is recognised on time proportion basis.

Fee on distribution of open end units is recognized as such services are rendered.

Income from capital gains is recognised as and when realised.

Mark-up income, return on bank deposits and balances and other revenues are recognized on accrual

#### 4.13 Taxation

##### *Current*

Provision for taxation is based on taxable income at the current rate of tax after taking into account applicable tax credits, rebates and exemptions available, if any, in accordance with income tax ordinance, 2001.

##### *Deferred*

Deferred tax is recognised using the balance sheet liability method on all temporary differences arising between tax bases of assets and liabilities and their carrying amounts appearing in the financial statements. A deferred tax asset is recognised only to the extent that it is probable that future taxable profits will be available against which the asset can be utilized. Deferred tax assets are reduced to the extent that it is no longer probable that the related tax benefits will be realized.

Deferred tax is calculated at the rates that are expected to apply to the year when the differences reverse, based on tax rates that have been enacted or substantively enacted by the balance sheet date. Deferred tax is charged or credited to the profit and loss account.

Deferred tax, if any, on revaluation of investments is recognised as an adjustment to surplus / deficit arising on revaluation.

#### 4.14 Staff retirement benefits

##### **Defined contribution plan**

The Company operates a contributory provident fund for all its permanent employees and contributions are made monthly in accordance with the fund rules.

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### Defined benefit plan

The company has adopted a staff gratuity scheme for management employees as described in note 23. Provision is made annually in accordance with actuarial recommendations using the Projected Unit Credit method.

Actuarial gains and losses are recognised as income or expense when the cumulative unrecognised actuarial gains or losses at the end of the previous reporting period exceed 10% of the higher of defined benefit obligation and the fair value of plan assets at that date. These gains or losses are recognised over the expected average remaining working lives of the employees participating in the plan.

#### 4.15 Employee compensated absences

Employee entitlements to annual leaves are recognized when they accrue to employees. A provision is made for the estimated liability for annual leaves as a result of services rendered by employees upto the balance sheet date.

#### 4.16 Cash and cash equivalents

Cash in hand and at banks is carried at cost. For the purposes of cash flow statement, cash and cash equivalents consist of cash in hand and bank balances.

#### 4.17 Provisions

Provisions are recognized when the Company has the legal or constructive obligation as a result of past events, and it is probable that an outflow of resources will be required to settle the obligation and a reliable estimate of the amount can be made.

#### 4.18 Fiduciary assets

Assets held in trust or in a fiduciary capacity are not treated as assets of the Company and, accordingly, are not included in these financial statements.

## 5. ACCOUNTING ESTIMATES

The preparation of financial statements in conformity with Approved Accounting Standards requires the use of certain critical accounting estimates. It also requires management to exercise its judgment in the process of applying the Company's accounting policies. The estimates / judgments and associated assumptions used in the preparation of the financial statements are based on historical experience and other factors, including expectations of future events that are believed to be reasonable under the circumstances.

The estimates / judgments and associated assumptions are reviewed on an ongoing basis. Revision to the 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. The estimates, judgments and assumptions that have significant effect on the financial statements are as follows:

	<u>Note</u>
Provision for doubtful debts	4.5 & 13
Classification of investments	4.6
Useful lives of assets and methods of depreciation	4.2, 4.3, 4.4, 7.1, 7.2 & 8
Deferred taxation	4.13 & 10
Defined benefit plan	4.14 & 19.1

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**6. STANDARDS, INTERPRETATIONS AND AMENDMENTS TO APPROVED ACCOUNTING STANDARDS THAT ARE NOT YET EFFECTIVE**

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

**Standard or interpretation**

IFRS 7 - Financial Instruments : Disclosures - (Amendments)	
- Amendments enhancing disclosures about transfers of financial Assets	July 01, 2011
- Amendments enhancing disclosures about offsetting of financial assets and financial liabilities	January 01, 2013
IAS 1 - Presentation of Financial Statements - Presentation of items of comprehensive income	July 01, 2012
IAS 12 - Income Taxes (Amendment) - Recovery of Underlying Assets	January 01, 2012
IAS 19 - Employee Benefits - (Amendment)	January 01, 2013

The Company expects that the adoption of the above revisions and amendments of the standards will not materially affect the Company's financial statements in the period of initial application other than the amendments to IAS-19 'Employee Benefits'. Such amendments range from fundamental changes to simple clarifications and re-wording. The significant changes include the following:

- For defined benefit plans, the ability to defer recognition of actuarial gains and losses (i.e. the corridor approach) has been removed. As revised, actuarial gains and losses are recognised in other comprehensive income when they occur. Amounts recorded in profit and loss account are limited to current and past service costs, gains or losses on settlements, and net interest income (expense). All other changes in the net defined benefit asset (liability) are recognised in other comprehensive income with no subsequent recycling to profit and loss account.
- Objectives for disclosures of defined benefit plans are explicitly stated in the revised standard, along with new or revised disclosure requirements. These new disclosures include quantitative information of the sensitivity of the defined benefit obligation to a reasonably possible change in each significant actuarial assumption.

The Company is currently assessing the impact of the above amendments which are effective from January 01, 2013 on the financial statements. However, it is expected that the adoption of the said amendments will result in change in the Company's accounting policy related to recognition of actuarial gains and losses as referred to in note 4.14 to the financial statements.

In addition to the above, following new standards have been issued by IASB which are yet to be notified by the SECP for the purpose of applicability in Pakistan:

	<b>IASB effective date (annual periods beginning on or after)</b>
IFRS 9 - Financial Instruments: Classification and Measurement	January 01, 2015
IFRS 10 - Consolidated Financial Statements	January 01, 2013
IFRS 11 - Joint Arrangements	January 01, 2013
IFRS 12 - Disclosure of Interests in Other Entities	January 01, 2013
IFRS 13 - Fair Value Measurement	January 01, 2013

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SUMMIT CAPITAL (PRIVATE) LIMITED  
[FORMERLY ATLAS CAPITAL MARKETS (PRIVATE) LIMITED]

2010

	Cost		Accumulated depreciation				Rate of Depreciation per annum %	
	As at January 01, 2010	Additions / (Disposals) / (written off) *	As at December 31, 2010	As at January 01, 2010	Charge for the year / (disposal) / (written off) *	As at December 31, 2010		Written down value as at December 31, 2010
Leasehold improvements	7,818	-	7,818	2,052	576	2,628	5,190	10
Furniture and fittings	3,228	-	3,212	804	241	1,041	2,171	10
Motor vehicles	10,959	171 (2,686)	8,444	3,618	1,366 (1,220)	3,764	4,680	20
Office equipment	2,644	818	3,462	799	231	1,030	2,432	10
Computer equipment	15,776	-	15,690	10,347	1,625 (51)	11,921	3,769	30
Electrical equipment	5,970	-	5,874	1,578	437 (26) *	1,989	3,885	10
<b>December 31, 2010</b>	<b>46,395</b>	<b>989</b> <b>(2,772)</b> <b>(96) *</b>	<b>44,500</b>	<b>19,198</b>	<b>4,476</b> <b>(1,275)</b> <b>(26) *</b>	<b>22,373</b>	<b>22,127</b>	

*EMM*

7.1.1 Disposal of operating fixed assets

Description	Cost	Accumulated depreciation	Book value	Sale proceeds	Gain / (loss)	Mode of disposal	Particulars of Purchaser
<b>Motor Vehicle:</b>							
Daihatsu Cuore	569	(274)	295	358	63	Company Policy	Ex - Employee - Mr. Aamer Habib
Daihatsu Cuore	488	(308)	180	465	285	Insurance claim	Insurance Claim - PICIC Insurance Limited
Honda CD 70	63	(4)	59	54	(5)	Insurance claim	Insurance Claim - PICIC Insurance Limited
Honda CD 100	77	(9)	68	68	-	Insurance claim	Insurance Claim - PICIC Insurance Limited
<b>Computer equipment</b>							
DL 380 Server	353	(296)	57	5	(52)	Insurance Claim	Insurance Claim - Jubilee General Insurance Company Limited
<b>Office equipment</b>							
Black Berry - Cell Phone	22	-	22	22	-	Negotiation	Mr. Tahir Sartaj (Ex - Acting CEO)
	1,572	(891)	681	972	291		

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7.2 Intangible assets

	2011		2010		Rate of Amortisation per annum %
	As at January 01, 2011	As at December 31, 2011	As at January 01, 2010	As at December 31, 2010	
Computer software	6,594	6,185	4,199	4,591	30
Website cost	150	-	120	-	30
Rooms and cards	53,851	53,851	-	-	0
<b>December 31, 2011</b>	<b>60,595</b>	<b>60,036</b>	<b>4,319</b>	<b>4,591</b>	<b>55,445</b>

7.2.1 This amount represents rights to rooms and membership cards amounting to Rs.22.8 million and Rs.31.051 million respectively at Karachi, Lahore and Islamabad Stock Exchanges.

	2011		2010		Rate of Amortisation per annum %
	As at January 01, 2010	As at December 31, 2010	As at January 01, 2010	As at December 31, 2010	
Computer software	5,338	6,594	3,547	4,199	30
Website cost	150	150	100	120	30
Rooms and cards	53,851	53,851	-	-	0
<b>December 31, 2010</b>	<b>59,339</b>	<b>60,595</b>	<b>3,647</b>	<b>4,319</b>	<b>56,276</b>

7.3 Capital work-in-progress

Advance for office space / room paid to:  
- Pakistan Mercantile Exchange Limited  
Others  
EMM

	2011	2010
	(Rupees in '000)	(Rupees in '000)
	2,500	2,500
	-	200
	<b>2,500</b>	<b>2,700</b>

**8. INVESTMENT PROPERTY**

		2011						
		Cost		Accumulated depreciation		Written down		
As at January 01, 2011	Additions / (disposals)	As at December 31, 2011	As at January 01, 2011	Charge for the year	As at December 31, 2011	As at December 31, 2009	Rate of depreciation per annum %	
(Rupees in '000)								
December 31, 2011								
Residential premises	23,500	-	23,500	854	453	1,307	22,193	2

		2010						
		Cost		Accumulated depreciation		Written down		
As at January 01, 2010	Additions / (disposals)	As at December 31, 2010	As at January 01, 2010	Charge for the year	As at December 31, 2010	As at December 31, 2009	Rate of depreciation per annum %	
(Rupees in '000)								
December 31, 2010								
Residential premises	23,500	-	23,500	392	462	854	22,646	2

8.1 The investment property represents six flats located at Bhurban Heights, Bhurban. The fair value of above property was Rs.25.150 (2010: Rs.26.044) million as on December 28, 2011, determined as a result of a valuation by M/s. Ghaznavi & Co. (Private) Limited - an independent professional valuer.

*Signature*

**18 SUMMIT CAPITAL (PRIVATE) LIMITED**  
**[FORMERLY ATLAS CAPITAL MARKETS (PRIVATE) LIMITED]**

	Note	2011 ----- (Rupees in '000) -----	2010
<b>9. LONG-TERM LOANS, DEPOSITS AND TRADE DEBTS</b>			
Long-term loans - secured, considered good	9.1	14	28
Long-term deposits - considered good	9.2	3,077	3,087
Long-term trade debts	9.3.1	-	4,799
		<u>3,091</u>	<u>7,914</u>

**9.1 Long-term loans - secured, considered good**

Employees	9.1.1	28	52
Current maturity	11.1	(14)	(24)
		<u>14</u>	<u>28</u>

**9.1.1** This represents interest free loans given to employees for purchase of motor cycles under the terms of employment and secured against the respective assets. These loans are recoverable over a period of four years.

**9.2 Long-term deposits - considered good**

Security deposits	9.2.1	<u>3,077</u>	<u>3,087</u>
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**9.2.1** Represent deposits with:

Karachi Stock Exchange (Guarantee) Limited	100	250
Lahore Stock Exchange (Guarantee) Limited	520	520
Central Depository Company of Pakistan Limited	175	175
National Clearing Company of Pakistan Limited	400	250
Pakistan Mercantile Exchange Limited	850	850
Prime Management Services - (office premises)	990	990
Pakistan Telecommunication Company Limited	42	52
	<u>3,077</u>	<u>3,087</u>

**9.3 Trade debts**

**Considered good**

Due from clients in respect of securities transactions - secured	9.3.3	19,852	31,681
Receivable from stock exchanges - unsecured		-	7,611
Commission receivable - unsecured		3,196	1,458

**Considered doubtful**

Due from clients in respect of securities transactions - unsecured		<u>88,031</u>	96,908
		111,079	137,658
Less: Provision for doubtful debts	9.3.4	<u>88,031</u>	96,908
		<u>23,048</u>	<u>40,750</u>

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	Note	2011 ----- (Rupees in '000) -----	2010
<b>9.3.1 Particulars of trade debts</b>			
Short-term (for upto one year)		<u>23,048</u>	<u>35,951</u>
Long-term (for over one year)		<u>-</u>	<u>4,799</u>
<b>9.3.2</b>	Includes Rs.0.231 (2010: Rs.0.907) million due from the holding company.		
<b>9.3.3</b>	This includes a sum of Rs.10.655 million bearing mark-up at a rate of 20% (2010: 20%) per annum.		
<b>9.3.4 Movement in provision for doubtful debts</b>			
Opening balance		96,908	96,908
(Reversal) / charge for the period		<u>(8,877)</u>	<u>-</u>
Closing balance		<u>88,031</u>	<u>96,908</u>

**10. DEFERRED TAX ASSET- net**

**Deductible temporary differences arising on:**

Provision for gratuity and leave encashment		895	1,327
Unused tax losses		21,399	16,548

**Taxable temporary differences arising on:**

Accelerated depreciation for tax purposes		<u>(1,475)</u>	<u>(2,393)</u>
		<u>20,819</u>	<u>15,482</u>

**10.1** The above deferred tax asset (net) has been recognised in accordance with the Company's accounting policy as stated in note 4.13. The Company has not recognised the deferred tax asset on provision for doubtful debts amounting to Rs.30.811 million. The management, based on financial projections prepared during the year, estimates that sufficient taxable profits would be available in future against which this deferred tax asset could be realised.

**11. SHORT-TERM LOANS, DEPOSITS AND PREPAYMENTS**

Short-term loans	11.1	671	196
Deposits and prepayments	11.2	<u>8,861</u>	<u>4,607</u>
		<u>9,532</u>	<u>4,803</u>

**11.1 Short-term loans**

Current maturity of long-term loan - secured	9.1	14	24
Staff loans - unsecured	11.1.1		
- Executives		387	-
- Employees		<u>270</u>	<u>172</u>
		<u>671</u>	<u>196</u>

**11.1.1** These loans represent loans to employees for domestic purposes under the terms of employment. These loans carry mark-up at the rate of 8% per annum. The maximum aggregate balance outstanding at the end of any month during the year from executives amounted to Rs.0.448 (2010: Rs.0.070) million.

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	Note	2011 ----- (Rupees in '000) -----	2010
<b>11.2 Deposits and prepayments</b>			
Exposure deposits	11.2.1	8,213	1,520
Prepayments		648	3,087
		<u>8,861</u>	<u>4,607</u>

**11.2.1** This represents exposure deposit held with the Karachi Stock Exchange (Guarantee) Limited in respect of Karachi Future Market amounting to Rs.1.063 (2010: Rs.1.520) million, Karachi Regular Market amounting to Rs.7.000 (2010: Rs.Nil) million and the Lahore Stock Exchange (Guarantee) Limited in respect of Lahore Regular Market amounting to Rs.0.150 (2010: Rs.Nil) million under the exposure rules.

## 12. ACCRUED MARK-UP

On PLS savings accounts	12.1	335	288
On term deposit receipts		-	964
		<u>335</u>	<u>1,252</u>

**12.1** It includes profit amounting to Rs.0.308 million receivable from a related party.

## 13. OTHER RECEIVABLES

Receivable from related party on account of services rendered		-	250
Others		10	9
		<u>10</u>	<u>259</u>

## 14. INVESTMENT IN AN ASSOCIATE

Investment in an associate under equity method	14.1	<u>28,910</u>	-
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### 14.1 Particulars of investment in associates

2011 (Number of shares)	2010	Face value per share (Rupees)	Name of associate	2011 ----- (Rupees in '000) -----	2010
5,314,286	-	10	Rozgar Microfinance Bank Limited	<u>28,910</u>	-

Break-up value of investment and percentage of holding in associate are Rs.28.910 million and 28.62% respectively (2010: Rs.Nil).

### 14.2 Movement of investment in associate

Cost	37,200	-
Share of profit upto December 31, 2011	1,148	-
Less: Provision for impairment	9,438	-
	<u>(8,290)</u>	-
Closing balance	<u>28,910</u>	-

**14.3** Following information has been summarised based on the un-audited financial statements for the year ended December 31, 2011 of the associate:

Total assets	<u>110,622</u>	120,093
Total liabilities	<u>9,636</u>	27,133
Net assets	<u>100,986</u>	92,960
Share of net assets	<u>28,910</u>	26,605
Total income	<u>15,496</u>	9,714
Net income after tax	<u>8,026</u>	(3,696)

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	Note	2011 ----- (Rupees in '000) -----	2010
<b>15. CASH AND BANK BALANCES</b>			
Cash in hand		12	36
Cash with banks:			
- Current accounts	15.1	7	50
- PLS savings accounts	15.2	41,772	77,039
- Term deposit receipts		-	30,000
		<u>41,791</u>	<u>107,125</u>

**15.1** Included herein Rs.0.002 (2010: Rs.0.013) million maintained with the holding company.

**15.2** This carries profit at the rates ranging from 11% to 12% (2010: 6% to 11%) per annum and includes aggregate balance of Rs.38.538 (2010: Rs.70.039) million maintained with the holding company.

## 16. ISSUED, SUBSCRIBED AND PAID UP CAPITAL

30,000,000 Ordinary shares of Rs.10 issued  
for consideration other than cash

<u>300,000</u>	<u>300,000</u>
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## 17. LONG-TERM LOANS AND DEPOSITS

### 17.1 Long-term loan - secured

From the holding company  
Less: Current portion of long-term loan

18,000	18,000
<u>(18,000)</u>	-
<u>-</u>	<u>18,000</u>

Represents a loan facility of Rs.18 million obtained from Summit Bank Limited (a related party) against equitable mortgage of six flats located at Bhurban Heights, Bhurban. The loan is repayable in May 2012 and carries mark-up at three months KIBOR plus 3% per annum payable on quarterly basis with no floor and cap.

Credit facilities not availed as at balance sheet date amounted to Rs.50 million.

### 17.2 Long-term deposits

Represents vehicle deposits from employees under Company's policy. Deposits amounting to Rs.0.265 (2010: Rs.0.299) million have been received from executives.

## 18. DEFERRED LIABILITY

### Provision for staff compensated absences

Opening balance	1,693	1,900
Charge for the year	640	190
Encashment during the year	<u>(259)</u>	<u>(397)</u>
Closing balance	<u>2,074</u>	<u>1,693</u>

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	Note	2011 ----- (Rupees in '000) -----	2010
<b>19. TRADE AND OTHER PAYABLES</b>			
Due to clients in respect of securities transactions		20,282	48,666
Payable to Staff Gratuity Fund (a related party)	19.1	758	3,232
Accrued liabilities		1,346	3,324
Payable to stock exchanges		2,310	-
Others		69	791
		<u>24,765</u>	<u>56,013</u>

**19.1 Gratuity payable - defined benefit plan**
**19.1.1 General description**

The Company has a gratuity scheme that has been recognised by the Income Tax Authorities under Part III of Sixth Schedule to the Income Tax Ordinance, 2001 on November 03, 2007. The trust deed for the fund has been duly executed on July 12, 2007.

The cost of providing benefits under each gratuity scheme is determined using the Project Unit Credit method, with actuarial valuation being carried out at balance sheet date. The latest valuation was carried out for the year ended December 31, 2011.

**19.1.2 Principal actuarial assumption**

The following principal assumptions were used for the valuation:

Estimated rate of increase in salary of the employees - percent, per annum (%)	12.50	14.00
Expected rate of return on plan assets - percent, per annum (%)	6.00	14.00
Discount rate - per annum (%)	12.50	14.00
Expected average remaining lives of employees - years	14	14

**19.1.3 Reconciliation of payable to / (receivable from) defined benefit plan**

Present value of defined benefit obligation	3,044	2,518
Fair value of plan assets	(3,232)	-
Receivable from Summit Bank Limited - Staff Gratuity Fund	(3,036)	(3,036)
Payable to Summit Bank Limited - Staff Gratuity Fund	4,197	4,197
Unrecognised actuarial gain loss	(215)	(447)
Liability recognised in balance sheet	<u>758</u>	<u>3,232</u>

**19.1.4 Movement in payable to defined benefit plan**

Opening balance	3,232	2,370
Charge for the year	(758)	862
Contributions paid to the fund during the year	(3,232)	-
Closing balance	<u>(758)</u>	<u>3,232</u>

**19.1.5 Expense recognised in the profit and loss account**

Current service cost	401	329
Interest cost	347	440
Expected return on assets	-	-
Amortisation of actuarial loss	10	93
<i>Expense</i>	<u>758</u>	<u>862</u>

	Note	2011 ----- (Rupees in '000) -----	2010
<b>20. CONTINGENCIES AND COMMITMENTS</b>			
Letter of guarantee		-	30,000
<b>20.1</b> The tax authorities initiated proceedings under section 122(5A) of the Income Tax ordinance, 2001 for the tax years 2008 and 2009 and have passed amended assessment order, in which certain disallowances were made having a tax impact of Rs.3.65 million. The Company has filed an appeal before the Appellate Tribunal, after it has been dismissed by the Commissioner Inland Revenue (Appeals) against the amended order. The management and the tax adviser of the Company expect a favourable outcome of the appeal, hence, no provision in this regard has been made in these financial statements.			
<b>21. OTHER INCOME</b>			
Profit on bank accounts and term deposit receipts		8,585	6,045
Profit on cash margins		169	47
Mark-up on trade debts		2,009	6,867
Net gain on sale of operating fixed assets	7.1.1	291	585
Reversal of provision against doubtful debts		8,877	-
Reversal of CFS payable		2,526	-
Miscellaneous		3,208	877
		<u>25,665</u>	<u>14,421</u>
<b>22. OPERATING AND ADMINISTRATIVE EXPENSES</b>			
Salaries and benefits	22.1	29,421	26,245
KSE clearing house and CDC charges		1,646	1,981
Depreciation	7.1 & 8	4,874	4,938
Amortisation	7.2	702	672
Stamps and fees expense		48	77
Telephone, fax and postage		3,391	3,812
Rent, rates and taxes		4,416	4,035
Fees and subscription		690	3,346
Vehicle running expense		1,955	1,542
Repairs and maintenance		1,602	1,328
Utilities		2,504	2,755
Printing and stationery		517	669
Travelling expense		541	619
Legal and professional charges		117	1,953
Entertainment		657	513
Auditors' remuneration	22.2	457	441
Advertisement and business promotion		-	21
Insurance		971	1,814
Operating fixed assets written off		806	70
Miscellaneous		302	493
		<u>55,617</u>	<u>57,324</u>

**22.1** This includes an amount of Rs.1.067 (2010: Rs.1.416) million in respect of employees provident fund contribution and Rs.0.758 (2010: Rs.0.862) million in respect of gratuity.

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	2011	2010
	----- (Rupees in '000) -----	
<b>22.2 Auditors' remuneration</b>		
Audit fee	200	150
Other certifications	105	90
Taxation	134	148
Out of pocket expenses	18	53
	<u>457</u>	<u>441</u>

**23. FINANCIAL CHARGES**

Mark-up on:		
Long-term loan	2,956	884
Short-term running finance	-	583
Bank charges	594	787
	<u>3,550</u>	<u>2,254</u>

**24. REMUNERATION OF CHIEF EXECUTIVE AND EXECUTIVES**

	2011		2010	
	Chief Executive	Executives	Chief Executive	Executives
	----- (Rupees in '000) -----			
Managerial remuneration	1,624	4,503	1,355	4,320
Housing and utilities	893	2,478	587	2,027
Medical	-	175	54	180
Retirement benefits	211	312	168	777
Others	441	1,572	870	1,486
	<u>3,169</u>	<u>9,040</u>	<u>3,034</u>	<u>8,790</u>
	<u>1</u>	<u>6</u>	<u>1</u>	<u>6</u>

**24.1** In addition to the above, chief executive and executives have been provided with free use of Company maintained vehicles under the service contracts.

**25. RELATED PARTIES TRANSACTIONS**

The related parties comprise holding company, related group companies, staff retirement funds, directors and key management personnel. Transactions with related parties, other than remuneration and benefits to key management personnel under the terms of their employment are as follows:

	2011	2010
	----- (Rupees in '000) -----	
<b>Holding Company - Summit Bank Limited</b>		
Equity brokerage income	1,429	2,123
Money market and forex brokerage income	813	98
Services rendered	1,676	209
Profit on bank accounts	5,488	1,379
Financial charges paid	2,340	531
Current portion of long-term loan	18,000	-

**25.1** The outstanding balances of related parties are included in their respective notes to the financial statements.

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**26. FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES**

The main risks arising from the Company's financial instruments are credit risk, liquidity risk, foreign currency risk, interest rate risk and equity price risk. The Board of Directors reviews and agrees policies for managing each of these risks which are summarized below.

**26.1 Credit risk**

Credit risk is the risk which arises with the possibility that one party to a financial instrument will fail to discharge its obligation and cause the other party to incur a financial loss. The Company attempts to control credit risk by monitoring credit exposures, limiting transactions with specific counterparties and continually assessing the creditworthiness of counterparties.

Concentrations of credit risk arise when a number of counterparties 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 is exposed to credit risk on long-term deposits, trade debts, advances, deposits, other receivables, investments and bank balances. The Company seeks to minimize the credit risk exposure through having exposures only to customers considered credit worthy and obtaining securities where applicable. The maximum exposure to credit risk at the reporting date is:

	2011	2010
	----- (Rupees in '000) -----	
Long-term deposits	3,077	3,087
Trade debts	23,048	40,750
Short-term loans, deposits and prepayments	9,532	4,803
Other receivables	10	259
Investment in an associates	28,910	-
Bank balances	41,779	107,089
	<u>106,356</u>	<u>155,988</u>

**Quality of financial assets**

The credit quality of financial assets that are neither past due nor impaired can be assessed by reference to external credit ratings or the historical information about counter party default rates as shown below:

**26.1.1 Trade debts**

Customers with no defaults in the past one year	23,048	35,951
Customers with some defaults in past one year which have been fully recovered	-	-
	<u>23,048</u>	<u>35,951</u>

**26.1.2 Investment in an associate**
**In unlisted shares**

Rozgar Microfinance Bank Limited

<u>28,910</u>	<u>-</u>
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## 26.2 Liquidity risk

Liquidity risk is the risk that the Company will not be able to meet its financial obligations as they fall due. The Company applies the prudent risk management policies by maintaining sufficient cash and bank balances and by keeping committed credit lines. The table below summarizes the maturity profile of the Company's financial liabilities at the following reporting dates.

	On demand	Less than 3 months	3 to 12 months	1 to 5 years	5 years	Total
----- (Rupees in '000) -----						
Long-term financing	-	-	18,000	-	-	18,000
Trade and other payables	24,765	-	-	-	-	24,765
Accrued mark-up	-	734	-	-	-	734
<b>2011</b>	<b>24,765</b>	<b>734</b>	<b>18,000</b>	<b>-</b>	<b>-</b>	<b>43,499</b>

	On demand	Less than 3 months	3 to 12 months	1 to 5 years	5 years	Total
----- (Rupees in '000) -----						
Long-term financing	-	-	-	18,000	-	18,000
Trade and other payables	56,013	-	-	-	-	56,013
Accrued mark-up	-	8	-	-	-	8
Short-term borrowings	-	-	-	-	-	-
<b>2010</b>	<b>56,013</b>	<b>8</b>	<b>-</b>	<b>18,000</b>	<b>-</b>	<b>74,021</b>

## 26.3 Interest rate risk

Interest rate risk is the risk that the fair value of future cash flows of a financial instrument will fluctuate because of changes in market interest rates. The Company's exposure to the risk of changes in market interest rates relates primarily to the Company's long-term debt obligations with floating interest rates.

### Sensitivity analysis:

The following figures demonstrate the sensitivity to a reasonably possible change in interest rate, with all other variables held constant, of the Company's profit before tax:

	Increase / decrease in basis points	Effect on profit before tax
<b>December 31, 2011</b>		
3 months KIBOR	100	74,959
<b>December 31, 2010</b>		
3 months KIBOR	100	180,000

#### 26.4 Equity price risk

The Company's listed equity securities are susceptible to market price risk arising from uncertainties about future values of investment securities. The Company manages the equity price risk through diversification and placing limits on individual and total equity instruments. Reports on the equity portfolio are submitted to the Company's senior management on a regular basis. The Company's Board of Directors reviews and approves all equity instrument decisions.

#### 26.5 Capital management

The primary objective of the Company's capital management is to maintain healthy capital ratios, strong credit rating and optimal capital structures in order to ensure ample availability of finance for its existing and potential investment projects, to maximise shareholder value and reduce the cost of capital.

The Company manages its capital structure and makes adjustment to it, in light of changes in economic conditions. In order to maintain or adjust the capital structure, the Company may adjust the amount of dividends paid to shareholders, return capital to shareholders or issue new shares.

The Company monitors capital using a gearing ratio, which is net debt divided by total capital plus net debt. Net debt is calculated as total loans and borrowings including any finance cost thereon, trade and other payables, less cash and bank balances and investments. Capital signifies equity as shown in the balance sheet plus net debt.

	2011	2010
	----- (Rupees in '000) -----	
Long-term loan	664	18,000
Trade and other payables	24,765	35,951
Accrued interest	734	1,252
Current portion of long-term loan	18,000	-
Investment in an associates	28,910	-
Cash and bank balances	41,791	107,125
<b>Net debt</b>	<b>114,864</b>	<b>162,328</b>
Issued, subscribed and paid-up capital	300,000	300,000
Reserves	(105,105)	(90,798)
<b>Total capital</b>	<b>194,895</b>	<b>209,202</b>
<b>Capital and net debt</b>	<b>309,759</b>	<b>371,530</b>
<b>Gearing ratio</b>	<b>37.08%</b>	<b>43.69%</b>

#### 26.6 Fair value of financial instruments

The carrying value of all financial assets and liabilities reflected in the financial statements approximates their fair value.

#### 27. NUMBER OF EMPLOYEES

The number of employees as at December 31, 2011 were 50 (December 31, 2010: 43).

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## 28. DATE OF AUTHORISATION FOR ISSUE

These financial statements were authorised for issue in the Board of Directors meeting held on February 28, 2012.

## 29. CORRESPONDING FIGURES

Corresponding figures have been re-arranged and re-classified wherever necessary, for the purpose of better presentation. Major reclassifications are as follows:

Statement	Components	Reclassification from	Reclassification to	(Rupees in '000)
Balance Sheet	Long-term deposits	Non-current assets	Long-term loans, deposit and trade debts	3,087
Balance Sheet	Long-term trade debts	Non-current assets	Long-term loans, deposit and trade debts	4,799
Balance Sheet	Deposits and prepayments	Current assets	Short-term loans, deposits and prepayments	4,607
Balance Sheet	Long-term deposits	Non-current liabilities	Long-term loans, deposit and trade debts	480

## 30. GENERAL

Figures have been rounded off to the nearest thousand rupees.

*ENFIN*

*Rohat Singh*

Chief Executive Officer

*[Signature]*  
Director