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**SUMMIT CAPITAL (PRIVATE) LIMITED**

**FINANCIAL STATEMENTS**

**FOR THE YEAR ENDED 31 DECEMBER 2015**

Ernst & Young Ford Rhodes Sidat Hyder  
Chartered Accountants  
Progressive Plaza, Beaumont Road  
P.O. Box 15541, Karachi 75530  
Pakistan

## AUDITORS' REPORT TO THE MEMBERS

We have audited the annexed balance sheet of **Summit Capital (Private) Limited** (the Company) as at **31 December 2015** 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.

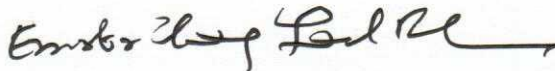
It is the responsibility of the Company's management to establish and maintain a system of internal control, and prepare and present the above said statements in conformity with the approved accounting standards and the requirements of the Companies Ordinance, 1984. Our responsibility is to express an 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 2015 and of the profit, comprehensive income, 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: 23 February 2016

Karachi

**SUMMIT CAPITAL (PRIVATE) LIMITED**  
**BALANCE SHEET**  
**AS AT DECEMBER 31, 2015**

<u>ASSETS</u>	Note	2015 ----- (Rupees in '000) -----	2014
<b>NON-CURRENT ASSETS</b>			
Fixed assets	7	54,415	51,283
Long-term investment	8	24,886	24,886
Investment property	9	20,471	20,888
Long-term deposits	10	2,592	2,492
Deferred tax asset - net	11	5,639	9,344
		<b>108,003</b>	<b>108,893</b>
<b>CURRENT ASSETS</b>			
Trade debts	12	36,599	68,492
Short-term loans	13	210	253
Short-term deposits and prepayments	14	52,678	54,156
Accrued mark-up		-	905
Short-term investment		-	6,861
Advance tax - net		16,004	16,543
Cash and bank balances	15	112,362	87,133
		<b>217,853</b>	<b>234,343</b>
		<b>325,856</b>	<b>343,236</b>
<b>EQUITY AND LIABILITIES</b>			
<b>SHARE CAPITAL AND RESERVES</b>			
Authorised capital			
50,000,000 (2014: 50,000,000)			
Ordinary shares of Rs.10 each		<b>500,000</b>	<b>500,000</b>
Issued, subscribed and paid-up capital	16	300,000	300,000
Accumulated loss		(40,735)	(61,175)
		<b>259,265</b>	<b>238,825</b>
<b>CURRENT LIABILITIES</b>			
Trade and other payables	17	66,591	104,411
		<b>325,856</b>	<b>343,236</b>
<b>CONTINGENCIES AND COMMITMENTS</b>			
	18		

The annexed notes from 1 to 28 form an integral part of these financial statements. *ETP/LLH*

*Rohat S. S. S.*

Chief Executive Officer

*Jimmy*  
Director

**SUMMIT CAPITAL (PRIVATE) LIMITED**  
**PROFIT AND LOSS ACCOUNT**  
**FOR THE YEAR ENDED DECEMBER 31, 2015**

	Note	2015 ----- (Rupees in '000) -----	2014
<b>Income</b>			
Equity brokerage commission		45,503	35,979
Money market and forex brokerage commission		34,857	31,469
Commodity commission		455	699
Unrealised loss on revaluation of held-for-trading securities		-	(693)
Gain on sale of securities - net		25,505	21,469
Dividend income		2,411	2,456
Other income	19	26,959	18,559
		<b>135,690</b>	<b>109,938</b>
<b>Expenditure</b>			
Operating and administrative expenses	20	86,884	82,315
Workers welfare fund		735	483
Financial charges	21	11,299	3,492
		<b>98,918</b>	<b>86,290</b>
<b>Profit before taxation</b>		<b>36,772</b>	<b>23,648</b>
Taxation - current	22	12,028	6,900
- prior year		57	1,855
- deferred		3,707	2,724
		<b>15,792</b>	<b>11,479</b>
<b>Profit after taxation</b>		<b>20,980</b>	<b>12,169</b>
<b>Earning per share - basic (Rupee)</b>		<b>0.70</b>	<b>0.41</b>

The annexed notes from 1 to 28 form an integral part of these financial statements. *EMR/H*

*Rohat Singh*  
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 Chief Executive Officer

*Jimmy*  
 \_\_\_\_\_  
 Director

**SUMMIT CAPITAL (PRIVATE) LIMITED**  
**STATEMENT OF COMPREHENSIVE INCOME**  
**FOR THE YEAR ENDED DECEMBER 31, 2015**

	2015	2014
	----- (Rupees in '000) -----	-----
Net profit for the year	20,980	12,169
Other comprehensive income - net		
Not to be reclassified to profit and loss account in subsequent periods		
Actuarial loss on defined benefit plan	(540)	(94)
<b>Total comprehensive income for the year</b>	<b>20,440</b>	<b>12,075</b>

The annexed notes from 1 to 28 form an integral part of these financial statements. *CPA*

*Rahat*

\_\_\_\_\_  
Chief Executive Officer

*Jimmy*

\_\_\_\_\_  
Director

**SUMMIT CAPITAL (PRIVATE) LIMITED**  
**CASH FLOW STATEMENT**  
**FOR THE YEAR ENDED DECEMBER 31, 2015**

	Note	2015 ----- (Rupees in '000) -----	2014 -----
<b>CASH FLOWS FROM OPERATING ACTIVITIES</b>			
Profit before taxation		36,772	23,648
<b>Adjustments for:</b>			
Depreciation	7.1 & 9	4,241	4,111
Amortisation	7.2	150	215
Provision for leave encashment	17.2.1	290	623
Provision for gratuity	20.1	1,145	(836)
Reversal of provision against doubtful debts		(1,506)	(2,646)
Interest income on staff loan		(19)	(19)
Unrealised loss on revaluation of held-for-trading securities		-	693
Gain on sale of securities - net		(25,505)	(21,469)
(Gain) / loss on sale of operating fixed assets	7.1.1	(621)	61
Dividend income		(2,411)	(2,456)
Financial charges	21	11,299	3,492
		(12,937)	(18,231)
<b>Decrease / (Increase) in assets</b>			
Trade debts		33,399	(23,648)
Short-term loans		43	(89)
Short-term deposits and prepayments		1,478	(33,784)
Accrued mark-up		905	(99)
Long-term deposits		(100)	95
		35,725	(57,525)
<b>(Decrease) / increase in liabilities</b>			
Trade and other payables		(39,523)	26,097
		(39,523)	26,097
<b>Cash generated from / (used in) operations</b>			
		20,037	(26,011)
Compensated absences paid		(272)	(262)
Income tax paid		(11,548)	(7,965)
Financial charges paid		(11,299)	(3,492)
Interest received on staff loan		19	19
<b>Net cash used in operating activities</b>		(3,063)	(37,711)
<b>CASH FLOWS FROM INVESTING ACTIVITIES</b>			
Capital expenditure incurred		(8,557)	(1,485)
Dividend received		2,411	2,456
Proceeds from sale of tangible fixed assets		2,072	1,397
Short-term investments		32,366	26,891
<b>Net cash generated from investing activities</b>		28,292	29,259
<b>CASH FLOWS FROM FINANCING ACTIVITIES</b>			
Running finance availed		2,964,770	3,000
Running finance repaid		(2,964,770)	(3,000)
<b>Net cash used in financing activities</b>		-	-
<b>Net increase in cash and cash equivalents</b>		25,229	(8,452)
Cash and cash equivalents at beginning of the year		87,133	95,585
<b>Cash and cash equivalents at the end of the year</b>		112,362	87,133
<b>Cash and cash equivalents</b>			
Cash and bank balances	15	112,362	87,133

The annexed notes from 1 to 28 form an integral part of these financial statements.

**SUMMIT CAPITAL (PRIVATE) LIMITED**  
**STATEMENT OF CHANGES IN EQUITY**  
**FOR THE YEAR ENDED DECEMBER 31, 2015**

	Issued, subscribed and paid-up capital	Accumulated loss	Total
	(Rupees in '000)		
<b>Balance as at January 01, 2014</b>	300,000	(73,250)	226,750
Profit for the year	-	12,169	12,169
Other comprehensive income	-	(94)	(94)
<b>Total comprehensive income for the year</b>	-	12,075	12,075
<b>Balance as at December 31, 2014</b>	300,000	(61,175)	238,825
Profit for the year	-	20,980	20,980
Other comprehensive income	-	(540)	(540)
<b>Total comprehensive income for the year</b>	-	20,440	20,440
<b>Balance as at December 31, 2015</b>	<u>300,000</u>	<u>(40,735)</u>	<u>259,265</u>

The annexed notes from 1 to 28 form an integral part of these financial statements.

*Rahat S. Iqbal*

Chief Executive Officer

*Shamim*

Director

**SUMMIT CAPITAL (PRIVATE) LIMITED**  
**NOTES TO THE FINANCIAL STATEMENTS**  
**FOR THE YEAR ENDED DECEMBER 31, 2015**

**1. THE COMPANY AND ITS OPERATIONS**

Summit Capital (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 / TREC holder of Karachi Stock Exchange Limited, Lahore Stock Exchange Limited, Islamabad Stock Exchange Limited and Pakistan Mercantile Exchange Limited. The principal activities of the Company are equity brokerage, money market brokerage, interbank foreign exchange brokerage, commodity brokerage, corporate finance services and research. The registered office of the Company is situated at 701-702, 7th Floor, Business and Finance Centre, opposite State Bank of Pakistan, I. I. Chundrigar Road, 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 (IASB) as are notified under the Companies Ordinance, 1984, provisions of and directives issued under the Companies Ordinance, 1984. In case requirements differ, the provisions 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 4.6 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 described below:

**4.1 New and amended standards and interpretations**

The Company has adopted the following accounting standard and the amendments and interpretation of IFRSs which became effective for the current year:

IFRS 10 – Consolidated Financial Statements

IFRS 11 – Joint Arrangements

IFRS 12 – Disclosure of Interests in Other Entities

IFRS 13 – Fair Value Measurement

IAS 19 – Employee Benefits – (Amendment) - Defined Benefit Plans: Employee Contributions

**Improvements to Accounting Standards Issued by the IASB in December 2013**

IFRS 2 Share-based Payment - Definitions of vesting conditions

IFRS 3 Business Combinations – Accounting for contingent consideration in a business combination

IFRS 3 Business Combinations – Accounting for contingent consideration in a business combination

### Improvements to Accounting Standards Issued by the IASB in December 2013

IFRS 8 Operating Segments – Aggregation of operating segments

IFRS 8 Operating Segments - Reconciliation of the total of the reportable segments' assets to the entity's assets

IFRS 13 Fair Value Measurement - Scope of paragraph 52 (portfolio exception)

IAS16 Property, Plant and Equipment and IAS 38 Intangible Assets – Revaluation method – proportionate restatement of accumulated depreciation / amortisation

IAS 24 Related Party Disclosures - Key management personnel

IAS 40 Investment Property - Interrelationship between IFRS 3 and IAS 40 (ancillary services)

The adoption of the above amendments, improvements to accounting standards and interpretations did not have any effect on the 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. Amortisation is charged from the month of purchase and no amortisation is charged from the month of disposal.

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.

Intangible assets with indefinite useful lives are not amortised. Instead they are tested for impairment at each balance sheet date 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.

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Cost associated with maintaining assets are recognised 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 9 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**

This category has two sub-categories, namely; financial instruments held-for-trading, and those designated at fair value through profit or loss upon initial recognition.

- Investments which are acquired principally for the purposes of generating profit from short-term fluctuation in price or are part of the portfolio in which there is recent actual pattern of short-term profit taking are classified as held-for-trading.
- Investments designated at fair value through profit or loss upon initial recognition include those group of financial assets which are managed and their performance evaluated on a fair value basis, in accordance with the documented risk management / investment strategy.

These investments are initially recognised at fair value, being the cost of the consideration given.

After initial measurement, investment at fair value through profit or loss are carried at fair value and the

### 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.

### 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.

## 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 profit and loss account.

## 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.

#### 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 recognised as such services are rendered.

Income from placements is recognised on time proportion basis.

Fee on distribution of open end units is recognised 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 recognised on accrual basis.

#### 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 utilised. Deferred tax assets are reduced to the extent that it is no longer probable that the related tax benefits will be realised.

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.

### Defined benefit plan

The Company has adopted a staff gratuity scheme for management employees as described in note 17.3. Provision is made annually in accordance with actuarial recommendations using the Projected Unit Credit method.

Actuarial gains or losses are recognised in other comprehensive income when they occur. Amounts recorded in profit and loss are limited to current and past service costs, gains or losses on settlements and net interest income (expense).

#### 4.15 Employee compensated absences

Employee entitlements to annual leaves are recognised when they accrue to employees. A provision is made for the estimated liability for annual leaves as a result of services rendered by employees up to 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 recognised 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 AND JUDGMENTS

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 recognised 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 & 12
Classification of investments	4.6
Useful lives of assets and methods of depreciation	4.2, 4.3, 4.4, 7.1, 7.2 & 9
Deferred taxation	4.13 & 11
Defined benefit plan	4.14 & 17.3

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

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

Standard or interpretation	Effective date (annual periods beginning on or after)
IFRS 10 IFRS 10 Consolidated Financial Statements, IFRS 12 Disclosure of Interests in Other Entities and IAS 27 Separate Financial Statements – Investment Entities: Applying the Consolidation Exception (Amendment)	January 01, 2016
IFRS 10 Consolidated Financial Statements and IAS 28 Investment in Associates and Joint Ventures - Sale or Contribution of Assets between an Investor and its Associate or Joint Venture (Amendment)	Not yet finalized
IFRS 11 Joint Arrangements - Accounting for Acquisition of Interest in Joint Operation (Amendment)	January 01, 2016
IAS 1 Presentation of Financial Statements - Disclosure Initiative (Amendment)	January 01, 2016
IAS 16 Property, Plant and Equipment and IAS 38 intangible assets - Clarification of Acceptable Method of Depreciation and Amortization (Amendment)	January 01, 2016
IAS 16 Property, Plant and Equipment IAS 41 Agriculture - Agriculture: Bearer Plants (Amendment)	January 01, 2016
IAS 27 Separate Financial Statements – Equity Method in Separate Financial Statements (Amendment)	January 01, 2016

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 in September 2014. Such improvements are generally effective for accounting periods beginning on or after January 01, 2016. 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.

Further, following new standards have been issued by IASB which are yet to be notified by the SECP for the purpose of applicability in Pakistan.

	IASB effective date (annual periods beginning on or after)
IFRS 9 – Financial Instruments: Classification and Measurement	January 01, 2018
IFRS 14 – Regulatory Deferral Accounts	January 01, 2016
IFRS 15 – Revenue from Contracts with Customers	January 01, 2016



2014

	Cost		Accumulated depreciation		Written down value as at December 31, 2014	Rate of depreciation per annum %
	As at January 01, 2014	Additions / (disposals)	As at December 31, 2014	As at January 01, 2014		
Stock exchange rooms	24,200	-	24,200	-	24,200	-
Leasehold improvements	1,240	-	1,240	592	583	10
Furniture and fittings	1,481	-	1,481	796	617	10
Motor vehicles	18,414	1,090 (1,789)	17,715	4,752	10,758	20
Office equipment	3,971	29	4,000	2,209	1,614	10
Computer equipment	16,225	358	16,583	14,648	1,421	30
Electrical equipment	6,088	8	6,096	2,847	2,924	10
<b>December 31, 2014</b>	<b>71,619</b>	<b>1,485</b> <b>(1,789)</b>	<b>71,315</b>	<b>25,844</b> <b>(331)</b>	<b>42,117</b>	

## 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 vehicles</b>							
Honda Civic - 2011	1,839	(1,107)	732	732	-	Company Policy	Mr. Rahat Saeed Khan (Chief Executive)
Suzuki Cultus - 2013	1,025	(409)	616	850	234	Negotiation	Mr. Ifan Nabi
Suzuki Cultus - 2007	629	(526)	103	490	387	Negotiation	Mr. Ayaz Aslam (Ex-Employee)
	<b>3,493</b>	<b>(2,042)</b>	<b>1,451</b>	<b>2,072</b>	<b>621</b>		



## 7.2 Intangible assets

	2015						Rate of amortisation per annum %
	Cost		Accumulated amortisation			Written down value as at December 31, 2015	
	As at January 01, 2015	As at December 31, 2015	As at January 01, 2015	Charge for the year	As at December 31, 2015		
Computer software	5,359	5,359	4,858	150	5,008	30	
Trading Rights Entitlement Certificates (TREC)	6,165	6,165	-	-	-	-	
<b>December 31, 2015</b>	<b>11,524</b>	<b>11,524</b>	<b>4,858</b>	<b>150</b>	<b>5,008</b>	<b>6,516</b>	

2014

	2014						Rate of amortisation per annum %
	Cost		Accumulated amortisation			Written down value as at December 31, 2014	
	As at January 01, 2014	As at December 31, 2014	As at January 01, 2014	Charge for the year	As at December 31, 2014		
Computer software	5,359	5,359	4,643	215	4,858	30	
Trading Rights Entitlement Certificates (TREC)	6,165	6,165	-	-	-	-	
<b>December 31, 2014</b>	<b>11,524</b>	<b>11,524</b>	<b>4,643</b>	<b>215</b>	<b>4,858</b>	<b>6,666</b>	

## 7.3 Capital work-in-progress

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

	2015	2014
	----- (Rupees in '000) -----	
	2,500	2,500
	<u>2,500</u>	<u>2,500</u>

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## 8. LONG-TERM INVESTMENT

## Available-for-sale - Unlisted Ordinary shares

	Number of shares		Note	2015		2014	
	2015	2014		(Rupees in '000)		(Rupees in '000)	
4,007,383	4,007,383		8.1	4,360	4,360	4,360	4,360
843,975	843,975	Karachi Stock Exchange Limited	8.2	6,344	6,344	6,344	6,344
3,034,603	3,034,603	Lahore Stock Exchange Limited	8.2	14,182	14,182	14,182	14,182
		Islamabad Stock Exchange Limited		24,886	24,886	24,886	24,886

8.1 The 4,007,383 shares of Karachi Stock Exchange Limited have been converted into 4,007,383 of Pakistan Stock Exchange on January 11, 2016.

8.2 As per the Base Minimum Capital Requirements for brokerage houses, 4,007,383 shares of Karachi Stock Exchange, 843,975 shares of Lahore Stock Exchange and 3,034,603 shares of Islamabad Stock Exchange have been pledged with the respective stock exchanges as at December 31, 2015.

## 9. INVESTMENT PROPERTY

	2015				Rate of depreciation per annum %
	Cost	As at January 01, 2015	As at December 31, 2015	Charge for the year	
Residential premises	23,500	-	23,500	417	2
				3,029	
				20,471	
				20,471	

	2014				Rate of depreciation per annum %
	Cost	As at January 01, 2014	As at December 31, 2014	Charge for the year	
Residential premises	23,500	-	23,500	426	2
				2,612	
				20,888	
				20,888	

9.1 The investment property represents six flats located at Bhurban Heights, Bhurban. The fair value of above property was Rs.26.90 million as on December 07, 2015, determined as a result of a valuation by M/s. Smasco - an independent professional valuer. *EMBA*

	Note	2015 ----- (Rupees in '000) -----	2014
<b>10. LONG-TERM DEPOSITS</b>			
Long-term deposits - considered good	10.1	<u>2,592</u>	<u>2,492</u>
<b>10.1 Long-term deposits - considered good</b>			
Security deposits	10.1.1	<u>2,592</u>	<u>2,492</u>
<b>10.1.1 Represent deposits with:</b>			
Karachi Stock Exchange Limited		205	105
Lahore Stock Exchange Limited		520	520
Central Depository Company of Pakistan Limited		175	175
National Clearing Company of Pakistan Limited		400	400
Pakistan Mercantile Exchange Limited		1,250	1,250
Pakistan Telecommunication Company Limited		42	42
		<u>2,592</u>	<u>2,492</u>

**11. DEFERRED TAX ASSET - net****Deductible temporary differences arising on:**

Provision compensated absences	431	464
Unused tax losses	2,888	8,792
Minimum tax	396	552
Alternative corporate tax	2,453	-

**Taxable temporary differences arising on:**

Accelerated depreciation for tax purposes	(529)	(464)
	<u>5,639</u>	<u>9,344</u>

11.1 The above net deferred tax asset has been recognised in accordance with the Company's accounting policy as stated in note 4.13. The management, based on the financial projections, estimates that sufficient taxable profits would be available in future against which this deferred tax asset could be realised.

**12. TRADE DEBTS****Considered good**

Due from clients in respect of securities transactions - secured	12.1	4,695	26,076
Commission receivable - unsecured		8,834	7,253
Receivable against sale of securities from clearing house		-	13,333

**Considered doubtful**

Due from clients in respect of securities transactions - secured	12.2	23,070	21,830
Due from clients in respect of securities transactions - unsecured		61,125	62,631
		<u>97,724</u>	<u>131,123</u>
Less: Provision for doubtful debts	12.3	61,125	62,631
		<u>36,599</u>	<u>68,492</u>

12.1 Includes Rs.1.658 (2014: Rs.0.765) million due from the Holding Company.

12.2 These are secured against collateral having fair market value amounting to Rs.23.661 (2014: Rs.22.030) million.

	Note	2015 ----- (Rupees in '000) -----	2014
<b>12.3 Movement in provision for doubtful debts</b>			
Opening balance		62,631	65,277
Reversal during the year		(1,506)	(2,646)
Closing balance		<u>61,125</u>	<u>62,631</u>

**13. SHORT-TERM LOANS**

Short-term loans	13.1	<u>210</u>	<u>253</u>
		<u>210</u>	<u>253</u>

**13.1 Short-term loans**

Staff loans - unsecured	13.1.1		
- Executives		14	73
- Employees		196	180
		<u>210</u>	<u>253</u>

**13.1.1** 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.0.185 (2014: Rs.0.195) million.

**14. SHORT-TERM DEPOSITS AND PREPAYMENTS**

Deposits and prepayments	14.1	<u>52,678</u>	<u>54,156</u>
		<u>52,678</u>	<u>54,156</u>

**14.1 Deposits and prepayments**

Exposure deposits	14.1.1	52,348	53,841
Prepayments		330	315
		<u>52,678</u>	<u>54,156</u>

**14.1.1** This represents exposure deposit held with the Karachi Stock Exchange Limited in respect of Karachi Future Market amounting to Rs.2.348 (2014: Rs.3.841) million and Karachi Regular Market amounting to Rs.50.000 (2014: Rs.50.000) million.

**15. CASH AND BANK BALANCES**

Cash in hand		18	1
Cash with banks:			
- Current accounts	15.1	53,806	76
- PLS savings accounts	15.2	58,538	87,056
		<u>112,362</u>	<u>87,133</u>

**15.1** Included herein are accounts amounting to Rs.53.758 (2014: Rs.0.032) million maintained with the Holding Company.

**15.2** This carries profit at rates ranging from 6.25% to 9.50% (2014: 9.50% to 10%) per annum and includes aggregate balance of Rs.58.436 (2014: Rs.86.957) million maintained with the Holding Company.

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	Note	2015 ----- (Rupees in '000) -----	2014
<b>16. ISSUED, SUBSCRIBED AND PAID-UP CAPITAL</b>			
30,000,000 Ordinary shares of Rs.10 each issued for consideration other than cash		<u>300,000</u>	<u>300,000</u>
<b>17. TRADE AND OTHER PAYABLES</b>			
Due to clients in respect of securities transactions			
Deposit from employees against vehicles		51,319	94,601
Accrued liabilities	17.1	585	601
Workers' Welfare Fund	17.2	8,686	8,726
Payable against purchase of securities to clearing house		1,157	483
		<u>4,844</u>	-
		<u>66,591</u>	<u>104,411</u>

**17.1** These represent vehicle deposits from employees under Company's policy. Deposits amounting to Rs.0.518 (2014: Rs.0.584) million have been received from executives.

**17.2** This includes provision for staff compensated absences amounting to Rs.2.823 (2014: Rs.2.805) million.

#### 17.2.1 Provision for staff compensated absences

Opening balance	2,805	2,444
Charge for the year	290	623
Encashment during the year	<u>(272)</u>	<u>(262)</u>
Closing balance	<u>2,823</u>	<u>2,805</u>

#### 17.3 Gratuity payable - defined benefit plan

##### 17.3.1 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 scheme has been duly executed on July 12, 2007.

The cost of providing benefits under each gratuity scheme is determined using the Projected Unit Credit method, with actuarial valuation being carried out as at balance sheet date. The latest valuation was carried out as at December 31, 2015.

##### 17.3.2 Principal actuarial assumption

The following principal assumptions were used for the valuation:

Estimated rate of increase in salary of the employees - percent, per annum (%)	9.25	11.50
Expected rate of return on plan assets - percent, per annum (%)	9.25	11.50
Discount rate - per annum (%)	9.25	11.50

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2015                      2014  
----- (Rupees in '000) -----

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

Present value of defined benefit obligation	5,982	4,722
Fair value of plan assets	(5,982)	(4,722)
Asset / liability recognised in balance sheet	-	-

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

Opening balance	-	-
Charge for the year	605	329
Actuarial loss for the year	540	94
Contributions paid to the fund during the year	(1,145)	(423)
Closing balance	-	-

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

Current service cost	649	501
Interest cost	(44)	(172)
	605	329

**18. CONTINGENCIES AND COMMITMENTS**

There were no contingencies and commitments as at December 31, 2015.

**19. OTHER INCOME**

**Income from financial assets**

Profit on bank accounts	3,242	8,054
Profit on cash margins	2,333	1,731
Mark-up on Government Securities	12,576	3,802
Mark-up on loans and outstanding balance	19	19
Reversal of provision against doubtful debts	1,506	2,646
Other commission income	5,224	1,316

**Income from non financial assets**

Rental income	1,090	991
Gain on sale of operating fixed assets	621	-
Others	348	-
	26,959	18,559

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	Note	2015 ----- (Rupees in '000) -----	2014
<b>20. OPERATING AND ADMINISTRATIVE EXPENSES</b>			
Salaries and benefits	20.1	51,830	44,361
KSE clearing house and CDC charges		5,632	4,617
Depreciation	7.1 & 9	4,241	4,111
Loss on sale of operating fixed assets	7.1.1	-	61
Amortisation	7.2	150	215
Stamps and fees expense		49	37
Telephone, fax and postage		4,395	3,996
Rent, rates and taxes		2,941	2,624
Fees and subscription		1,376	905
Vehicle running expense		1,935	2,609
Repairs and maintenance		2,145	1,782
Utilities		2,912	2,899
Printing and stationery		1,128	787
Travelling expense		467	507
Legal and professional charges		2,725	4,987
Entertainment		1,817	1,319
Auditors' remuneration	20.4	1,380	772
Insurance		1,519	1,326
Advertising		-	101
Miscellaneous		242	4,299
		<u>86,884</u>	<u>82,315</u>

20.1 This includes an amount of Rs.2.056 (2014: Rs.1.862) million in respect of employees provident fund contribution and Rs.0.605 (2014: Rs.(0.836)) million in respect of staff gratuity fund.

#### 20.2 Provident Fund (the Fund) Disclosures

The following information is based on the latest audited financial statements of the Fund:

	Audited	
	June 30, 2015	June 30, 2014
	----- (Rupees in '000) -----	
Size of the Fund - total assets	<u>16,887</u>	<u>12,534</u>
Cost of investment made - mutual funds only	<u>137</u>	<u>94</u>
Fair value of investments - mutual funds only	<u>162</u>	<u>137</u>
Percentage of investment made	<u>0.96%</u>	<u>1.09%</u>

20.3 The investments out of provident fund have been made in accordance with the provisions of section 227 of the Companies Ordinance, 1984 and the rules formulated for this purpose.

#### 20.4 Auditors' remuneration

Audit fee	288	250
Sales tax on services	25	43
Other certifications	160	215
Taxation	815	200
Out of pocket expenses		

21. FINANCIAL CHARGES	2015	2014
	----- (Rupees in '000) -----	
Mark-up on:		
Repurchase agreement borrowing	10,260	3,446
Running finance	785	1
Bank charges	254	45
	<u>11,299</u>	<u>3,492</u>

## 22. TAXATION

This represents alternative corporate tax and tax on income chargeable under Final Tax Regime (FTR), therefore, no numerical tax reconciliation is reported.

The tax returns of the Company have been filed and finalised under the self assessment schemes upto accounting year ended December 31, 2014.

## 23. REMUNERATION OF CHIEF EXECUTIVE AND EXECUTIVES

	2015		2014	
	Chief Executive	Executives	Chief Executive	Executives
	----- (Rupees in '000) -----			
Managerial remuneration	2,527	9,150	2,297	9,345
Housing and utilities	1,390	5,033	1,264	4,849
Medical	18	270	-	391
Retirement benefits	253	915	230	934
Bonus	211	-	-	-
Commission	-	5,807	-	2,062
Others	605	2,682	662	3,301
	<u>5,004</u>	<u>23,857</u>	<u>4,453</u>	<u>20,882</u>
	<u>1</u>	<u>9</u>	<u>1</u>	<u>11</u>

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

## 24. RELATED PARTY 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:

Holding Company - Summit Bank Limited	2015	2014
	----- (Rupees in '000) -----	
Equity brokerage income	7,996	5,931
Money market and forex brokerage income	1,948	890
Profit on bank accounts	2,747	8,047
Financial charges paid	11,293	3,487
Repurchase agreement borrowing	8,380,516	782,982
Repurchase agreement borrowing repaid	(8,380,516)	(782,982)
Running finance availed	2,964,770	300
Running finance paid	(2,964,770)	(300)
Rent paid	2,341	2,264
Shares purchased from Holding Company	701,491	80,560
Shares sold to Holding Company	(702,186)	(139,655)
Government Securities purchased from Holding Company	2,096,297	1,179,713
Government Securities sold to Holding Company	(2,120,671)	(1,200,640)
<b>Others Related Parties</b>		
Equity and PMEX brokerage income -		
Directors, key management personnel	722	414
Contribution paid to / (received from) Gratuity Fund	1,145	(930)
Remuneration paid to Director for holding office of the Chairman		

## 25. 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 summarised below.

### 25.1 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:

	2015	2014
	----- (Rupees in '000) -----	
Long-term deposits	2,592	2,492
Trade debts	36,599	68,492
Short-term loans	210	253
Short-term deposits and prepayments	52,678	54,156
Accrued mark-up	-	905
Bank balances	112,344	87,132
	<u>204,423</u>	<u>213,430</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:

#### 25.1.1 Trade debts

Customers with no defaults in the past one year	36,599	68,492
Customers with some defaults in past one year which have been fully recovered	-	-
	<u>36,599</u>	<u>68,492</u>

25.1.1.1 The ageing of trade debts as at December 31 is as follows:

Neither past due nor impaired	7,244	42,533
Past due but not impaired		
- within 90 days	6,285	4,395
- 91 to 180 days	-	-

## 25.2 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 summarises 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)					
Trade and other payables 2015	62,366	-	-	-	-	62,366
	<u>62,366</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>62,366</u>

	On demand	Less than 3 months	3 to 12 months	1 to 5 years	5 years	Total
	(Rupees in '000)					
Trade and other payables 2014	100,952	-	-	-	-	100,952
	<u>100,952</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>100,952</u>

## 25.3 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, currently has not exposure to the risk of changes in market interest rates.

## 25.4 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.

## 25.5 Fair value of financial instruments

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

## 25.6 Fair value hierarchy

The Company uses the following hierarchy for determining and disclosing the fair value of financial instruments by valuation technique:

- Level 1:** quoted prices in active markets for identical assets.
- Level 2:** other techniques for which all inputs which have a significant effect on the recorded fair value are observable, either directly or indirectly.
- Level 3:** techniques which use inputs which have a significant effect on the recorded fair value that are not based on observable market data.

Asset measured at fair value	2015			
	Level 1	Level 2	Level 3	Total
	----- (Rupees) -----			
<b>At fair value through profit or loss</b>				
- held-for-trading				
Equity securities	-	-	-	-
<b>Available-for-sale</b>				
Equity securities	-	-	24,886	24,886
	-	-	24,886	24,886

Asset measured at fair value	2014			
	Level 1	Level 2	Level 3	Total
	----- (Rupees) -----			
<b>At fair value through profit or loss</b>				
- held-for-trading				
Equity securities	6,861	-	-	6,861
<b>Available-for-sale</b>				
Equity securities	-	-	24,886	24,886
	6,861	-	24,886	31,747

## 26. NUMBER OF EMPLOYEES

The number of employees as at December 31, 2015 were 56 (December 31, 2014: 53) and average number of employees are 55 (December 31, 2014: 52).

## 27. DATE OF AUTHORISATION FOR ISSUE

These financial statements were authorised for issue in the Board of Directors meeting held on 23 FEB 2016

## 28. GENERAL

Figures have been rounded off to the nearest thousand rupees. *ETPASH*

*Rohat Khan*  
Chief Executive Officer

*Jimmy*  
Director