

**Summit Capital
(Private) Limited**

**Financial Statements
For the year ended December 31, 2016**

AUDITORS' REPORT TO THE MEMBERS

We have audited the annexed balance sheet of Summit Capital (Private) Limited (the Company) as at December 31, 2016 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;
 - ii) the expenditure incurred during the year was for the purpose of the Company's business; and
 - iii) the business conducted, investments made and the expenditure incurred during the year were in accordance with the objects of the Company;
- c) in our opinion and to the best of our information and according to the explanations given to us, the balance sheet, profit and loss account, statement of comprehensive income, cash flow statement and statement of changes in equity together with the notes forming part thereof conform with approved accounting standards as applicable in Pakistan, and, give the information required by the 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 December 31, 2016 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 deductible at source under the Zakat and Ushr Ordinance, (XVIII of 1980).

Other Matters

The financial statements of the Company for the year ended December 31, 2015 were audited by another firm of Chartered Accountants who had expressed an unqualified opinion thereon dated February 23, 2016.



Chartered Accountants

Engagement Partner:
Mushtaq Ali Hirani

Date: March 01, 2017
Place: Karachi

SUMMIT CAPITAL (PRIVATE) LIMITED
BALANCE SHEET
AS AT DECEMBER 31, 2016

	Note	2016 ----- (Rupees in '000) -----	2015 ----- (Rupees in '000) -----
ASSETS			
NON-CURRENT ASSETS			
Property and equipment	7.	45,432	47,899
Intangible assets	8.	7,987	8,092
Long term investment	9.	23,310	23,310
Investment property	10.	20,062	20,471
Long term deposits	11.	2,092	2,592
Deferred tax asset - net	12.	5,222	5,639
		104,105	108,003
CURRENT ASSETS			
Debtors	13.	64,613	36,599
Short term loans	14.	539	210
Short term deposits, prepayments and other receivables	15.	63,813	52,678
Short term investments	16.	5,995	-
Advance tax - net		21,628	16,004
Cash and bank balances	17.	135,678	112,362
		292,266	217,853
		396,371	325,856
EQUITY AND LIABILITIES			
SHARE CAPITAL AND RESERVES			
Authorised share capital 50,000,000 (2015: 50,000,000) Ordinary shares of Rs.10 each		500,000	500,000
Issued, subscribed and paid-up share capital	18.	300,000	300,000
Accumulated loss		(32,201)	(40,735)
		267,799	259,265
CURRENT LIABILITIES			
Creditors and other payables	19.	126,901	66,591
Accrued interest		1,671	-
		128,572	66,591
		396,371	325,856
CONTINGENCIES AND COMMITMENTS			
	20.		

The annexed notes from 1 to 31 form an integral part of these financial statements.

Rahat S. Khan
Chief Executive Officer

Shamir
Director

SUMMIT CAPITAL (PRIVATE) LIMITED
PROFIT AND LOSS ACCOUNT
FOR THE YEAR ENDED DECEMBER 31, 2016

	2016 ----- (Rupees in '000) -----	2015
Equity brokerage commission	61,606	45,503
Money market and forex brokerage commission	34,526	34,857
Commodity commission	332	455
Unrealised loss on revaluation of held-for-trading securities	(372)	-
Gain on sale of securities - net	9,238	25,505
Dividend income	1,656	2,411
Other income	14,200	26,959
21.	121,186	135,690
Operating and administrative expenses	96,005	86,884
Workers welfare fund	(1,157)	735
Financial charges	9,303	11,299
22.	104,151	98,918
Profit before taxation	17,035	36,772
Taxation - current	7,564	12,028
- prior year	-	57
- deferred	417	3,707
24.	7,981	15,792
Profit after taxation	9,054	20,980
Earnings per share - basic and diluted (Rupee)	0.30	0.70
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The annexed notes from 1 to 31 form an integral part of these financial statements.

22/12/16


Chief Executive Officer


Director

**SUMMIT CAPITAL (PRIVATE) LIMITED
STATEMENT OF COMPREHENSIVE INCOME
FOR THE YEAR ENDED DECEMBER 31, 2016**

	2016	2015
Note	----- (Rupees in '000) -----	-----
Net profit for the year	9,054	20,980
Other comprehensive income - net		
Items that will not to be reclassified to profit and loss account in subsequent periods		
Actuarial loss on defined benefit plan	19.3.4 (520)	(540)
Total comprehensive income for the year	8,534	20,440

The annexed notes from 1 to 31 form an integral part of these financial statements.

MAA

Rahat Saeed
Chief Executive Officer

Shamim
Director

**SUMMIT CAPITAL (PRIVATE) LIMITED
STATEMENT OF CHANGES IN EQUITY
FOR THE YEAR ENDED DECEMBER 31, 2016**

	Issued, subscribed and paid-up capital	Accumulated loss	Total
	----- (Rupees in '000) -----		
Balance at January 01, 2015	300,000	(61,175)	238,825
Profit for the year	-	20,980	20,980
Other comprehensive income	-	(540)	(540)
Total comprehensive income for the year	-	20,440	20,440
Balance at December 31, 2015	300,000	(40,735)	259,265
Profit for the year	-	9,054	9,054
Other comprehensive income	-	(520)	(520)
Total comprehensive income for the year	-	8,534	8,534
Balance at December 31, 2016	300,000	(32,201)	267,799

The annexed notes from 1 to 31 form an integral part of these financial statements.

DMA

Rahat
Chief Executive Officer

Arshad
Director

SUMMIT CAPITAL (PRIVATE) LIMITED
CASH FLOW STATEMENT
FOR THE YEAR ENDED DECEMBER 31, 2016

	Note	2016 ----- (Rupees in '000) -----	2015
A. CASH FLOWS FROM OPERATING ACTIVITIES			
Profit before taxation		17,035	36,772
Adjustments for			
Depreciation	7.1 & 10	4,199	4,241
Amortisation	8.	105	150
Provision for leave encashment	19.2.1	921	290
Provision for staff retirement gratuity	19.3.4	747	605
Reversal of provision against doubtful debts		-	(1,506)
Reversal of Workers' Welfare Fund		(1,157)	-
Interest income on staff loan		(26)	(19)
Unrealised loss on revaluation of held-for-trading securities		372	-
Gain on sale of securities - net		(9,238)	(25,505)
Gain on disposal of operating fixed assets	7.1.1	(122)	(621)
Dividend income		(1,656)	(2,411)
Financial charges	23.	9,303	11,299
		3,448	(13,477)
(Increase) / decrease in assets			
Debtors		(28,014)	26,720
Short-term loans		(329)	43
Short-term deposits, prepayments and other receivables		(11,135)	2,383
Long term deposits		500	(100)
		(38,978)	29,046
Increase / (decrease) in liabilities			
Creditors and other payables		60,620	(31,159)
Cash generated from operations		42,125	21,182
Compensated absences paid	19.2.1	(74)	(272)
Income tax paid		(13,188)	(11,548)
Financial charges paid		(7,632)	(11,299)
Gratuity paid	19.3.4	(1,267)	(1,145)
Interest received on staff loan		26	19
Net cash generated from / (used in) operating activities		19,990	(3,063)
B. CASH FLOWS FROM INVESTING ACTIVITIES			
Purchase of short term investments		(1,922,699)	(2,870,002)
Sale of short term investments		1,925,570	2,902,368
Purchase of Property and equipment		(2,282)	(8,557)
Dividend received		1,656	2,411
Proceed from disposal of tangible fixed assets		1,081	2,072
Net cash (used in)/ generated from investing activities		3,326	28,292

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	2016	2015
	----- (Rupees in '000) -----	
C. CASH FLOWS FROM FINANCING ACTIVITIES		
Running finance availed	200,957	634,303
Running finance repaid	(200,957)	(634,303)
Net cash used in financing activities	-	-
Net increase in cash and cash equivalents	23,316	25,229
Cash and cash equivalents at beginning of the year	112,362	87,133
Cash and cash equivalents at the end of the year	135,678	112,362

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The annexed notes from 1 to 31 form an integral part of these financial statements.

RAA

Rahat S-in
Chief Executive Officer

Shrini
Director

SUMMIT CAPITAL (PRIVATE) LIMITED
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2016

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 Pakistan 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 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) and Islamic Financial Accounting Standards (IFAS) issued by Institute of Chartered Accounts of Pakistan (ICAP) 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 short term investments which are carried at fair value through profit and loss 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.

4.1 Amendments to published approved accounting standards that are effective in the current year

The following amendments to published approved accounting standards are effective from January 1, 2016. These amendments are, either not relevant to the Company's operations or are not expected to have significant impact on the Company's financial statements other than certain additional disclosures.

- Amendments to IFRS 5 'Non-current Assets Held for Sale and Discontinued Operations': Clarification regarding changes in the method of disposal of an asset.
- Amendments to IFRS 7 'Financial Instruments – Disclosures': Disclosure requirements for servicing arrangements on continuing involvement in transferred financial assets.
- Amendments to IFRS 10 - Consolidated Financial Statements, IFRS 12 - Disclosure of Interests in Other Entities and IAS 28 (Revised 2011) - Investments in Associates and Joint Ventures: Application of consolidation exception
- Amendments to IFRS 11 - Joint Arrangements: Accounting for acquisitions of an interest in a joint operation
- Amendments to IAS 1 - Presentation of Financial Statements: Amendments resulting from the disclosure initiative

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- Amendments to IAS 16 - Property, Plant and Equipment and IAS 41 - Agriculture: Bringing bearer plants in scope of IAS 16.
- Amendments to IAS 16 - Property, Plant and Equipment and IAS 38 - Intangible Assets: Clarification on acceptable methods of depreciation and amortisation.
- Amendments to IAS 19 'Employee Benefits': Clarification that the same currency bonds be used to determine the discount rate in which benefits are to be paid.
- Amendments to IAS 27 (Revised 2011) 'Separate Financial Statements': Use of equity method to account for investments in subsidiaries, joint ventures and associates in separate financial statements.
- Amendments to IAS 34 'Interim Financial Reporting': Clarification related to certain disclosures, i.e., if they are not included in the notes to interim financial statements and disclosed elsewhere should be cross referred.

4.2 New accounting standards, interpretations and amendments to published approved accounting standards that are not yet effective

The following amendments to approved accounting standards are effective for accounting periods, beginning on or after the date mentioned against each of them. These amendments are either not relevant to the Company's operations or are not expected to have significant impact on the Company's financial statements other than certain additional disclosures:

	Effective from annual periods beginning on or after
Amendments to IFRS 2 'Share-based Payment': Clarification of the classification and measurement of share-based payment transactions	January 01, 2018
Amendments to IAS 7 'Statement of Cash Flows': Amendments as result of the disclosure initiative	January 01, 2017
Amendments to IAS 12 'Income Taxes': Recognition of deferred tax assets for unrealised losses	January 01, 2017
Amendments to IAS 40 'Investment Property': Clarification on transfers of property to or from investment property.	January 01, 2018
IFRIC 22 'Foreign Currency Transactions and Advance Consideration': Provides guidance on transactions where consideration against non-monetary prepaid asset / deferred income is denominated in foreign currency.	January 01, 2018

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

IFRS 1 – First Time Adoption of International Financial Reporting Standards
 IFRS 9 – Financial Instruments
 IFRS 14 – Regulatory Deferral Accounts
 IFRS 15 – Revenue from Contracts with Customers
 IFRS 16 – Leases

4.3 Property and Equipment:

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.

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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 profit and loss account.

4.4 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 profit and loss account applying the reducing balance method at the rate specified in note 8 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.

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

Gains and losses on disposals of assets, if any, are included in profit and loss account.

4.5 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 10 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 of assets, if any, are included in profit and loss account.

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4.6 Trade debtors and other receivables

Trade debtors and other receivables are carried at cost, which is the fair value of the consideration to be received, less provision for doubtful debts. A provision for impairment in trade debtors and other receivables is made when there is objective evidence that the Company will not be able to collect all amounts due according to original terms of receivables.

4.7 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 gains or losses on revaluation are recognised in the profit and loss account.

Held-to-maturity investments

Investments with fixed or determinable payments and fixed maturities are classified under this head when 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 profit and loss account. 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.

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4.8 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.

4.9 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.

4.10 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.

4.11 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.

4.12 Creditors and other payables

Creditors and other payables are carried at cost which is the fair value of the consideration to be paid.

4.13 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.

4.14 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.

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Gain/(loss) on the sale of investment is included in profit and loss account in the period in which they arise.

Mark-up income on government securities, return on bank deposits and balances and other revenues are recognised on accrual basis.

Dividend income on equity investments is recognized when the right to receive the same is established

4.15 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.

4.16 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 19.3. 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).

4.17 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.

4.18 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.

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4.19 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.

4.20 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.

4.21 Earning per share

Earning per share is calculated by dividing the profit or loss attributable to shareholders of company by the weighted average number of ordinary shares, outstanding during the period.

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 debtors	4.5 & 13
Classification of investments	4.7
Useful lives of assets and methods of depreciation	4.3, 4.4, 4.5, 7.1, 8, & 9
Deferred taxation	4.15 & 12
Defined benefit plan	4.16 & 19.3

6. CORRECTION OF PRIOR PERIOD ERROR

In prior years, the Company has allocated carrying value of stock exchanges membership cards pursuant to Stock Exchanges (Corporatization, Demutualization and Integration) Act, 2012 as per the technical directive mentioned in Note 9.1. During this exercise, the number of shares used in determination of the breakup value were incorrectly allocated. During the year this error has retrospectively rectified as per International Accounting Standard 8 'Accounting Policies, Changes in Accounting Estimates and Errors', due to which corresponding figures of long term investments and intangible assets (i.e. Trading Right Entitlement Certificate) have been restated as disclosed below:

	2015 (Before Rectification)	2015 Restated
	----- (Rupees in '000) -----	
Intangible assets	6,411	7,987
Long term investment	24,886	23,310

However the said restatement does not have any impact on the retained earnings of the Company and the balance sheet at the beginning of the preceding period is not presented.

7. PROPERTY AND EQUIPMENT

Operating fixed assets - tangible
Capital work-in-progress

	2016	2015
	----- (Rupees in '000) -----	
	41,224	45,399
	4,208	2,500
	<u>45,432</u>	<u>47,899</u>

Note

7.1

7.2

7.1 Operating fixed assets - tangible

	2016							Depreciation rates
	Cost			Accumulated depreciation				
	At January 1, 2016	Additions / (disposals)	At December 31, 2016	At January 1, 2016	Charge for the year / (disposal)	At December 31, 2016	Written down value at December 31, 2016	%
Stock exchange rooms	24,200	-	24,200	-	-	-	24,200	-
Leasehold improvements	1,240	-	1,240	716	49	765	475	10
Furniture and fittings	1,481	62	1,543	926	57	983	560	10
Motor vehicles	21,070	- (1,668)	19,402	7,664	2,493 (725)	9,432	9,970	20
Office equipment	4,151	13	4,164	2,556	161	2,717	1,447	10
Computer equipment	17,933	446 (50)	18,330	15,646	742 (34)	16,354	1,976	30
Electrical equipment	6,304	50	6,353	3,472	285	3,757	2,596	10
December 31, 2016	76,379	571 (1,718)	75,232	30,980	3,787 (759)	34,008	41,224	

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	2015					Depreciation rates %	
	Cost		Accumulated depreciation				
	At January 1, 2015	Additions / (disposals)	At December 31, 2015	At January 1, 2015	Charge for the year / (disposal)	At December 31, 2015	Written down value at December 31, 2015
	(Rupees in '000)						
Stock exchange rooms	24,200	-	24,200	-	-	-	24,200
Leasehold improvements	1,240	-	1,240	657	59	716	524
Furniture and fittings	1,481	-	1,481	864	62	926	555
Motor vehicles	17,715	6,848 (3,493)	21,070	6,957	2,749 (2,042)	7,664	13,406
Office equipment	4,000	151	4,151	2,386	170	2,556	1,595
Computer equipment	16,583	1,350	17,933	15,162	484	15,646	2,287
Electrical equipment	6,096	208	6,304	3,172	300	3,472	2,832
December 31, 2015	71,315	8,557 (3,493)	76,379	29,198	3,824 (2,042)	30,980	45,399

7.1.1 Disposal of operating fixed assets

Description	Cost	Accumulated depreciation	Book value	Sale proceeds	Gain / (loss)	Mode of disposal	Particulars of Purchaser
Motor vehicles	1,668	(725)	943	1,065	122	Company Policy	Suhail Ahmed Farouqi (Ex-
Computer equipm	50	(34)	16	16	-	Insurance Claim	East West Insurance Company
	<u>1,718</u>	<u>(759)</u>	<u>959</u>	<u>1,081</u>	<u>122</u>		

Dya

7.2 Capital work-in-progress

2016
----- (Rupees in '000) -----

Advance for office premises in Pakistan Mercantile Exchange Limited
Advance for purchase of a vehicle

	2015
	2,500
	1,708
	4,208
	2,500

8. Intangible assets

2016

	Accumulated amortisation					Written down value at December 31, 2016	Amortisation rate %
	At January 1, 2016	Additions / (disposals)	At December 31, 2016	At January 1, 2016	Charge for the year		
Computer software	5,359	-	5,359	5,008	105	5,113	30
Trading Rights Entitlement Certificates (TREC) 8.1	7,741	-	7,741	-	-	-	-
December 31, 2016	13,100	-	13,100	5,008	105	5,113	-

8.1 The TRE Certificate was acquired on surrender of stock exchange membership cards. Refer Note 9.

2015

	Accumulated amortisation					Written down value at December 31, 2015	Amortisation rate %
	At January 01, 2015	Additions / (disposals)	At December 31, 2015	At January 01, 2015	Charge for the year		
Computer software	5,359	-	5,359	4,858	150	5,008	30
Trading Rights Entitlement Certificates (TREC)	7,741	-	7,741	-	-	-	-
December 31, 2015	13,100	-	13,100	4,858	150	5,008	-

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9. LONG TERM INVESTMENT

Available-for-sale - Unlisted Ordinary shares

Number of shares		Note	2016 ----- (Rupees in '000)	2015 -----
2016	2015			
4,007,383	4,007,383			
843,975	843,975	9.1	11,665	11,665
3,034,603	3,034,603	9.2	6,344	6,344
		9.2	5,301	5,301
			23,310	23,310

9.1 Pursuant to Stock Exchanges (Corporatization, Demutualization and Integration) Act, 2012, the paid up capital of PSX i.e. 801,476,600 shares was equally distributed amongst 200 members by issuance of 4,007,383 shares to each member in the following manner:

- 40% of the total shares allotted (i.e. 1,602,953 shares) were transferred in the House Account - CDC of each initial shareholder;
- 60% of the total shares (i.e. 2,404,430 shares) were deposited in a sub-account in Company's name under PSX participant ID with CDC and blocked until they are divested to strategic investor(s), general public and financial institutions.

Right to receive distributions and sale proceed against 60% shares in the blocked account were vested in the initial shareholder, provided that bonus and right shares (if any) are transferred to blocked account and disposed off with the blocked shares. Right to vote against blocked shares was suspended till the time of sale.

Based on the technical guide dated May 29, 2013 issued by the Institute of Chartered Accountants of Pakistan, the Company had allocated its carrying value of the membership card in the ratio of breakup value of PSX and notional value of TRE certificate assigned by the PSX for minimum capital requirement purposes.

During 2016, the SECP constituted a Divestment Committee with a mandate to oversee and complete the process of divestment of up to 40% equity stake of PSX to local and/or international investors. The Committee received seventeen Expressions of Interest (EOI), which were forwarded to SECP along with comments and recommendations. The bidding process took place on December 22, 2016 and an international investor's bid was accepted at the rate of Rs.28 per share. Final agreement for the sale of equity stake was signed subsequent to reporting date on Feb 03, 2017 and therefore the capital gain/(loss) on the said transaction will be recorded subsequent financial statements.

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9.2 These represents unquoted shares of Lahore and Islamabad stock exchanges in pursuance of Stock Exchanges (Corporatization, Demutualization and Integration) Act, 2012. The total number of shares received by the Company for Lahore Stock Exchange Limited (LSE) is 3,034,603 and of Islamabad Stock Exchange Limited (ISE) is 843,975. The carrying value of the membership cards of these exchanges were allocated in the same manner as stipulated in aforementioned technical guide. During 2016, LSE and ISE have been emerged as NBFC (i.e. LSE Financial Services Limited and ISE Towers REIT Management Company Limited) after integration of exchange business with Karachi Stock Exchange to form Pakistan Stock Exchange under the scheme of integration with the approval of Securities and Exchange Commission of Pakistan.

10. INVESTMENT PROPERTY

		2016					
		Accumulated depreciation					
Cost		At January		Charge for		Written down	
At January	Additions /	At December	At January	At December	At December	At December	value at
1, 2016	(disposals)	31, 2016	1, 2016	31, 2016	the year	31, 2016	December 31,
				(Rupees in '000)		2016	
						%	
Residential premises	23,500	-	23,500	3,029	409	3,438	20,062
							2
Cost		2015					
		Accumulated depreciation					
Cost		At January		Charge for		Written down	
At January	Additions /	At December	At January	At December	At December	At December	value at
01, 2015	(disposals)	31, 2015	01, 2015	31, 2015	the year	31, 2015	December 31,
				(Rupees in '000)		2015	
						%	

10.1 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 26, 2016, determined as a result of a valuation carried out by M/s. Smasco - an independent professional valuers. The valuation was arrived at by reference to market values and realizable values, which are determined on the basis of market intelligence, year of construction and present physical condition and location.

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	Note	2016 ----- (Rupees in '000) -----	2015
11. LONG TERM DEPOSITS			
Considered good			
Pakistan Stock Exchange Limited		200	205
Central Depository Company of Pakistan Limited		175	175
National Clearing Company of Pakistan Limited		400	400
Pakistan Mercantile Exchange Limited		1,275	1,250
Pakistan Telecommunication Company Limited		42	42
LSE Financial Services Limited		-	520
		<u>2,092</u>	<u>2,592</u>
12. DEFERRED TAX ASSET - net			
Deductible temporary differences arising on:			
Provision for compensated absences		685	431
Unused tax losses		-	2,888
Minimum tax		682	396
Alternative corporate tax		4,287	2,453
Taxable temporary differences arising on:			
Accelerated depreciation for tax purposes		(432)	(529)
		<u>5,222</u>	<u>5,639</u>
13. DEBTORS			
Considered good			
Due from clients in respect of securities transactions - secured		11,230	4,695
Commission receivable - unsecured		14,824	8,834
Receivable against sale of securities from clearing house		15,489	-
	13.1	<u>41,543</u>	<u>13,529</u>
Considered doubtful			
Due from clients in respect of securities transactions - secured	13.2	23,070	23,070
Due from clients in respect of securities transactions - unsecured		61,125	61,125
		<u>125,738</u>	<u>97,724</u>
Less: Provision for doubtful debts	13.3	(61,125)	(61,125)
		<u>64,613</u>	<u>36,599</u>

13.1 Includes Rs.0.988 (2015: Rs.1.658) million due from the holding company.

13.2 These are secured against collateral having fair market value amounting to Rs.32.669 (2015: Rs.25.529) million.

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	2016	2015
	----- (Rupees in '000) -----	
13.3 Movement in provision for doubtful debts		
Opening balance	61,125	62,631
Reversal during the year	-	(1,506)
Closing balance	<u>61,125</u>	<u>61,125</u>

14. SHORT TERM LOANS

Staff loans - unsecured		
- Executives	259	14
- Employees	280	196
	<u>539</u>	<u>210</u>

14.1 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.0.341 (2015: Rs.0.185) million.

	Note	2016	2015
		----- (Rupees in '000) -----	
15. SHORT TERM DEPOSITS PREPAYMENTS AND OTHER RECEIVABLES			
Exposure deposits	15.1	63,410	52,348
Prepayments		387	330
Other receivables		16	-
		<u>63,813</u>	<u>52,678</u>

15.1 This represents exposure deposit held with the Pakistan Stock Exchange Limited in respect of PSX Future Market amounting to Rs.3.410 (2015: Rs.2.348) million and PSX Regular Market amounting to Rs.60 (2015: Rs.50) million.

	Note	2016	2015
		----- (Rupees in '000) -----	
16. SHORT TERM INVESTMENTS			
At fair value through profit or loss - held-for-trading			
Listed ordinary shares	16.1	<u>5,995</u>	<u>-</u>
16.1 Particulars of investment in listed ordinary shares			

	2016 (Number of shares)	2015	Name of company	2016	
				Cost	Market value
----- (Rupees in '000) -----					
	50,000	-	Sui Southern Gas Company Limited	2,867	(141)
	75,000	-	Treet Corporation Limited	3,500	(231)
				<u>6,367</u>	<u>(372)</u>

			2016	2015
		Note	----- (Rupees in '000) -----	
17.	CASH AND BANK BALANCES			
	Cash in hand		13	18
	Cash with banks:			
	- Current accounts	17.1	99,259	53,806
	- PLS savings accounts	17.2	36,406	58,538
			<u>135,678</u>	<u>112,362</u>
17.1	Included herein are accounts amounting to Rs.99.125 (2015: Rs.53.758) million maintained with the holding company.			
17.2	This carries profit at rates ranging from 6% to 6.50% (2015: 6.25% to 9.50%) per annum and includes aggregate balance of Rs.36.377 (2015: Rs.58.436) million maintained with the holding company.			
18.	ISSUED, SUBSCRIBED AND PAID-UP CAPITAL		2016	2015
		Note	----- (Rupees in '000) -----	
	2016			
	2015			
	----Number of Shares ----			
	<u>30,000,000</u>			
	<u>30,000,000</u>			
	Ordinary shares of Rs.10 each issued for consideration other than cash		<u>300,000</u>	<u>300,000</u>
19.	CREDITORS AND OTHER PAYABLES			
	Due to clients in respect of securities transactions		114,377	51,319
	Deposit from employees against vehicles	19.1	821	585
	Accrued liabilities	19.2	11,628	8,686
	Workers' Welfare Fund		-	1,157
	Payable against purchase of securities to clearing house		-	4,844
	Others		75	-
			<u>126,901</u>	<u>66,591</u>
19.1	These represent vehicle deposits from employees under Company's policy. Deposits amounting to Rs.0.821 (2015: Rs.0.585) million have been received from executives.			
19.2	This includes provision for staff compensated absences amounting to Rs.3.670 (2015: Rs.2.823) million.			
19.2.1	Provision for staff compensated absences		2016	2015
			----- (Rupees in '000) -----	
	Opening balance		2,823	2,805
	Charge for the year		921	290
	Encashment during the year		(74)	(272)
	Closing balance		<u>3,670</u>	<u>2,823</u>

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19.3 Gratuities payable - defined benefit plan

19.3.1 General description

The Company has a gratuity fund 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 fund 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, 2016.

	2016	2015
	----- (Rupees in '000) -----	
19.3.2 Principal actuarial assumption		
The following principal assumptions were used for the valuation:		
Estimated rate of increase in salary of the employees - percent, per annum (%)	7.25	9.25
Expected rate of return on plan assets - percent, per annum (%)	7.25	9.25
Discount rate - per annum (%)	7.25	9.25
19.3.3 Reconciliation of payable to / (receivable from) defined benefit plan		
Present value of defined benefit obligation	7,627	5,982
Fair value of plan assets	(7,627)	(5,982)
Asset / liability recognised in balance sheet	-	-
19.3.4 Movement in net liability recognized		
Opening net (asset) / liability	-	-
Expense recognized	747	605
Other comprehensive income (OCI)	520	540
Contributions paid to the fund during the year	(1,267)	(1,145)
Closing net (asset) / liability	-	-
19.3.5 Expense recognised in the profit and loss account		
Current service cost	821	649
Net interest	(74)	(44)
	747	605
19.3.6 Sensitivity analysis on significant actuarial assumptions		

	Change in assumption	Impact on present value of DBO	
		Increase in assumption	Decrease in assumption
		----- (Rupees in '000) -----	
Discount Rate	± 1 %	(6,954)	8,404
Salary Increase Rate	± 1 %	8,436	(6,916)
Withdrawal rate	± 1 %	7,584	(7,673)
1 year mortality age set	Back/Forward	7,629	(7,625)

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20. CONTINGENCIES AND COMMITMENTS

There were no contingencies and commitments as at December 31, 2016.

21. OTHER INCOME	Notes	2016 ----- (Rupees in '000) -----	2015
Income from financial assets			
Profit on bank accounts		603	3,242
Profit on cash margins		2,042	2,333
Mark-up on Government Securities		9,495	12,576
Mark-up on loans and outstanding balance		26	19
Reversal of provision against doubtful debts		-	1,506
Other commission income		44	5,224
Income from non financial assets			
Rental income		1,199	1,090
Gain on sale of operating fixed assets		122	621
Others		669	348
		<u>14,200</u>	<u>26,959</u>

22. OPERATING AND ADMINISTRATIVE EXPENSES

Salaries and benefits	22.1 & 22.2	60,325	51,830
PSX, NCCPL and CDC charges		6,333	5,632
Depreciation	7.1 & 10	4,199	4,241
Amortisation	8.	105	150
Stamps and fees		66	49
Telephone, fax and postage		5,478	4,395
Rent, rates and taxes		3,175	2,941
Fees and subscription		631	1,376
Vehicles running		1,858	1,935
Repairs and maintenance		3,302	2,145
Utilities		3,148	2,912
Printing and stationery		684	1,128
Travelling and conveyance		475	467
Legal and professional		877	2,735
Entertainment		1,959	1,817
Auditors' remuneration	22.3	1,083	1,380
Insurance		1,851	1,519
Others		456	232
		<u>96,005</u>	<u>86,884</u>

22.1

This includes an amount of Rs.2.292 (2015: Rs.2.056) million in respect of employees provident fund contribution and Rs.0.747 (2015: Rs.0.605) million in respect of staff gratuity fund.

22.2 Provident Fund (the Fund) Disclosures

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

	Audited	
	June 30, 2016	June 30, 2015
	----- (Rupees in '000) -----	
Size of the Fund - total assets	20,003	16,887
Cost of investment made - mutual funds only	162	137
Bank balances	16,405	15,547
Fair value of investments - mutual funds only	176	162
Percentage of investment made	82.89%	93.02%

22.2.1 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.

	2016	2015
	----- (Rupees in '000) -----	
22.3 Auditors' remuneration		
Audit fee	288	288
Sales tax on services	50	25
Other certifications	335	160
Taxation	295	815
Out of pocket expenses	115	92
	<u>1,083</u>	<u>1,380</u>

23. FINANCIAL CHARGES

Markup on:		
Repurchase agreement borrowing	6,680	10,260
Running finance	2,513	785
Bank charges	110	254
	<u>9,303</u>	<u>11,299</u>

24. TAXATION

This represents alternative tax on turnover and 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 up to accounting year ended December 31, 2015.

25. EARNINGS PER SHARE - basic and diluted

		2016	2015
Profit after taxation	Rupees	9,054,000	20,980,000
Weighted average number of shares	Number of shares	30,000,000	30,000,000
Earnings per share -basic and diluted	Rupee	0.30	0.70

24/15

26. REMUNERATION OF CHIEF EXECUTIVE AND EXECUTIVES

	2016		2015	
	Chief Executive	Executives	Chief Executive	Executives
	----- (Rupees in '000) -----			
Managerial remuneration	2,654	11,221	2,527	9,150
Housing and utilities	1,459	6,171	1,390	5,033
Medical	27	324	18	270
Retirement benefits	265	997	253	915
Bonus	-	-	211	-
Commission	-	3,630	-	5,807
Others	596	2,961	605	2,682
	<u>5,001</u>	<u>25,304</u>	<u>5,004</u>	<u>23,857</u>
	1	12	1	9

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

27. 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:

	2016	2015
	----- (Rupees in '000) -----	
Holding Company - Summit Bank Limited		
Equity brokerage income	6,922	7,996
Money market and forex brokerage income	1,458	1,948
Profit on bank accounts	525	2,747
Financial charges paid	9,288	11,293
Repurchase agreement borrowing	6,289,164	8,380,516
Repurchase agreement borrowing repaid	(6,289,164)	(8,380,516)
Running finance availed	200,957	634,303
Running finance paid	(200,957)	(634,303)
Rent paid	2,575	2,341
Shares purchased from holding company	1,225,012	701,491
Shares sold to holding company	(1,244,245)	(702,186)
Government Securities purchased from holding company	492,456	2,096,297
Government Securities sold to holding company	(506,933)	(2,120,671)
Staff Training	78	-
Others Related Parties		
Equity and Commodity brokerage income - Directors, key management personnel	437	722
Contribution paid to Gratuity Fund	1,270	1,145
Contribution paid to Provident Fund	2,293	903

27.1 The outstanding balances of related parties are disclosed in their respective notes to the financial statements.

27.2 The Company has sanctioned short term running finance limit of Rs. 300 million from its holding company which is secured against first charge over present and future receivables.

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28. FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES

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

28.1 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's portfolio of financial instruments is broadly diversified thereby mitigating any significant concentration of credit risk.

The Company is exposed to credit risk on long term deposits, trade debtors, short term loans, short term deposits and other receivables, short term 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:

	Note	2016 ----- (Rupees in '000) -----	2015 -----
Long term deposits		2,092	2,592
Debtors	28.1.1	64,613	36,599
Short term loans		539	210
Short term investments		5,995	-
Short term deposits and other receivables	28.1.2	63,426	52,348
Bank balances	28.1.3	135,665	112,344
		<u>272,330</u>	<u>204,093</u>

28.1.1 The ageing of trade debtors as at December 31 is as follows:

Neither past due nor impaired	30,064	7,244
Past due but not impaired		
- within 90 days	11,479	6,285
- 91 to 180 days	-	-
- over 180 days	23,070	23,070
	<u>64,613</u>	<u>36,599</u>

The credit quality of trade debtors that are neither past due nor impaired cannot be assessed by reference to external credit ratings. Based on the past experience and consideration of recoveries, the Company believes that trade debtors past due do not require any impairment.

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28.1.2 Short term deposits and other receivables

It comprises mainly of exposure deposit kept with NCCPL amounting to Rs. 63.410 million (2015: Rs. 52.348 million)

28.1.3 Bank balances

The credit risk related to bank balances is managed through ensuring that such balances are held and kept with reputed banks with good credit ratings. The credit rating of major banks where the Company maintain its bank balances is as A1+, AA+, AAA, A-1 and A- on the short term and the long term.

28.2 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.

	Less than 3 months	3 to 12 months	1 to 5 years	5 years	Total
	(Rupees in '000)				
Creditors and other payables	126,901	-	-	-	126,901
Accrued interest	1,671	-	-	-	1,671
2016	128,572	-	-	-	128,572

	Less than 3 months	3 to 12 months	1 to 5 years	5 years	Total
	(Rupees in '000)				
Creditors and other payables	66,591	-	-	-	66,591
2015	66,591	-	-	-	66,591

28.3 Market risk

Market risk is the risk that the fair value of future cash flows of financial instruments will fluctuate because of changes in market prices. Market price risks comprises of interest rate risk, currency risk and equity price risk.

28.3.1 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.

28.3.2 Currency risk

Currency risk is the risk that the fair value or future cash flows of financial instruments will fluctuate because of changes in foreign exchange rates. The Company has no financial assets or liabilities denominated in foreign currency as of year end that are exposed to foreign currency exchange rate fluctuations.

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28.3.3 Foreign Currency risk

The company has no financial assets or liabilities denominated in foreign currency as of year end that are exposed to foreign currency exchange rate fluctuations

28.3.4 Equity price risk

Equity price risk is the risk that the fair value of future cash flows of financial instruments will fluctuate because of changes in market prices (other than those arising from interest rate risk or currency risk), whether those changes are caused by factors specific to the individual financial instrument or its issuer, or factors affecting all similar financial instruments traded in the market.

The Company's investment in quoted equity securities is susceptible to market price risk arising from uncertainties about future values of the investment securities. The Company manages the equity price risk through diversification. Increase or decrease in equity market prices by 10 % would increase/decrease the profit of the Company by Rs. 599,525. (2015: Rs. nil)

28.4 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.

28.5 Fair value of financial instruments

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

28.6 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.

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	2016			Total
	Level 1	Level 2	Level 3	
	(Rupees)			
Asset measured at fair value				
At fair value through profit or loss				
- held-for-trading				
Equity securities	5,995	-	-	5,995
Available-for-sale				
Equity securities	-	-	23,310	23,310
	<u>5,995</u>	<u>-</u>	<u>23,310</u>	<u>29,305</u>

	2015			Total
	Level 1	Level 2	Level 3	
	(Rupees)			
Asset measured at fair value				
At fair value through profit or loss				
- held-for-trading				
Equity securities	-	-	-	-
Available-for-sale				
Equity securities	-	-	23,310	23,310
	<u>-</u>	<u>-</u>	<u>23,310</u>	<u>23,310</u>

29. **NUMBER OF EMPLOYEES**

The number of employees as at December 31, 2016 were 67 (December 31, 2015: 56) and average number of employees are 62 (December 31, 2015: 55).

30. **DATE OF AUTHORISATION FOR ISSUE**

These financial statements were authorised for issue in the Board of Directors meeting held on ~~01 MAR 2017~~

31. **GENERAL**

Figures have been rounded off to the nearest thousand rupees.

24A

Rohat S. -

Chief Executive Officer

Johnny

Director