

SUMMIT CAPITAL (PRIVATE) LIMITED

FINANCIAL STATEMENTS

FOR THE YEAR ENDED DECEMBER 31, 2018

INDEPENDENT AUDITOR'S REPORT
TO THE MEMBERS OF SUMMIT CAPITAL (PRIVATE) LIMITED

REPORT ON THE AUDIT OF THE FINANCIAL STATEMENTS

Opinion

We have audited the annexed financial statements of **SUMMIT CAPITAL (PRIVATE) LIMITED** (the Company), which comprise the statement of financial position as at **December 31, 2018**, and the profit and loss account, statement of comprehensive income, the statement of changes in equity, the cash flow statement for the year then ended, and notes to the financial statements, including a summary of significant accounting policies and other explanatory information, 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 the audit.

In our opinion and to the best of our information and according to the explanations given to us, the statement of financial position, the profit and loss account, statement of comprehensive income, the statement of changes in equity and the cash flow statement together with the notes forming part thereof conform with the accounting and reporting standards as applicable in Pakistan and give the information required by the Companies Act, 2017 (XIX of 2017), 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, 2018 and of the loss, other comprehensive loss, the changes in equity and its cash flows for the year then ended.

Basis for Opinion

We conducted our audit in accordance with International Standards on Auditing (ISAs) as applicable in Pakistan. Our responsibilities under those standards are further described in the *Auditor's Responsibilities for the Audit of the Financial Statements* section of our report. We are independent of the Company in accordance with the International Ethics Standards Board for Accountants' *Code of Ethics for Professional Accountants* as adopted by the Institute of Chartered Accountants of Pakistan (the Code) and we have fulfilled our other ethical responsibilities in accordance with the Code. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.



Responsibilities of Management and Board of Directors for the Financial Statements

Management is responsible for the preparation and fair presentation of the financial statements in accordance with the accounting and reporting standards as applicable in Pakistan and the requirements of Companies Act, 2017 (XIX of 2017) and in compliance with the requirement of section 78 of the Securities Act 2015, and the relevant requirements of Securities Brokers (Licensing and Operations) Regulations, 2016 and for such internal control as management determines is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the financial statements, management is responsible for assessing the Company's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless management either intends to liquidate the Company or to cease operations, or has no realistic alternative but to do so.

Board of directors are responsible for overseeing the Company's financial reporting process.

Auditor's Responsibilities for the Audit of the Financial Statements

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with ISAs as applicable in Pakistan will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these financial statements.

As part of an audit in accordance with ISAs as applicable in Pakistan, we exercise professional judgment and maintain professional skepticism throughout the audit. We also:

- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Company's internal control.

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- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by management.
- Conclude on the appropriateness of management's use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Company's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Company to cease to continue as a going concern.
- Evaluate the overall presentation, structure and content of the financial statements, including the disclosures, and whether the financial statements represent the underlying transactions and events in a manner that achieves fair presentation.

We communicate with the board of directors regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.

REPORT ON OTHER LEGAL AND REGULATORY REQUIREMENTS

Based on our audit, we further report that in our opinion:

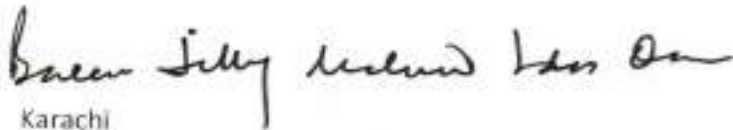
- a) proper books of account have been kept by the Company as required by the Companies Act, 2017(XIX of 2017);
- b) the statement of financial position, the profit and loss account, statement of comprehensive income, the statement of changes in equity and the cash flow statement together with the notes thereon have been drawn up in conformity with the Companies Act, 2017 (XIX of 2017), and are in agreement with the books of account and returns;
- c) investments made, expenditure incurred and guarantees extended during the year were for the purpose of the Company's business; and
- d) no Zakat was deductible at source under the Zakat and Ushr Ordinance, 1980 (XVIII of 1980).
- e) the Company was in compliance with the requirement of section 78 of the Securities Act 2015, and the relevant requirements of Securities Brokers (Licensing and Operations) Regulations, 2016 as at the date on which the statement of financial position was prepared.



Other Matter

The Company's financial statements for the year ended December 31, 2017 were audited by another firm of Chartered Accountants who had expressed an unqualified opinion thereon.

The engagement partner on the audit resulting in this independent auditor's report is *Mehmood A. Razzak*.



Karachi

Date: 08 APR 2019

SUMMIT CAPITAL (PRIVATE) LIMITED
STATEMENT OF FINANCIAL POSITION
AS AT DECEMBER 31, 2018

	2018	2017
ASSETS	----- (Rupees in '000) -----	
NON-CURRENT ASSETS		
Property and equipment	7 39,961	41,084
Intangible assets	8 4,506	4,558
Long term advances	9 2,500	4,253
Long term investment	10 33,397	47,551
Investment property	11 19,267	19,660
Long term deposits	12 3,267	5,238
Deferred tax asset - net	13 5,836	5,364
	108,734	127,708
CURRENT ASSETS		
Debtors	14 70,204	51,699
Short term loans	15 926	774
Short term deposits, prepayments and other receivables	16 70,903	80,828
Advance tax - net	30,720	23,890
Cash and bank balances	17 113,239	123,091
	285,992	280,282
	<u>394,726</u>	<u>407,990</u>
EQUITY AND LIABILITIES		
SHARE CAPITAL AND RESERVES		
Authorized share capital	500,000	500,000
50,000,000 Ordinary shares of Rs.10 each		
Issued, subscribed and paid-up share capital	18 300,000	300,000
Unrealized gain on revaluation of AFS Investment	17,086	31,240
Accumulated loss	(25,971)	(4,179)
	291,115	327,061
CURRENT LIABILITIES		
Creditors and other payables	19 103,562	77,990
Accrued interest	49	2,939
	103,611	80,929
	<u>394,726</u>	<u>407,990</u>
CONTINGENCIES AND COMMITMENTS		
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The annexed notes from 1 to 35 form an integral part of these financial statements.

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Rohat Singh

Chief Executive Officer

Harvinder Singh

Director

SUMMIT CAPITAL (PRIVATE) LIMITED
 PROFIT AND LOSS ACCOUNT
 FOR THE YEAR ENDED DECEMBER 31, 2018

	Note	2018 ----- (Rupees in '000) -----	2017 ----- (Rupees in '000) -----
Equity brokerage commission	21	30,537	59,234
Money market and forex brokerage commission		34,522	41,551
Commodity commission		2,179	492
Gain on sale of securities - net		3,716	58,878
Dividend income		1,112	5,458
Other income	22	7,640	13,531
		79,706	179,144
Operating and administrative expenses	23	(97,786)	(115,637)
Financial charges	24	(117)	(16,269)
		(97,903)	(131,906)
(Loss) / profit before taxation		(18,197)	47,238
Taxation			
- Current	25	(4,646)	(18,145)
- Deferred		471	143
		(4,175)	(18,002)
(Loss) / profit after taxation		(22,372)	29,236
(Loss) / earnings per share - basic and diluted	26	(0.75)	0.97

The annexed notes from 1 to 35 form an integral part of these financial statements.

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Chief Executive Officer

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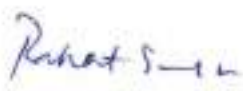
Director

SUMMIT CAPITAL (PRIVATE) LIMITED
 STATEMENT OF COMPREHENSIVE INCOME
 FOR THE YEAR ENDED DECEMBER 31, 2018

	Note	2018 ----- (Rupees in '000) -----	2017
(Loss) / profit after taxation		(22,372)	29,236
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	580	(1,214)
Items that may be reclassified to profit and loss account in subsequent periods			
Unrealized gain on revaluation of available-for-sale investments	10.1	17,086	31,240
Total comprehensive (loss) / income for the year		<u><u>(4,706)</u></u>	<u><u>59,262</u></u>

The annexed notes from 1 to 35 form an integral part of these financial statements.





 Chief Executive Officer



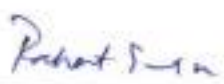
 Director

SUMMIT CAPITAL (PRIVATE) LIMITED
STATEMENT OF CHANGES IN EQUITY
FOR THE YEAR ENDED DECEMBER 31, 2018

	Issued, subscribed and paid-up capital	Unrealized gain on revaluation of available for sale investments	Accumulated Loss	Total
(Rupees in '000)				
Balance as at January 01, 2017	300,000	-	(32,201)	267,799
Profit for the year	-	-	29,236	29,236
Other Comprehensive Income				
Actuarial loss on defined benefit plan	-	-	(1,214)	(1,214)
Unrealized gain on revaluation of available-for-sale investments	-	31,240	-	31,240
Total comprehensive income for the year	-	31,240	28,022	59,262
Balance as at December 31, 2017	300,000	31,240	(4,179)	327,061
Loss for the year	-	-	(22,372)	(22,372)
Other Comprehensive Income				
Actuarial gain on defined benefit plan	-	-	580	580
Unrealized gain on revaluation of available-for-sale investments	-	(14,154)	-	(14,154)
Total comprehensive income for the year	-	(14,154)	(21,792)	(35,946)
Balance as at December 31, 2018	300,000	17,086	(25,971)	291,115

The annexed notes from 1 to 35 form an integral part of these financial statements.



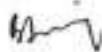

Chief Executive Officer


Director

SUMMIT CAPITAL (PRIVATE) LIMITED
CASH FLOW STATEMENT
FOR THE YEAR ENDED DECEMBER 31, 2018

	Note	2018 ----- (Rupees in '000) -----	2017
CASH FLOWS FROM OPERATING ACTIVITIES			
(Loss) / profit before taxation		(18,197)	47,238
Adjustments for non-cash items:			
Depreciation	7 & 11	3,819	4,112
Amortization	8	52	74
Provision for leave encashment	19.2.1	409	925
Provision for staff retirement gratuity	19.3.4	1,183	844
Interest income on staff loan		(88)	(56)
Gain on sale of securities - net		(3,716)	(58,878)
Gain on disposal of operating fixed assets		-	(606)
TRE certificate written off		-	3,355
Dividend income		(1,112)	(5,458)
Provision against doubtful debts		(564)	2,987
Financial charges	24	117	16,269
		100	(36,432)
(Increase) / decrease in assets			
Debtors		(17,941)	9,927
Short-term loans		(152)	(235)
Short-term deposits, prepayments and other receivables		9,925	(17,015)
Long term deposits		1,971	(3,146)
		(6,197)	(10,469)
(Decrease) / increase in liabilities			
Creditors and other payables		25,396	(49,722)
Cash generated from / (used in) operations		1,102	(49,385)
Compensated absences paid	19.2.1	(233)	(114)
Income tax paid		(11,477)	(20,404)
Financial charges paid		(3,007)	(15,001)
Gratuity paid	19.3.4	(603)	(2,058)
Interest received on staff loan		88	56
Net cash (used in) operating activities		(14,130)	(86,906)
CASH FLOWS FROM INVESTING ACTIVITIES			
Purchase of short term investments		(59,528)	(2,863,320)
Sale of short term investments		63,244	2,935,191
Purchase of property and equipment		(550)	(3,678)
Advance for purchase of vehicle		-	(1,753)
Dividend received		1,112	5,458
Proceed from disposal of fixed assets		-	2,421
Net cash generated from investing activities		4,278	74,319
CASH FLOWS FROM FINANCING ACTIVITIES			
Running finance availed		52,168	372,805
Running finance repaid		(52,168)	(372,805)
Net cash generated from financing activities		-	-
Net decrease in cash and cash equivalents		(9,852)	(12,587)
Cash and cash equivalents at beginning of the year		123,091	135,678
Cash and cash equivalents at the end of the year	17	113,239	123,091

The annexed notes from 1 to 35 form an integral part of these financial statements.



Rohat Singh

Chief Executive Officer



Director

SUMMIT CAPITAL (PRIVATE) LIMITED
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2018

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. SIGNIFICANT TRANSACTIONS AND EVENTS AFFECTING THE COMPANY'S FINANCIAL POSITION AND PERFORMANCE

During the current year, economic and political scenarios' deterioration had immense adverse effects on the performance of the equity bourse, depressing sentiments in the investment climate and subsequently denting volumes, resultantly our short term investment portfolio yielded meager profits. This is reflected in statement of Profit and Loss account.

3. STATEMENT OF COMPLIANCE

These financial statements have been prepared in accordance with the accounting and reporting standards as applicable in Pakistan. The accounting and reporting standards applicable in Pakistan comprise of such International Financial Reporting Standards (IFRS Standards) issued by the International Accounting Standards Board (IASB) as are notified under the Companies Act, 2017 (the Act), and provisions of and directives issued under the Companies Act, 2017. Where provisions of and directives issued under the Companies Act, 2017 differ from the IFRS Standards, the provisions of and directives issued under the Companies Act, 2017 have been followed and with the requirement of section 78 of the Securities Act 2015, and the relevant requirements of Securities Brokers (Licencing and Operations) Regulations, 2016 as at the date on which the balance sheet was prepared.

4. 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 5.6 below.

5. 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.

5.1 New accounting standards / amendments and IFRS interpretations 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:

	<u>Effective date (annual periods beginning on or after)</u>
IFRS 9 – Financial Instruments	July 01, 2018
IFRS 9 – Prepayment Features with Negative Compensation - (Amendments)	January 01, 2019
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



	<u>Effective date (annual periods beginning on or after)</u>
IFRS 15 – Revenue from Contracts with Customers	July 01, 2018
IFRS 16 – Leases	January 01, 2019
IAS 19 – Plan Amendment, Curtailment or Settlement (Amendments)	January 01, 2019
IAS 28 – Long-term Interests in Associates and Joint Ventures – (Amendments)	January 01, 2019
IFRIC 23 – Uncertainty over Income Tax Treatments	January 01, 2019
Definition of a Business – Amendments to IFRS 3	January 01, 2020
Definition of Material – Amendments to IAS 1 and IAS 8	January 01, 2020

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. However, the Company is currently evaluating the requirements of IFRS-9 and potential impact on the financial statements of the Company.

In addition to the above standards and amendments, improvements to various accounting standards have also been issued by the IASB in December 2017. Such improvements are generally effective for accounting periods beginning on or after 01 January 2019. The Company expects that such improvements to the standards will not have any impact on the Company's financial statements in the period of initial application.

The IASB has also issued the revised Conceptual Framework for Financial Reporting (the Conceptual Framework) in March 2018 which is effective for annual periods beginning on or after 01 January 2020 for preparers of financial statements who develop accounting policies based on the Conceptual Framework. The revised Conceptual Framework is not a standard, and none of the concepts override those in any standard or any requirements in a standard. The purpose of the Conceptual Framework is to assist IASB in developing standards, to help preparers develop consistent accounting policies if there is no applicable standard in place and to assist all parties to understand and interpret the standards.

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.

Standard	<u>IASB Effective date (annual periods beginning on or after)</u>
IFRS 14 – Regulatory Deferral Accounts	January 01, 2016
IFRS 17 – Insurance Contracts	January 01, 2021

5.2 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 profit and loss account as and when incurred. Depreciation is charged to profit and loss account over the useful life of the asset on a systematic basis applying the reducing balance method at the rates specified in note 6 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 derecognized upon disposal or when no future economic benefits are expected from its use or disposal.

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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.

5.3 Intangible assets

These are stated at cost less accumulated amortization and impairment, if any. Amortization 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 7 to the financial statements. Amortization is charged from the month of purchase and no amortization 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 amortized, 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 recognized 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.

5.4 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 profit and loss account as and when incurred. Depreciation is charged to profit and loss account 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 derecognized 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.

5.5 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.

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5.6 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 recognized 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 recognized 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 recognized 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 amortized 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 recognized directly in equity until the investment is sold, derecognized 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 recognized directly in equity, is included in the profit and loss account for the year.

The fair value of investments representing listed equity is based on the current price obtained from Pakistan stock exchange.

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.

5.7 Derivatives

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



5.8 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 recognized 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 recognized 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.

5.9 Financial instruments

All the financial assets and financial liabilities are recognized at the time when the Company becomes a party to the contractual provisions of the instrument. Financial assets are derecognized when the Company loses control of the contractual rights that comprise the financial assets. Financial liabilities are derecognized 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 profit and loss currently.

5.10 Trade and settlement date accounting

All 'regular way' purchases and sales of financial assets are recognized 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.

5.11 Creditors and other payables

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

5.12 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 realize the asset and settle the liability simultaneously. Income and expenses arising from such assets and liabilities are also accordingly offset.

5.13 Revenue recognition

- Brokerage, commission, consultancy and advisory fee are recognized as such services are rendered.
- Income from placements is recognized on time proportion basis.
- Fee on distribution of open end units is recognized as such services are rendered.
- 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 recognized on accrual basis.
- Dividend income on equity investments is recognized when the right to receive the same is established.

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5.14 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 recognized 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 recognized only to the extent that it is probable that future taxable profits will be available against which the asset can be utilized. Deferred tax assets are reduced to the extent that it is no longer probable that the related tax benefits will be realized.

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

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

5.15 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 a staff gratuity fund for management employees as described in note 18.3. Provision is made annually in accordance with actuarial recommendations using the Projected Unit Credit method.

Actuarial gains or losses are recognized 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).

5.16 Employee compensated absences

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

5.17 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.

5.18 Provisions

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

5.19 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.

5.20 Earnings per share

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

6. 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 recognized in the period in which the estimate is revised, if the revision affects only that period, or in the period of revision and future periods if the revision affects both current and future periods. The estimates, judgments and assumptions that have significant effect on the financial statements are as follows:

	<u>Note</u>
- Provision for doubtful debts	5.6 & 14
- Classification of investments	5.6
- Useful lives of assets and methods of depreciation/amortisation	5.2, 5.3, 5.4, 7 & 8
- Deferred taxation	5.14 & 13
- Defined benefit plan	5.15 & 20.3

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7. PROPERTY AND EQUIPMENT

	Stock exchange rooms	Leasehold improvements	Furniture and fittings	Motor vehicles	Office equipment	Computer equipment	Electrical equipment	Total
..... [Rupees in '000]								
Year ended December 31, 2017								
Opening net book value	24,200	475	560	9,970	1,447	1,976	2,596	41,224
Additions	-	-	-	4,840	124	403	19	5,385
Disposals	-	-	-	-	-	-	-	-
Cost	-	-	(5)	(3,813)	-	(2,318)	(65)	(6,201)
Accumulated depreciation	-	-	4	2,099	-	2,242	42	4,386
Depreciation charge	-	(47)	(1)	(1,714)	-	(76)	(23)	(1,815)
	-	(47)	(56)	(2,549)	(148)	(650)	(261)	(3,713)
Closing net book value	24,200	428	503	10,546	1,423	1,651	2,333	41,084
As at December 31, 2017								
Cost	24,200	1,240	1,538	20,429	4,288	16,415	6,307	74,417
Accumulated depreciation	-	(812)	(1,035)	(9,882)	(2,865)	(14,764)	(3,974)	(33,333)
Net book Value	24,200	428	503	10,546	1,423	1,651	2,333	41,084
Year ended December 31, 2018								
Opening net book value	24,200	428	503	10,546	1,423	1,651	2,333	41,084
Additions	-	-	100	1,794	20	389	-	2,303
Depreciation charge	-	(43)	(59)	(2,349)	(144)	(598)	(239)	(3,426)
Closing net book value	24,200	385	544	9,991	1,299	1,442	2,100	39,961
As at December 31, 2018								
Cost	24,200	1,240	1,638	22,223	4,308	16,804	6,307	76,720
Accumulated depreciation	-	(855)	(1,094)	(12,232)	(3,009)	(15,362)	(4,207)	(36,759)
Net book Value	24,200	385	544	9,991	1,299	1,442	2,100	39,961
Rate of depreciation		10%	10%	20%	10%	30%	10%	

8. INTANGIBLE ASSETS

	Computer software	Trading Rights Entitlement Certificate (TREC)	Total
	(Rupees in '000)		
As at December 31, 2016			
Cost	5,359	7,741	13,100
Accumulated amortization	(5,113)	-	(5,113)
Net book Value	246	7,741	7,987
Year ended December 31, 2017			
Opening net book value	246	7,741	7,987
Additions	-	-	-
Disposals			
Cost	-	(3,355)	(3,355)
Accumulated amortization	-	-	-
Amortization charge	(74)	(3,355)	(3,355)
Closing net book value	172	4,386	4,558
As at December 31, 2017			
Cost	5,359	4,386	9,745
Accumulated amortization	(5,187)	-	(5,187)
Net book Value	172	4,386	4,558
Year ended December 31, 2018			
Opening net book value	172	4,386	4,558
Additions	-	-	-
Amortization charge	(52)	-	(52)
Closing net book value	120	4,386	4,506
As at December 31, 2018			
Cost	5,359	4,386	9,745
Accumulated amortization	(5,239)	-	(5,239)
Net book Value	120	4,386	4,506
Rate of depreciation	30%	-	-

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9. LONG TERM ADVANCES	Note	2018	2017		
		----- (Rupees in '000) -----			
Considered good - unsecured					
Advance for office premises in Pakistan Mercantile Exchange Limited		2,500	2,500		
Advance for purchase of a vehicle		-	1,753		
		<u>2,500</u>	<u>4,253</u>		
10. LONG TERM INVESTMENT					
Available-for-sale					
		<u>Number of shares</u>			
		<u>2018</u>	<u>2017</u>		
1,602,953	1,602,953	Pakistan Stock Exchange Limited	10.1	21,752	35,906
843,975	843,975	LSE Financial Services Limited	10.2	6,344	6,344
3,034,603	3,034,603	ISE Towers REIT Management Company Limited	10.2	5,301	5,301
				<u>33,397</u>	<u>47,551</u>

10.1 In March 2017, the Company has disposed off 1,602,953 shares i.e. 40% stake, under a share purchase agreement between the SECP divestment committee and an international investor, at price of Rs.28 per share.

Subsequently in June, 2017 the Company disposed off further 20% equity stake under Initial Public Offering at price of Rs. 28 per share.

On June 29, 2017, the shares of Pakistan Stock Exchange Limited (PSX) were successfully listed after the approval of Securities and Exchange Commission of Pakistan, hence remaining shares as of year end are valued at market value.

10.2 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 technical guide dated May 29, 2013 issued by the Institute of Chartered Accountants of Pakistan. 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.

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11. INVESTMENT PROPERTY

	Residential premises	Total
	----- (Rupees in '000) -----	
As at December 31, 2016		
Cost	23,500	23,500
Accumulated amortization	(3,439)	(3,439)
Net book Value	20,061	20,061
Year ended December 31, 2017		
Opening net book value	20,061	20,061
Additions	-	-
Depreciation charge	(401)	(401)
Closing net book value	19,660	19,660
As at December 31, 2017		
Cost	23,500	23,500
Accumulated amortization	(3,840)	(3,840)
Net book Value	19,660	19,660
Year ended December 31, 2018		
Opening net book value	19,660	19,660
Additions	-	-
Depreciation charge	(393)	(393)
Closing net book value	19,267	19,267
As at December 31, 2018		
Cost	23,500	23,500
Accumulated amortization	(4,233)	(4,233)
Net book Value	19,267	19,267
Rate of depreciation	2%	

11.1 The investment property represents six flats located at Bhurban Heights, Bhurban. The fair value of above property was Rs. 27.63 million as on December 20, 2018, determined as a result of a valuation carried out by M/s. Smasco - an independent firm of 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.

12. LONG TERM DEPOSITS

Considered good

	2018	2017
	----- (Rupees in '000) -----	
Pakistan Stock Exchange Limited	-	2,171
Central Depository Company of Pakistan Limited	175	175
National Clearing Company of Pakistan Limited	1,500	1,500
Pakistan Mercantile Exchange Limited	1,550	1,350
Pakistan Telecommunication Company Limited	42	42
	3,267	5,238

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		2018	2017
	Note	----- (Rupees in '000) -----	----- (Rupees in '000) -----
13. DEFERRED TAX ASSET - NET			
Deductible temporary differences arising on:			
Provision for staff compensated absences		647	34
Minimum tax		773	827
Alternative corporate tax		4,512	4,512
Taxable temporary differences arising on:			
Accelerated depreciation for tax purposes		(96)	(9)
		<u>5,836</u>	<u>5,364</u>

14. DEBTORS

Considered good

Due from clients in respect of securities transactions - secured		38,875	8,101
Commission receivable - unsecured		6,477	11,798
Receivable against sale of securities from clearing house		-	6,344
	14.1	45,352	26,243

Considered doubtful

Due from clients in respect of securities transactions - secured	14.2	24,852	25,456
Due from clients in respect of securities transactions - unsecured		63,548	64,112
		88,400	89,568
		<u>133,752</u>	<u>115,811</u>

Less: Provision for doubtful debts	14.3	(63,548)	(64,112)
		<u>70,204</u>	<u>51,699</u>

14.1 Includes Rs. 0.184 (2017: Rs. 0.537) million due from the holding company.

14.2 These are secured against collateral having fair market value amounting to Rs. 31.116 (2017: Rs. 35.894) million.

		2018	2017
		----- (Rupees in '000) -----	----- (Rupees in '000) -----
14.3 Movement in provision for doubtful debts			
Opening balance		64,112	61,125
(Reversal) / charge during the year		(564)	2,987
Closing balance		<u>63,548</u>	<u>64,112</u>
14.4 Aging analysis of equity trade debtors			
Amount due from customers for more than 5 days		91,075	97,270
Less: provision for doubtful debts		(63,548)	(64,112)
Balance after provision for doubtful debts more than 5 days		<u>27,526</u>	<u>33,158</u>
Value of collateral after applying haircut on the basis of VAR		<u>27,300</u>	<u>30,500</u>

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		2018	2017
		----- (Rupees in '000) -----	
15.	SHORT TERM LOANS		
	Staff loans - unsecured		
	- Executives	570	391
	- Employees	356	383
		<u>926</u>	<u>774</u>

15.1 These represent personal loans to employees 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. 0.922 (2017: Rs. 0.678) million.

		2018	2017
		----- (Rupees in '000) -----	
16.	SHORT TERM DEPOSITS, PREPAYMENTS AND OTHER RECEIVABLES		
	Exposure deposits	70,803	80,570
	Prepayments	100	258
		<u>70,903</u>	<u>80,828</u>

16.1 This represents exposure deposit held with the Pakistan Stock Exchange Limited in respect of PSX Future Market amounting to Rs. 10.80 (2017: Rs. 5.57) million and PSX Regular Market amounting to Rs. 60 (2017: Rs. 75) million.

		2018	2017
		----- (Rupees in '000) -----	
17.	CASH AND BANK BALANCES		
	Cash in hand	16	11
	Cash with banks:		
	- Current accounts	67,654	65,775
	- PLS savings accounts	45,569	57,305
		<u>113,239</u>	<u>123,091</u>

17.1 Includes accounts amounting to Rs. 101.926 (2017: Rs. 122.975) million maintained with the holding company.

17.2 This carries profit at rate of 6.00% to 10% (2017: 6.00% to 6.50%) per annum and includes aggregate balance of Rs. 45.556 (2017: Rs. 57.291) million maintained with the holding company.

17.3 Details of customer assets held in designated bank accounts and Central Depository Company (CDC) are as follow:

		2018	2017
		----- (Rupees in '000) -----	
17.3.1	Customer Assets		
	Bank Account balance - Clients	<u>56,361</u>	<u>65,491</u>
17.3.2	Customer Assets - Securities		
	Securities held in the name of Clients'	<u>152,698,095</u>	<u>174,673,612</u>
	Securities held in the name of Company	<u>5,598,238</u>	<u>5,849,031</u>

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17.3.3	Pledged Securities (Value)	Note	2018 ----- (Rupees in '000) -----	2017 ----- (Rupees in '000) -----
	Pledged with PSX on behalf of Company (for Base Minimum Capital)		38,786	38,786
	Pledged with Summit Bank Limited on behalf of client		-	121,453
	Total value of pledged securities		<u>38,786</u>	<u>160,239</u>

18. ISSUED, SUBSCRIBED AND PAID-UP CAPITAL

2018 ----Number of Shares ----	2017 ----Number of Shares ----		2018 ----- (Rupees in '000) -----	2017 ----- (Rupees in '000) -----
<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			56,361	65,844
Payable against purchase of securities			36,135	-
Deposit from employees against vehicles	19.1		1,391	978
Accrued liabilities	19.2		9,560	11,098
Others			115	70
Payable against defined benefit plan - Gratuity	19.3		-	-
			<u>103,562</u>	<u>77,990</u>

19.1 These represent vehicle deposits from executives under Company's policy.

19.2 This includes provision for staff compensated absences amounting to Rs. 4.657 (2017: Rs. 4.481) million.

19.2.1	Provision for staff compensated absences	2018 ----- (Rupees in '000) -----	2017 ----- (Rupees in '000) -----
	Opening balance	4,481	3,670
	Charge for the year	409	925
	Encashment during the year	(233)	(114)
	Closing balance	<u>4,657</u>	<u>4,481</u>

19.3 Gratuity payable - defined benefit plan

19.3.1 General description

The Company has a gratuity fund that has been recognized 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 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, 2018.

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19.3.2	Principal actuarial assumptions	2018	2017																							
	The following principal assumptions were used for the valuation:																									
	Estimated rate of increase in salary of the employees - percent, per annum	10.75	9.25																							
	Expected rate of return on plan assets - percent, per annum (%)	10.75	9.25																							
	Discount rate - per annum (%)	10.75	9.25																							
19.3.3	Reconciliation of payable to / (receivable from) defined benefit plan	2018 ----- (Rupees in '000) -----	2017 ----- (Rupees in '000) -----																							
	Present value of defined benefit obligation	11,372	10,178																							
	Fair value of plan assets	(11,372)	(10,178)																							
	Asset / liability recognized in balance sheet	<u>-</u>	<u>-</u>																							
19.3.4	Movement in net liability recognized																									
	Opening net (asset) / liability	-	-																							
	Expense recognized	1,183	844																							
	Other comprehensive income (OCI)	(580)	1,214																							
	Contributions paid to the fund during the year	(603)	(2,058)																							
	Closing net (asset) / liability	<u>-</u>	<u>-</u>																							
19.3.5	Expense recognized in the profit and loss account																									
	Current service cost	1,211	919																							
	Net interest	(28)	(75)																							
		<u>1,183</u>	<u>844</u>																							
19.3.6	Sensitivity analysis on significant actuarial assumptions																									
		<table border="1"> <thead> <tr> <th rowspan="3">Change in assumption</th> <th colspan="2">Impact on present value of DBO</th> </tr> <tr> <th>Increase in assumption</th> <th>Decrease in assumption</th> </tr> <tr> <th colspan="2">----- (Rupees in '000) -----</th> </tr> </thead> <tbody> <tr> <td>Discount Rate</td> <td>± 1 %</td> <td>10.116</td> <td>12.850</td> </tr> <tr> <td>Salary Increase Rate</td> <td>± 1 %</td> <td>12.893</td> <td>10.059</td> </tr> <tr> <td>Withdrawal rate</td> <td>± 1 %</td> <td>11.353</td> <td>11.392</td> </tr> <tr> <td>1 year mortality age set</td> <td>Back/Forward</td> <td>11.375</td> <td>11.369</td> </tr> </tbody> </table>		Change in assumption	Impact on present value of DBO		Increase in assumption	Decrease in assumption	----- (Rupees in '000) -----		Discount Rate	± 1 %	10.116	12.850	Salary Increase Rate	± 1 %	12.893	10.059	Withdrawal rate	± 1 %	11.353	11.392	1 year mortality age set	Back/Forward	11.375	11.369
Change in assumption	Impact on present value of DBO																									
	Increase in assumption	Decrease in assumption																								
	----- (Rupees in '000) -----																									
Discount Rate	± 1 %	10.116	12.850																							
Salary Increase Rate	± 1 %	12.893	10.059																							
Withdrawal rate	± 1 %	11.353	11.392																							
1 year mortality age set	Back/Forward	11.375	11.369																							

20. CONTINGENCIES AND COMMITMENTS

There were no contingencies and commitments as at December 31, 2018 and December 31, 2017.

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		2018	2017
	Note	----- (Rupees in '000) -----	
21. EQUITY BROKERAGE COMMISSION			
Retail customers trades		17,515	35,577
Institutional trades		13,022	23,657
Total Trades		30,537	59,234
22. OTHER INCOME			
Income from financial assets			
Profit on bank accounts		2,037	218
Profit on cash margins		3,602	3,331
Mark-up on loans and outstanding balance		88	56
Commission		64	7,977
Income from non financial assets			
Rental income		1,451	1,319
Gain on disposal of operating fixed assets		-	606
Others		398	24
		7,640	13,531
23. OPERATING AND ADMINISTRATIVE EXPENSES			
Salaries and benefits	23.1	62,729	69,969
PSX, NCCPL and CDC charges		6,100	7,870
Depreciation	7 & 11	3,819	4,112
Amortization	8	52	74
TRE Certificates written off	8	-	3,355
Stamps and fee		63	85
Telephone, fax and postage		5,059	5,342
Rent, rates and taxes		3,499	3,433
Fees and subscription		764	958
Vehicles running		2,619	2,231
Repairs and maintenance		2,207	2,096
Utilities		3,188	2,993
Printing and stationery		499	1,201
Travelling and conveyance		481	459
Legal and professional		605	1,374
Entertainment		1,737	2,227
Auditors' remuneration	23.2	1,386	1,204
Insurance		2,982	2,502
Provision for doubtful debts		(564)	2,987
Others		561	1,165
		97,786	115,637

23.1 This includes an amount of Rs. 2.938 (2017: Rs.2.923) million in respect of employees provident fund contribution and Rs. 1.183 (2017: Rs.0.844) million in respect of staff gratuity fund.

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	2018	2017
	----- (Rupees in '000) -----	
23.2 Auditors' Remuneration		
Audit fee	348	316
Sales tax on services	107	86
Other certifications	901	761
Out of pocket expenses	30	41
	<u>1,386</u>	<u>1,204</u>

24. FINANCIAL CHARGES

Markup on:		
- Running finance	50	16,096
Bank charges	67	173
	<u>117</u>	<u>16,269</u>

25. TAXATION

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

According to management, the tax provision made in the financial statements is sufficient. A comparison of last three years of income tax provision with tax assessed is presented below:

Provision for taxation	Tax year	Provision for taxation	Tax assessed
		----- (Rupees in '000) -----	
December 31, 2017	2018	18,145	18,145
December 31, 2016	2017	7,564	7,564
December 31, 2015	2016	12,028	12,028

26. (LOSS) / EARNINGS PER SHARE - basic and diluted

		2018	2017
(Loss) / profit after taxation	Rupees	(22,371,577)	29,236,000
Weighted average number of shares	Number of shares	30,000,000	30,000,000
(Loss) / earnings per share -basic and diluted	Rupee	<u>(0.75)</u>	<u>0.97</u>

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27. REMUNERATION OF CHIEF EXECUTIVE AND EXECUTIVES

	2018		2017	
	Chief Executive	Executives	Chief Executive	Executives
	(Rupees in '000)			
Managerial remuneration	2,839	9,226	2,839	9,226
Housing and utilities	1,562	5,074	1,562	5,074
Medical	40	190	40	190
Retirement benefits	284	923	284	923
Commission	-	2,003	-	3,456
Others	700	2,582	644	2,319
	5,425	19,998	5,369	21,188
Number of persons	1	6	1	6

27.1 In addition to the above, Chief Executive and Executives have been provided with free use of Company maintained vehicles under the service contracts.

28. 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:

	Note	2018 ----- (Rupees in '000) -----	2017 ----- (Rupees in '000) -----
Holding Company - Summit Bank Limited			
Equity brokerage income		1,404	8,370
Money market and forex brokerage income		1,125	1,777
Profit on bank accounts		1,783	166
Financial charges paid		31	13,323
Running finance availed	28.2	52,168	372,805
Running finance paid		(52,168)	(372,805)
Rent paid		2,899	2,833
Shares purchased from holding company		40,347	1,592,209
Shares sold to holding company		(40,398)	(1,581,231)
Generator fuel re-imburement		314	38
Others related parties			
Equity and commodity brokerage income - Directors, key management personnel		189	690
Contribution paid to Gratuity Fund		1,183	2,058
Contribution paid to Provident Fund		2,939	2,923

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

28.2 The Company has availed short term running finance limit of Rs. 400 million from its holding company which is secured against first charge over present and future receivables.

29. 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 summarized below.

29.1 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 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	2018 ----- (Rupees in '000) -----	2017
Long term deposits		3,267	5,238
Debtors	29.1.1	70,204	51,699
Short term loans		926	774
Short term deposits and other receivables	29.1.2	70,803	80,570
Bank balances	29.1.3	113,223	123,080
		<u>258,423</u>	<u>261,361</u>

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

Neither past due nor impaired	41,518	18,210
Past due but not impaired		
- within 90 days	3,834	8,033
- 91 to 180 days	-	-
Over 180 days	24,852	25,456
	<u>70,204</u>	<u>51,699</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.

29.1.2 **Short term deposits and other receivables**

It comprises mainly of exposure deposit kept with NCCPL amounting to Rs. 70.803 million (2017: Rs. 80.570 million).

29.1.3 **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 AAA, AA+, BBB-, AA+&AA+, AA-, A+&A, A1+, A-3, A-1+&A-1+, A-1&A-1 on the short term and the long term.

29.2 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 prudent risk management policies by maintaining sufficient cash and bank balances and by keeping committed credit lines. The table below summarizes the maturity profile of the Company's financial liabilities at the following reporting dates.

	Less than 3 months	3 to 12 months	1 to 5 Years	5 years	Total
	----- (Rupees in '000) -----				
Creditors and other payables	103,562	-	-	-	103,562
Accrued interest	49	-	-	-	49
2018	103,611	-	-	-	103,611

	Less than 3 months	3 to 12 months	1 to 5 Years	5 years	Total
	----- (Rupees in '000) -----				
Creditors and other payables	77,990	-	-	-	77,990
Accrued interest	2,939	-	-	-	2,939
2017	80,929	-	-	-	80,929

29.3 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.

29.3.1 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 is not currently exposed to the risk of changes in market interest rates.

29.3.2 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.

29.3.3 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.

29.3.4 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 does not hold any short-term investments as of December 31, 2018.

29.4 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 maximize 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.

29.5 Fair value of financial instruments

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

29.6 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.

	2018			
	Level 1	Level 2	Level 3	Total
	(Rupees in '000)			
Available-for-sale Equity securities	33,397	-	-	33,397
	33,397	-	-	33,397
	2017			
	Level 1	Level 2	Level 3	Total
	(Rupees in '000)			
At fair value through Profit and Loss				
Held-for-trading Equity Securities	-	-	-	-
Available-for-sale Equity securities	47,551	-	-	47,551
	47,551	-	-	47,551

30. Pattern of shareholdings with percentage

	<u>Percentage</u>	<u>2018</u> ----- <u>Number of Shares</u> -----	<u>2017</u> ----- <u>Number of Shares</u> -----
Summit Bank Limited	100%	29,999,996	29,999,996
Syed Mohammad Anwar Lutfullah	0%	1	1
Aziz Morris	0%	1	-
Gulrays Khan	0%	-	1
Noor Muhammad	0%	1	1
Rahat Saeed Khan	0%	1	1
Total	<u>100%</u>	<u>30,000,000</u>	<u>30,000,000</u>

30.1 The company is a wholly owned subsidiary of Summit Bank Limited. Mr. Gulrays Khan resigned from the Board of Directors on February 16, 2018, Mr. Aziz Morris was appointed as a Director on March 1, 2018.

31. Disclosure under regulation 5(4) of Research Analyst Regulations, 2015

At present, SCPL employs 5 members in its research department (including head of research, one senior research analyst, two junior research analysts and a librarian). All members report to Head of Research who in turn reports to CEO. Compensation structure of research analysts is flat and is subject to qualification, experience and skillset of the person. However, the compensation of anyone employed in the research department does not in any way depend on the contents/outcome of research report. During the year ended December 31, 2018, the personnel employed in the Research Department have drawn an aggregate salary and benefits amounting to Rs. 5,770,103 which comprises basic salary, medical allowance, provident fund and other benefits as per Company's policy.

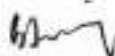
32. CAPITAL ADEQUACY LEVEL

	Note	<u>2018</u> ----- (Rupees in '000) -----	<u>2017</u> ----- (Rupees in '000) -----
Total assets		392,840	406,104
Less: Total liabilities	32.1	(103,611)	(80,929)
Revaluation Reserves (created upon revaluation of fixed assets)		-	-
Capital Adequacy Level		<u>289,229</u>	<u>325,175</u>

32.1 While determining the value of the total assets of the TREC Holder, Notional value of the TRE certificate held by the Summit Capital (Private) Limited as at year ended December 31, 2018 as determined by Pakistan Stock Exchange has been considered.

33. NUMBER OF EMPLOYEES

The number of employees as at December 31, 2018 were 58 (December 31, 2017: 66) and average number of employees are 62 (December 31, 2017: 66).

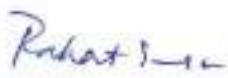


34. DATE OF AUTHORISATION

These financial statements were authorized for issue in the Board of Directors meeting held on 08 APR 2019

35. GENERAL

Figures have been rounded off to the nearest thousand rupees.



Chief Executive Officer



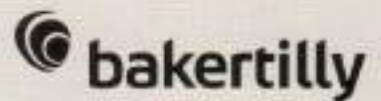
Director

About Baker Tilly

Baker Tilly is a full-service accounting and advisory firm that offers industry specialised services in assurance, tax and advisory.

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Baker Tilly Mehmood Idrees Qamar, Chartered Accountants trading as Baker Tilly is a member of the global network of Baker Tilly International Ltd., the members of which are separate and independent legal entities.



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