KPMG Taseer Hadi & Co.
Chartered Accountants

AL Habib Capital Markets (Private) Limited

Special Purpose Financial Statements
For the period ended 31 December 2017

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Independent Auditors' Report to the Chief Executive Officer of AL Habib Capital Markets (Private) Limited

Opinion

We have audited the accompanying special purpose financial statements of **AL Habib Capital Markets (Private) Limited** ("the Company"), which comprise the balance sheet as at 31 December 2017, profit and loss account, statement of comprehensive income, cash flow statement and statement of changes in equity for the six months period then ended, and notes comprising a summary of significant accounting policies and selected explanatory information. The special purpose financial statements have been prepared in accordance with basis of preparation as described in note 2 to the special purpose financial statements.

In our opinion, the special purpose financial statements give a true and fair view of the financial position of the Company as at 31 December 2017, and its financial performance and its cash flows for the six months period then ended, in accordance with basis of preparation described in note 2 to the special purpose financial statements.

Basis of 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 Auditors' Responsibilities for the Audit of the Special Purpose Financial Statements section of our report. We are independent of the Company in accordance with the ethical requirements that are relevant to our audit of the financial statements in Pakistan, and we have fulfilled our other ethical responsibilities in accordance with these requirements. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Emphasis of Matter - Basis of Accounting and Restriction on Use and Distribution

We draw attention to note 2 to the special purpose financial statements, which describes the basis of accounting. The special purpose financial statements have been prepared by the management of the Company for the purpose of calculating the net capital balance, to be submitted to Pakistan Stock Exchange Limited (PSX) and for consolidation of balances with the Holding Company. As a result, the special purpose financial statements may not be suitable for another purpose. Our report is intended solely for the Company and its Holding Company and should not be used by or distributed to parties other than the Company and its Holding Company. Our opinion is not modified in respect of this matter.

Responsibilities of Management and Those Charged with Governance for the Special Purpose Financial Statements

Management is responsible for the preparation and fair presentation of the special purpose financial statements in accordance with basis of preparation as described in note 2 to the special purpose financial statements and for such internal control as management determines is necessary to enable the preparation of special purpose financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the special purpose 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.

Those charged with governance are responsible for overseeing the Company's financial reporting process.

Auditors' Responsibilities for the Audit of the Special Purpose Financial Statements

Our objectives are to obtain reasonable assurance about whether the special purpose financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditors' 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 auditing standards 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 special purpose financial statements.

As part of an audit in accordance with auditing standards 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 these special purpose 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.

- 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 auditors' report to the related disclosures in the special purpose 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 auditors' 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 special purpose financial statements, including the disclosures, and whether the special purpose financial statements represent the underlying transactions and events in a manner that achieves fair presentation.

We communicate with those charged with governance 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.

KPMG Taseer Hadi & Co.

Date: 13 February 2018

Karachi

KPMG Taseer Hadi & Co.
Chartered Accountants
Muhammad Taufiq

AL Habib Capital Markets (Private) Limited
Balance Sheet
As at 31 December 2017

	Note	31 December 2017	30 June 2017
		(Rupees)	
ASSETS			
Non-Current Assets			
Property and equipment	4	8,601,271	9,054,271
Intangible assets	5	3,229,375	3,789,625
Long term investments	6	35,906,147	41,163,833
Long term loans, advances and deposits	7	1,584,964	1,109,805
Deferred tax asset - net	8	7,144,010	4,487,620
		56,465,767	59,605,154
Current Assets			
Short term investments - net	9	248,305,211	225,086,122
Trade debts - considered good	10	55,875,381	25,451,196
Loans and advances - considered good	11	805,339	225,483
Deposits and prepayments	12	34,066,526	40,560,937
Other receivables	13	4,927,254	13,776,437
Taxation	23.2	22,566,823	21,326,690
Cash and bank balances	14	82,807,024	72,186,645
		449,353,558	398,613,510
Total Assets		505,819,325	458,218,664
EQUITY AND LIABILITIES			
Share Capital And Reserves			
Authorised Capital			
50,000,000 (30 June 2017: 50,000,000) Ordinary shares of Rs. 10 each	15.1	500,000,000	500,000,000
Issued, subscribed and paid-up capital	15.2	300,000,000	300,000,000
Unappropriated profit		39,808,780	53,783,887
Unrealized gain on re-measurement of investments - net	16	24,156,808	37,397,220
		363,965,588	391,181,107
Current Liabilities			
Trade payables, accrued expenses and other liabilities	17	141,697,697	66,649,183
Sales tax and FED payable		156,040	388,374
		141,853,737	67,037,557
Total equity and liabilities		505,819,325	458,218,664
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The annexed notes 1 to 33 form an integral part of these special purpose financial statements.

Chief Financial Officer

Chief Executive

AL Habib Capital Markets (Private) Limited
Profit and Loss Account
For the six months period ended 31 December 2017

	Note	31 December 2017	31 December 2016
		(Rupees)	
INCOME			
Brokerage revenue	19	11,600,059	16,119,707
Share subscription income		-	1,190
Dividend income		3,833,491	1,945,619
Interest income from Pakistan Investment Bonds		789,688	8,001,598
Interest income from Market Treasury Bills		2,832,082	-
Profit on saving and deposit accounts		1,764,347	407,720
Gain on sale of investments		58,600	3,840,891
Other income	20	1,054,452	105,854
		21,932,719	30,422,579
EXPENSES			
Administrative expenses	21	(29,219,313)	(24,545,112)
Provision for Workers' Welfare Fund		-	(107,261)
Finance cost	22	(86,187)	(290,143)
		(29,305,500)	(24,942,516)
Provision for impairment on investments		(4,414,487)	-
(LOSS) / PROFIT BEFORE TAXATION		(11,787,268)	5,480,063
Taxation			
- Current	23	(2,543,133)	(3,134,615)
- Deferred	8	355,294	(1,477,175)
		(2,187,839)	(4,611,790)
(LOSS) / PROFIT AFTER TAXATION		(13,975,107)	868,273
(Loss) / earnings per share - basic and diluted	24	(0.466)	0.029

The annexed notes 1 to 33 form an integral part of these special purpose financial statements.

Chief Financial Officer

Chief Executive

AL Habib Capital Markets (Private) Limited
Statement of Comprehensive Income
For the six months period ended 31 December 2017

	31 December 2017	31 December 2016
	(Rupees)	
(Loss) / profit for the period	**(13,975,107)**	868,273
Other comprehensive (loss) / income for the period		
Items to be reclassified to profit or loss account in subsequent periods		
Unrealized (loss) / gain on re-measurement of investments - net of tax	**(13,240,412)**	27,895,335
Total comprehensive (loss) / income for the period	**(27,215,519)**	28,763,608

The annexed notes 1 to 33 form an integral part of these special purpose financial statements.

Chief Financial Officer

Chief Executive

AL Habib Capital Markets (Private) Limited
Cash Flow Statement
For the six months period ended 31 December 2017

	Note	31 December 2017	31 December 2016
		(Rupees)	
CASH FLOWS FROM OPERATING ACTIVITIES			
(Loss) / profit before taxation		(11,787,268)	5,480,063
Adjustment for:			
Depreciation		788,178	720,046
Amortisation		560,250	385,250
Provision for impairment on investments		4,414,487	-
Finance cost		86,187	290,143
Amortisation on Pakistan Investment Bonds		-	107,765
Amortisation Income on Market Treasury Bills		(2,832,082)	-
Gain on sale of investments		(58,600)	(3,840,891)
		2,958,420	(2,337,687)
Operating (loss) / profit before working capital changes		(8,828,848)	3,142,376
Working Capital Changes:			
(Increase) / decrease in current assets			
Trade debts		(30,424,185)	21,480,400
Loans and advances		(579,856)	306,540
Deposits and prepayments		6,494,411	1,698,870
Other receivables		8,849,183	247,191
		(15,660,447)	23,733,001
		(24,489,295)	26,875,377
Increase / (decrease) in current liabilities			
Trade payables, accrued expenses and other liabilities		75,071,072	(3,804,645)
Sales tax and FED payable		(232,334)	84,211
		74,838,738	(3,720,434)
Net cash generated from operations		50,349,443	23,154,943
Long term loans, advances and deposits		(475,159)	43,288
Finance cost paid		(108,745)	(299,171)
Taxes paid		(3,783,266)	(3,863,411)
		(4,367,170)	(4,119,294)
Net cash generated from operating activities		45,982,273	19,035,649
CASH FLOWS FROM INVESTING ACTIVITIES			
Investments made during the period		(234,453,007)	(46,732,839)
Investments disposed off during the period		199,426,288	46,377,151
Purchase of property and equipment		(335,175)	(186,000)
Purchase of intangible assets		-	(2,100,000)
Net cash used in investing activities		(35,361,894)	(2,641,688)
Net increase in cash and cash equivalents during the period		10,620,379	16,393,961
Cash and cash equivalents at beginning of the period		72,186,645	33,346,130
Cash and cash equivalents at end of the period	27	82,807,024	49,740,091

The annexed notes 1 to 33 form an integral part of these special purpose financial statements.

Chief Financial Officer

Chief Executive

AL Habib Capital Markets (Private) Limited
Statement of Changes in Equity
For the six months period ended 31 December 2017

	Issued, subscribed and paid-up capital	Unappropriated profit	Unrealised gain on re-measurement of investments	Total
	(Rupees)			
Balance as at 1 July 2016	300,000,000	38,839,931	15,914,548	354,754,479
Total comprehensive income for the year				
Profit for the year ended 30 June 2017	-	14,943,956	-	14,943,956
Other comprehensive income				
Unrealised gain on re-measurement of investments - net of tax	-	-	21,482,672	21,482,672
Total comprehensive income for the year	-	14,943,956	21,482,672	36,426,628
Balance as at 30 June 2017	300,000,000	53,783,887	37,397,220	391,181,107
Total comprehensive income for the period				
Loss for the period ended 31 December 2017	-	(13,975,107)	-	(13,975,107)
Other comprehensive income				
Unrealised loss on re-measurement of investments - net of tax	-	-	(13,240,412)	(13,240,412)
Total comprehensive loss for the period	-	(13,975,107)	(13,240,412)	(27,215,519)
Balance as at 31 December 2017	**300,000,000**	**39,808,780**	**24,156,808**	**363,965,588**

The annexed notes 1 to 33 form an integral part of these special purpose financial statements.

Chief Financial Officer

Chief Executive

1 LEGAL STATUS AND NATURE OF BUSINESS

AL Habib Capital Markets (Private) Limited ("the Company") was incorporated in Pakistan on 23 August 2005 as a private limited company under the repealed Companies Ordinance, 1984 and started operations from 14 December 2005. The Company is a subsidiary of Bank AL Habib Limited (the Holding Company) which holds 66.67% of shares of the Company. The registered office of the Company is located at Technocity, Hasrat Mohani Road, Karachi, Pakistan. The Company holds a Trading Right Entitlement (TRE) Certificate from Pakistan Stock Exchange Limited - PSX and is principally engaged in the business of stocks broking. Other activities includes investment in a mix of listed and unlisted equity securities, economic research and advisory services.

2 BASIS OF PREPARATION

These special purpose financial statements have been prepared for the purpose of calculating the net capital balance, to be submitted to Pakistan Stock Exchange and for consolidation of balances with the Holding Company. As a result, these special purpose financial statements are not suitable for another purpose and should be read in conjuction with the financial statements for the year ended 30 June 2017.

2.1 Statement of compliance

These special purpose 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 Standard Board and Islamic Financial Accounting Standards (IFAS) issued by the Institute of Chartered Accountants of Pakistan as are notified under the repealed Companies Ordinance, 1984, provisions of and directives issued under the repealed Companies Ordinance, 1984. In case where requirements differ the provisions of the repealed Companies Ordinance, 1984 and said directives shall prevail.

The Companies Ordinance, 1984 has been repealed after the enactment of the Companies Act, 2017 which has its own set of disclosures. However, SECP vide their circular No. 23 / 2017 dated 4 October 2017 (read with a clarification issued by the Institute of Chartered Accountants of Pakistan on 6 October 2017), has directed that companies preparing financial statements, including interim financial statements for the periods ending on or before 31 December 2017, shall prepare their financial statements in accordance with the provisions of the repealed Companies Ordinance, 1984.

2.2 Basis of measurement

These special purpose financial statements have been prepared under the historical cost convention except for certain investments that are carried at fair value.

2.3 Functional and presentation currency

These special purpose financial statements are presented in Pak Rupees, which is also the functional currency of the Company and have been rounded off to the nearest rupee.

2.4 Use of estimates and judgments

The preparation of these special purpose financial statements in conformity with approved accounting standards, as applicable in Pakistan, requires management to make judgments, estimates and assumptions that affect the application of policies and the reported amounts of assets, liabilities, income and expenses. The estimates and associated assumptions are based on historical experience and various other factors that are believed to be reasonable under the circumstances, the results of which form the basis of making judgments about the carrying values of assets and liabilities that are not readily apparent from other sources. Actual results may differ from these estimates.

The estimates and underlying assumptions are reviewed on an ongoing basis. Revisions to accounting estimates are recognized in the period in which the estimate is revised if the revision affects only that period, or in the period of the revision and future periods if the revision affects both current and future periods.

The estimates and judgments that have a significant effect on the special purpose financial statements are in respect of the following:

- Property and equipments (Note 3.1 and 4)
- Useful lives and impairment of intangible assets (Note 3.3 and 5)
- Classification, valuation and impairment of investments (Note 3.5, 3.6, 3.10, 9 and 16)
- Provision against trade debts and other receivables (Note 3.4)
- Staff Retirement benefits and Compensated absences (Note 3.13)
- Current and Deferred Taxation (Note 3.11, 8 and 24)

2.5 Standards, interpretations and amendments to published approved accounting standards that are not yet effective

The following standards, amendments and interpretations of approved accounting standards will be effective for accounting periods beginning on or after 1 January 2018:

- Classification and Measurement of Share - based Payment Transactions - amendments to IFRS 2 clarify the accounting for certain types of arrangements and are effective for annual periods beginning on or after 1 January 2018. The amendments cover three accounting areas (a) measurement of cash - settled share - based payments; (b) classification of share - based payments settled net of tax withholdings; and (c) accounting for a modification of a share - based payment from cash - settled to equity - settled. The new requirements could affect the classification and / or measurement of these arrangements and potentially the timing and amount of expense recognised for new and outstanding awards. The amendments are not likely to have an impact on Company's special purpose financial statements.

- Annual Improvements to IFRSs 2014 - 2016 Cycle [Amendments to IAS 28 'Investments in Associates and Joint Ventures'] (effective for annual periods beginning on or after 1 January 2018) clarifies that a venture capital organisation and other similar entities may elect to measure investments in associates and joint ventures at fair value through profit or loss, for each associate or joint venture separately at the time of initial recognition of investment. Furthermore, similar election is available to non - investment entity that has an interest in an associate or joint venture that is an investment entity, when applying the equity method, to retain the fair value measurement applied by that investment entity associate or joint venture to the investment entity associate's or joint venture's interests in subsidiaries. This election is made separately for each investment entity associate or joint venture. The amendments are not likely to have an impact on Company's special purpose financial statements.

- IFRIC 22 'Foreign Currency Transactions and Advance Consideration' (effective for annual periods beginning on or after 1 January 2018) clarifies which date should be used for translation when a foreign currency transaction involves payment or receipt in advance of the item it relates to. The related item is translated using the exchange rate on the date the advance foreign currency is received or paid and the prepayment or deferred income is recognised. The date of the transaction for the purpose of determining the exchange rate to use on initial recognition of the related asset, expense or income (or part of it) would remain the date on which receipt of payment from advance consideration was recognised. If there are multiple payments or receipts in advance, the entity shall determine a date of the transaction for each payment or receipt of advance consideration. The application of interpretation is not likely to have an impact on Company's special purpose financial statements.

- IFRIC 23 'Uncertainty over Income Tax Treatments' (effective for annual periods beginning on or after 1 January 2018) clarifies the accounting for income tax when there is uncertainty over income tax treatments under IAS 12. The interpretation requires the uncertainty over tax treatment be reflected in the measurement of current and deferred tax. The application of interpretation is not likely to have an impact on Company's special purpose financial statements.

- IFRS 15 'Revenue from contracts with customers' (effective for annual periods beginning on or after 1 July 2018). IFRS 15 establishes a comprehensive framework for determining whether, how much and when revenue is recognised. It replaces existing revenue recognition guidance, including IAS 18 'Revenue', IAS 11 'Construction Contracts' and IFRIC 13 'Customer Loyalty Programmes'. The Company is currently in the process of analysing the potential impact of changes required in revenue recognition policies on adoption of the standard.

- IFRS 9 'Financial Instruments' and amendment – Prepayment Features with Negative Compensation (effective for annual periods beginning on or after 1 January 2018 and 1 January 2019 respectively). IFRS 9 replaces the existing guidance in IAS 39 Financial Instruments: Recognition and Measurement. IFRS 9 includes revised guidance on the classification and measurement of financial instruments, a new expected credit loss model for calculating impairment on financial assets, and new general hedge accounting requirements. It also carries forward the guidance on recognition and derecognition of financial instruments from IAS 39.

- Amendment to IAS 28 'Investments in Associates and Joint Ventures' - Long Term Interests in Associates and Joint Ventures (effective for annual period beginning on or after 1 January 2019). The amendment will affect companies that finance such entities with preference shares or with loans for which repayment is not expected in the foreseeable future (referred to as long - term interests or 'LTI'). The amendment and accompanying example state that LTI are in the scope of both IFRS 9 and IAS 28 and explain the annual sequence in which both standards are to be applied. The amendments are not likely to have an impact on Company's special purpose financial statements.

- Annual Improvements to IFRS Standards 2015 – 2017 Cycle - the improvements address amendments to following approved accounting standards:

  - IFRS 3 Business Combinations and IFRS 11 Joint Arrangement - the amendment aims to clarify the accounting treatment when a company increases its interest in a joint operation that meets the definition of a business. A company remeasures its previously held interest in a joint operation when it obtains control of the business. A company does not remeasure its previously held interest in a joint operation when it obtains joint control of the business.

  - IAS 12 Income Taxes - the amendment clarifies that all income tax consequences of dividends (including payments on financial instruments classified as equity) are recognised consistently with the transaction that generates the distributable profits.

  - IAS 23 Borrowing Costs - the amendment clarifies that a company treats as part of general borrowings any borrowing originally made to develop an asset when the asset is ready for its intended use or sale.

- The above amendments are effective from annual period beginning on or after 1 January 2018 and are not likely to have an impact on Company's special purpose financial statements.

In addition, the Companies Act, 2017 was enacted on 30 May 2017 and according to the circular referred to in note 2.1, for financial statements purposes would be applicable to financial statements for period after 1 January 2018. The Companies Act, 2017 requires certain additional disclosures and section 235 of the repealed Companies Ordinance, 1984 relating to treatment of surplus arising out of revaluation of assets has not been carried forward in the Companies Act, 2017.

3 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The significant accounting policies applied in the preparation of these special purpose financial statements are set out below:

3.1 Property and equipment

These are stated at cost less accumulated depreciation and accumulated impairment, if any.

Depreciation is charged applying the straight line method at the rates specified in note 4 to these special purpose financial statements which are considered appropriate to write off the cost of the assets over their useful economic lives.

Proportionate depreciation is charged in respect of additions and disposals made during the year. The assets' residual values and useful lives are reviewed, and adjusted if appropriate, at each balance sheet date.

Maintenance and normal repairs are charged to profit and loss account. Major renewals and improvements are capitalized.

Gains and losses on disposal of assets, if any, are determined by comparing the sale proceeds with the carrying values and are charged to profit and loss account.

3.2 Operating leases / Ijarah agreements

The Company accounts for assets under ijarah arrangements in accordance with IFAS-2 "Ijarah" whereby periodic ijarah payments for such assets are recognized as an expense in profit and loss account on straight line basis over the ijarah term.

3.3 Intangible assets

These represent computer software, website developed and Trading Right Entitlement (TRE) Certificate.

Computer software and website developed are recognized in the special purpose financial statements, if and only if, it is probable that the future economic benefits that are attributable to the assets will flow to the Company; and the cost of the assets can be measured reliably. These are carried at cost less accumulated amortization and impairment, if any. Amortization of computer software and website developed is charged to profit and loss account for the year on a straight line basis at the rates specified in note 5. The amortization period and the amortization method for intangible assets with finite useful life are reviewed, and adjusted if appropriate.

Details of the basis of valuation of the Trading Right Entitlement (TRE) Certificate is given in note 5 to these special purpose financial statements.

3.4 Trade debts and other receivables

Debts originated by the Company are recognized and carried at original invoice amount (which generally equals the fair value) less any amount written off or provision made for debts considered doubtful.

3.5 Investments

Investments in securities are initially recognized at cost, being the fair value of the consideration given, including the transaction costs associated with the investment, except in case of investments at fair value through profit or loss, in which case these transaction costs are charged to the profit and loss account. All regular way purchases and sales of investments are recognized / derecognized on the trade date. These are classified and measured as follows:

Investment at fair value through profit or loss

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

Held-to-maturity

Investment securities with fixed maturities and fixed or determinable payments are classified as held-to-maturity investments when management has both the intention and ability to hold to maturity. After initial recognition, these investments are carried at amortised cost less any provision for impairment.

Available-for-sale

Investments which are not classified in any of the preceding categories are classified as available-for- sale investments. After initial recognition, these investments are re-measured at fair value. Surplus / deficit arising from re-measurement are taken to other comprehensive income until the investments are sold / disposed-off or until the investments are determined to be impaired, at which time, cumulative gain or loss previously reported in the other comprehensive income is included in the current year's profit and loss account.

If, in a subsequent period, the fair value of an investment increases and the increase can be objectively related to an event occurring after the impairment loss recognised in profit and loss, the impairment loss is reversed, with the amount of the reversal recognised in profit and loss. However, any subsequent recovery in the fair value of an impaired available for sale equity security is recognised in other comprehensive income.

Details of the basis of valuation of the investment in shares of Pakistan Stock Exchange Limited are given in note 6 to these special purpose financial statements.

Loans and receivables

Loans and receivables are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market, other than those classified by the Company as fair value through profit or loss or available for sale. These are carried at amortised cost using effective yield method, less impairment losses, if any.

3.6 Impairment

Equity Securities

The Company assesses at each reporting date whether there is objective evidence that the financial asset is impaired. In case of equity securities, a significant or prolonged decline in the fair value of the security below its cost is considered as an indicator that the security is impaired. If any such evidence exists, the cumulative loss measured as the difference between the acquisition cost and the current fair value, less any impairment loss on that financial asset previously recognised in profit and loss account is reclassified from other comprehensive income to profit and loss account.

Debt Securities

The Company assesses at each balance sheet date whether there is any objective evidence that a financial asset or a group of financial assets is impaired. A financial asset or a group of financial assets is deemed to be impaired if, and only if, there is objective evidence of impairment as a result of one or more events that has occurred after the initial recognition of the asset (an incurred 'loss event') and that loss event has an impact on the estimated recoverable amount. The recoverable amount represents present value of future cash flows discounted at original rate of return. An impairment is recognised in profit and loss account whenever the carrying value of asset exceeds its recoverable amount.

Non-Financial assets

The Company assesses at each balance sheet date whether there is any indication that assets except deferred tax assets may be impaired. If such indication exists, the carrying amounts of such assets are reviewed to assess whether they are recorded in excess of their recoverable amount. Where carrying values exceed the respective recoverable amount, assets are written down to their recoverable amounts and the resulting impairment loss is recognized in profit and loss account.

An impairment loss is reversed if there has been a change in the estimates used to determine the recoverable amount. An impairment loss is reversed only to the extent that the asset's carrying amount does not exceed the carrying amount that would have been determined, net of depreciation or amortisation, if no impairment loss had been recognised.

3.7 Financial instruments

All 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 losses 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 profit and loss account.

3.8 Off-setting of financial assets and financial liabilities

Financial assets and financial liabilities are off set 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.

3.9 Revenue recognition

- Brokerage, commission, consultancy and advisory fee are recognised as and when such services are rendered.
- Income from government securities is recognised on time proportion basis taking into account the effective yield.
- Gain / loss arising on disposal of investments is included in income and is accounted for on the date at which the transaction takes place.
- Mark-up income, return on bank deposits and balances are recognised on accrual basis taking into account the effective yield.
- Dividend income is recorded when the right to receive the dividend is established.

3.10 Non current assets / investments held for sale

Non current assets / investments are classified as held for sale if it is highly probable that they will be recovered primarily through sale rather than through continuing use.

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Such assets are generally measured at the lower of their carrying amount and fair value less costs to sell except financial assets which are re-measured at fair values. Changes in fair value of financial assets classified as held for sale are recognised in equity until derecognised or impaired, then the accumulated fair value adjustments recognised in equity are included in the profit and loss account.

3.11 Taxation

Current

The charge 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 in respect of all temporary differences arising from differences between the carrying amount of assets and liabilities in the special purpose financial statements and the tax base. This is recognized on the basis of expected manner of the realization and the settlement of the carrying amount of assets and liabilities using the tax rates enacted or substantively enacted at the balance sheet date. Deferred tax assets are recognized to the extent that future taxable profits will be available against which the deductible temporary differences can be utilised. Deferred tax assets are reduced to the extent that is no longer probable that the related tax benefit will be realised.

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

3.12 Dividends distributions and appropriations

Dividends and appropriation to reserves are recognised in the special purpose financial statements in the period in which these are approved.

3.13 Staff retirement benefits

3.13.1 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.

3.13.2 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 upto the balance sheet date.

3.14 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 comprises of cash in hand, bank balances, short term borrowings which are repayable on demand and other short term highly liquid investments with original maturities of three months or less, if any.

3.15 Foreign currency transactions

Monetary assets and liabilities in foreign currencies are translated into Pak Rupees at the rates of exchange prevailing at the balance sheet date. Transactions in foreign currencies are converted into Pak rupees at the rates of exchange prevailing at the transaction date. Exchange gains or losses are taken to profit and loss account. Non monetary-items that are measured in terms of historical cost in a foreign currency are translated using the exchange rates as at the dates of the initial transactions. Non-monetary items measured at fair value in a foreign currency are translated using the exchange rates at the date when the fair value was determined.

3.16 Provisions

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

3.17 Trade and other payables

Trade and other payables are recognised initially at fair value plus directly attributable cost, if any, and subsequently measured at amortised cost.

4 PROPERTY AND EQUIPMENT

	Note	31 December 2017							
		Cost			Accumulated depreciation			Written down value as at 31 December 2017	Rate of depreciation per annum
		As at 01 July 2017	Additions	As at 31 December 2017	As at 01 July 2017	Charge for the year	As at 31 December 2017		
		(Rupees)							%
Room and booths	4.2	14,500,000	-	14,500,000	8,337,500	362,502	8,700,002	5,799,998	5
Motor vehicles		1,309,900	-	1,309,900	319,875	130,992	450,867	859,033	20
Furniture and fixture		2,231,792	118,175	2,349,967	1,692,345	80,502	1,772,847	577,120	10
Office equipments		6,623,972	55,000	6,678,972	5,725,978	111,906	5,837,885	841,087	20
Computer equipment		5,740,265	162,000	5,902,265	5,275,960	102,276	5,378,237	524,033	20
		30,405,929	335,175	30,741,104	21,351,658	788,178	22,139,833	8,601,271	

	Note	30 June 2017							
		Cost			Accumulated depreciation			Written down value as at 30 June 2017	Rate of depreciation per annum
		As at 01 July 2016	Additions / (disposals)	As at 30 June 2017	As at 01 July 2016	Charge for the year / (disposals)	As at 30 June 2017		
		(Rupees)							%
Room and booths	4.2	14,500,000	-	14,500,000	7,612,500	725,000	8,337,500	6,162,500	5
Motor vehicles		1,309,900	-	1,309,900	68,115	251,760	319,875	990,025	20
Furniture and fixture		1,958,467	273,325	2,231,792	1,554,145	138,200	1,692,345	539,447	10
Office equipments		6,203,322	420,650	6,623,972	5,551,622	174,356	5,725,978	897,994	20
Computer equipment		5,617,265	123,000	5,740,265	5,108,706	167,254	5,275,960	464,305	20
		29,588,954	816,975	30,405,929	19,895,088	1,456,570	21,351,658	9,054,271	

4.1 The cost of fully depreciated assets as at 31 December 2017 is Rs. 10.979 (30 June 2017: Rs. 10.938) million.

4.2 The rights to occupy room no. 16 at Pakistan Stock Exchange building were acquired through lease and license agreement for the purpose of the Company's business. The Pakistan Stock Exchange Limited, as the lessee of the building, has sub-leased the said room in favour of the Company.

5. INTANGIBLE ASSETS

	Note	31 December 2017							
		Cost			Accumulated amortisation / impairment			Written down value as at 31 December 2017	Rate of amortisation per annum
		As at 30 June 2017	Additions	As at 31 December 2017	As at 30 June 2017	Charge for the year	As at 31 December 2017		
		(Rupees)							%
Website		125,000	-	125,000	125,000	-	125,000	-	50
Computer software		3,199,849	-	3,199,849	1,910,224	560,250	2,470,474	729,375	50
Trading Right Entitlement (TRE) Certificate	5.2	17,158,785	-	17,158,785	14,658,785	-	14,658,785	2,500,000	-
		20,483,634	-	20,483,634	16,694,009	560,250	17,254,259	3,229,375	

	Note	30 June 2017							
		Cost			Accumulated amortisation / impairment			Written down value as at 30 June 2017	Rate of amortisation per annum
		As at 01 July 2016	Additions	As at 30 June 2017	As at 01 July 2016	Charge for the year	As at 30 June 2017		
		(Rupees)							%
Website		125,000	-	125,000	125,000		125,000	-	50
Computer software		1,099,849	2,100,000	3,199,849	964,724	945,500	1,910,224	1,289,625	50
Trading Right Entitlement (TRE) Certificate	5.2	17,158,785	-	17,158,785	2,158,785	12,500,000	14,658,785	2,500,000	-
		18,383,634	2,100,000	20,483,634	3,248,509	13,445,500	16,694,009	3,789,625	

5.1 The cost of fully amortized intangible assets as at 31 December 2017 is Rs. 1.209 (30 June 2017: Rs. 1,084) million.

5.2 This represents TRE Certificate acquired on surrender of Stock Exchange Membership Card. For details refer Note 6.

PSX vide notice no. PSX/N- 7178, dated 10 November 2017, has revised the national value of TRE Certificate from Rs. 5 million to Rs. 2.5 million. According to the Stock Exchange (Corporatisation, Demutualization and Integration) Act 2012, the TRE Certificate may only be transferred once to a company intending to carry out shares brokerage business in the manner to be prescribed. Upto 31 December 2019, the Stock Exchange shall offer for issuance, 15 TRE Certificates each year in the manner prescribed. After 2019, no restriction shall be placed on issuance of TRE Certificate. The Company has marked lien on TRE Certificate in favour of the Pakistan Stock Exchange Limited (PSX) to fulfil the requirement of Base Minimum Capital.

6. LONG TERM INVESTMENTS

Investment in Shares of PSX - Available for sale - Quoted and Freezed

31 December 2017	30 June 2017		Note	31 December 2017	30 June 2017
----- (Number of Shares) -----				------ (Rupees) ------	
1,602,953	4,007,383	Opening balance		**16,151,354**	40,378,391
-	(1,602,953)	Sold to strategic investor (Nil) (June 2017: 40%)		**-**	(16,151,355)
-	(801,477)	Sold to general public (Nil) (June 2017: 20%)	*6.1*	**-**	(8,075,682)
1,602,953	1,602,953	Closing balance represents 40% shares (June 2017: 40% shares)		**16,151,354**	16,151,354

Market value basis	
Book value as of 31 December 2017	**16,151,354**
Unrealized gain for the year	**19,754,793**
Market value as of 31 December 2017	**35,906,147**

6.1 This represents shares of PSX acquired in pursuance of corporatization and demutualization of PSX as a public company limited by shares. As per the arrangements the authorized and paid-up capital of PSX is Rs. 10,000,000,000 and Rs. 8,014,766,000 respectively with a par value of Rs. 10 each. The paid-up capital of PSX is equally distributed among 200 members (termed as "initial shareholders" of the exchange after corporatization) of PSX by issuance of 4,007,383 shares to each initial shareholder in the following manner:

1. 40% of the total shares allotted (i.e. 1,602,953 shares) were transferred in the House Account - CDC of each initial shareholder.

2. 60% of the total shares (i.e. 2,404,430 shares) have been deposited in a sub-account in the Company's name under PSX's participant ID with CDC which will remain blocked until they are divested to strategic investor(s), general public and financial institutions.

The above shares and TRE Certificate were received against surrender of Stock Exchange Membership Card. Initially, the fair value of both the asset transferred and asset obtained could not be determined with reasonable accuracy, the above investment had been recorded at the carrying value of Stock Exchange Membership Card in the Company's books. The par value of shares received by the Company had been recognised as available for sale investment and the excess of value of shares over the carrying value of membership card is recognised as trading right. No gain or loss has been recorded on the exchange.

These shares were listed on PSX in the month of June 2017. Therefore, the same were carried at the market value. At 31 December 2017, the outstanding 1,602,953 shares are classified as "Freeze" in the CDC report of the company.

6.2 In 2016, the Securities and Exchange Commission of Pakistan (SECP) accorded its approval to Pakistan Stock Exchange Limited (PSX) for issuing letter of acceptance to a Chinese Consortium for the strategic sale of 40% of shares against a consideration of $85.6 million at an offer price of Rs. 28 per share.

PSX vide their letter dated 29 December 2016 informed the Company that 40% (1,602,953 shares), which were held in blocked form in terms of Stock Exchanges (Corporatization, Demutualization and Integration) Act 2012, have been sold to Chinese consortium by the Divestment Committee at an offer price of Rs. 28 per share. Subsequently, a formal signing ceremony was held on 20 January 2017 to mark the signing of the Share Purchase Agreement between the Chinese Consortium and the equity sale committee of PSX.

As per the above mentioned letter, 10% of the consideration amount is retained for a period of one year to settle any outstanding liabilities of PSX and as such the portion of sale after deduction, if any, will be remitted to the designated bank account maintained by the Company after the expiry of the specified time period. Accordingly, the Company has received 90% of the sale proceeds for said 1,602,953 shares.

6.3 After divestment of 40% equity stake of PSX in favor of Chinese Consortium, PSX vide their letter dated 06 June 2017 informed the Company for divestment of further 20% of PSX shares upon successful completion of book building process. This amount was secured by a bank guarantee taken from MCB Bank.

7. LONG TERM LOANS, ADVANCES & DEPOSITS

	Note	31 December 2017	30 June 2017
		(Rupees)	
Long term loans			
Staff loan	7.1	83,297	175,281
Less: current portion of staff loan		(74,833)	(141,976)
Long term portion of staff loan		8,464	33,305
Advance against Dubai Gold and Commodities Exchange membership	7.2	7,913,725	7,913,725
Provision for impairment		(7,913,725)	(7,913,725)
		-	-
Security deposits			
- National Clearing Company of Pakistan Limited		1,550,000	1,050,000
- Others		26,500	26,500
		1,576,500	1,076,500
		1,584,964	1,109,805

7.1 This represents personal loan carrying mark-up rates of 8% (30 June 2017: 8%) per annum provided to employees who have completed at least one year of service with the Company. These are recoverable over a period of three years and are secured against retirement benefit payable to respective employees.

7.2 This amount has been paid for corporate membership of Dubai Gold and Commodities Exchange (DGCX). The Company had a plan to open a subsidiary for commencement of business and all charges would have been transferred to subsidiary. However, the Company is having practical difficulties in getting this membership into operation, resultantly the Company has made provision of the whole amount of advance.

8. DEFERRED TAX ASSET- net

Deferred tax liabilities / assets comprises of temporary differences in respect of the following:

Deferred tax assets arising in respect of:	Balance at 30 June 2016	Recognized in profit and loss	Recognized in OCI	Balance at 30 June 2017	Recognized in profit and loss	Recognized in OCI	Balance at 31 December 2017
				(Rupees)			
Intangible assets	135,919	133,634	-	269,553	150,269	-	419,822
Provision for compensated absences	334,543	(109,808)	-	224,735	40,599	-	265,334
Provision for impairment in DGCX	-	1,799,610	-	1,799,610	(1,799,610)	-	-
Tax losses	8,727,991	(3,978,781)	-	4,749,210	1,702,215	-	6,451,425
Less: Deferred tax liabilities arising in respect of:							
Accelerated tax depreciation allowance	(1,265,056)	334,564	-	(930,492)	261,821	-	(668,671)
Surplus on revaluation of investments - net	(4,079,886)	(1,308,447)	3,763,337	(1,624,996)		2,301,096	676,100
Net deferred tax assets	3,853,511	(3,129,228)	3,763,337	4,487,620	355,294	2,301,096	7,144,010

The deferred tax assets recognized in the special purpose financial statements represents the management's best estimate of the tax benefit which is expected to be realized in future years as the Company expects to set off the profits earned against tax losses carried forward from prior years.

9. SHORT TERM INVESTMENTS - NET

	Note	31 December 2017	30 June 2017
		(Rupees)	
Available-for-sale			
Listed shares	9.1	119,256,129	79,746,989
Pakistan Investment Bonds	9.2	-	145,339,133
Market Treasury Bills	9.3	129,049,082	-
		248,305,211	225,086,122

9.1 Listed shares

31 December 2017	30 June 2017	Name of investee	31 December 2017 Carrying amount	31 December 2017 Market value	30 June 2017 Market value
(Number of shares)				(Rupees)	
252,500	252,500	The Hub Power Company Limited	22,889,250	22,977,500	29,651,075
128,100	128,100	Pakistan Petroleum Limited	17,805,374	26,377,071	18,976,734
87,000	87,000	Habib Bank Limited	16,845,386	14,536,830	23,415,180
300,000	300,000	Pakistan Stock Exchange Limited	8,479,238	6,720,000	7,704,000
5,600	-	Attock Petroleum Limited	3,560,977	2,929,248	-
32,000	-	Engro Corporation Limited	10,075,009	8,792,000	-
86,000	-	Engro Fertilizer Limited *	4,840,047	5,823,920	-
88,000	-	Pioneer Cement Limited	9,969,047	5,554,560	-
50,000	-	Thal Limited	25,480,373	25,545,000	-
			119,944,701	119,256,129	79,746,989
		Unrealized gain on re-measurement of investment	(688,572)		
		Carrying value	119,256,129		

* These shares are pledged against PSX/NCCPL exposure.

9.2 Pakistan Investment Bonds - movement

	Note	31 December 2017	30 June 2017
		(Rupees)	
Pakistan Investment Bonds - cost		-	145,000,000
Unamortised value of premium / (discount)		-	57,136
Pakistan Investment Bonds - carrying value		-	145,057,136
Surplus on revaluation of investments		-	281,997
Fair value as at 31 December 2017		-	145,339,133

These Pakistan Investment Bonds matured on 17 July 2017 (30 June 2017: 17 July 2017) and carried yield of 6.02% to 12.43% (30 June 2017: 5.96% to 12.42%) per annum. These were placed in the IPS account maintained with Bank AL Habib Limited (the Holding Company) and Bank Alfalah Limited.

9.3 Market Treasury Bills

These Market Treasury Bills will mature on 15 February 2018 and carry yield of 6.01% per annum (30 June 2017: Nil). These are in the IPS account maintained with Bank AL Habib Limited (the Holding Company) and Bank Alfalah Limited.

10. TRADE DEBTS - considered good

	Note	31 December 2017	30 June 2017
		(Rupees)	
From equity securities			
Due from clients against trading of securities - secured	10.1	30,789,072	13,353,443
Due from National Clearing Company of Pakistan Limited - secured	10.2	24,804,492	11,495,591
Due from clients against trading of securities - associated company	10.3	281,817	602,162
		55,875,381	25,451,196

10.1 The value of marketable securities held against trade debts by the Company amounted to Rs. 4,859.6 (30 June 2017: Rs. 5,155.9) million.

10.2 This shows trade debts in respect of two days trading T+2 settlement.

10.3 This shows trade debts receivable from related parties.

10.4 Aging Analysis

The aging analysis of the trade debts relating to purchase of shares and brokerage commission on equity shares is as follows:

	31 December 2017	30 June 2017
	(Rupees)	
Upto 5 days	52,908,607	20,127,453
More than 5 days*	2,966,775	5,323,743
	55,875,382	25,451,196

* The custody available against these receivable is Rs. 1,390.9 (30 June 2017: 4,351.9) million.

11. LOANS AND ADVANCES - Considered good

	Note	31 December 2017	30 June 2017
		(Rupees)	
Loan to employees - secured	7.1	74,833	141,976
Advances to employees - secured	11.1	249,506	51,007
Advance for new software	11.2	455,000	-
Advance for expenses to admin, contractors & suppliers		26,000	32,500
		805,339	225,483

11.1 This represents advance salaries provided to permanent employees of the Company. These are recoverable within a maximum period of six months. These advances are interest free advances.

11.2 This represents advance payment made during the period to purchase Catalyist software.

12. DEPOSITS AND PREPAYMENTS

	Note	31 December 2017	30 June 2017
		(Rupees)	
Exposure deposit with National Clearing Company of Pakistan Limited	12.1	33,600,000	40,500,000
Prepayments			
- Insurance		217,961	28,113
- Others		248,565	32,824
		34,066,526	40,560,937

12.1 This represents deposits held under the National Clearing Company of Pakistan Limited exposure rules. These deposits carry interest at the rate of 4.5% to 5.5% (30 June 2017: 4.5% to 5.5%) per annum.

13. OTHER RECEIVABLES

	Note	31 December 2017	30 June 2017
		(Rupees)	
Interest receivable on Pakistan Investment Bonds	9.2	-	7,309,426
Dividend income receivable		258,000	505,000
Receivable from PSX against disposal of shares	6.2	4,488,269	4,488,269
Others		180,985	1,473,742
		4,927,254	13,776,437

14. CASH AND BANK BALANCES

	Note	31 December 2017	30 June 2017
Cash in hand		14,255	21,774
Cash with banks in:			
- Current accounts	14.1, 14.4 &14.5	77,142,622	61,182,973
- Saving accounts	14.2	2,291,962	2,747,079
- Call treasury deposit account	14.3	3,358,185	8,234,819
		82,792,769	72,164,871
		82,807,024	72,186,645

14.1 This includes bank balances held with Bank AL Habib Limited (the Holding Company) amounting to Rs. 0.056(30 June 2017: Rs. 0.056) million.

14.2 This includes bank balances held with Bank AL Habib Limited (the Holding Company) amounting to Rs. 0.127 (30 June 2017: Rs. 0.46) million and carry interest at the rate of 3.75% - 5.25% (30 June 2017: 4.24% to 5.25%) per annum.

14.3 This represents bank balances held with Bank AL Habib Limited (the Holding Company) and carry interest at the rate of 4.24% to 5.25% (30 June 2017: 4.24% to 5.25%) per annum.

14.4 This includes Rs. 76.635 (30 June 2017: 37.496) million kept in designated bank accounts maintained on behalf of clients.

14.5 Total number of clients' shares held in CDC sub account are 111,174,038 out of which 4,037,787 shares are pledged (30 June 2017:Rs. 92,649,199 out of which 13,674,252 shares were pledged)

15. AUTHORISED, ISSUED, SUBSCRIBED AND PAID-UP CAPITAL

15.1 Authorised Capital

31 December 2017	30 June 2017		31 December 2017	30 June 2017
(Number of shares)			(Rupees)	
50,000,000	50,000,000	Ordinary shares of Rs. 10/- each fully paid in cash	500,000,000	500,000,000

15.2 Issued, subscribed and paid-up share capital

30,000,000	30,000,000	Ordinary shares of Rs. 10/- each fully paid in cash	300,000,000	300,000,000

15.3 Pattern of shareholding

Categories of Shareholders	Number of shares held	% of shares held
Bank AL Habib Limited (the Holding Company)	19,999,600	66.67%
Companies	1,249,900	4.17%
Individuals		
- Salman H. Habib	1,874,997	6.25%
- Other Individuals	6,875,503	22.91%
	30,000,000	100.00%

16. UNREALIZED GAIN ON RE-MEASUREMENT OF INVESTMENTS - NET

	Note	31 December 2017	30 June 2017
		(Rupees)	
Fully paid-up ordinary shares		23,480,708	38,740,219
Pakistan Investment Bonds		-	281,997
		23,480,708	39,022,216
Related deferred tax Asset/(liability)		676,100	(1,624,996)
		24,156,808	37,397,220

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17. TRADE PAYABALES, ACCRUED EXPENSES AND OTHER LIABILITIES	Note	31 December 2017	30 June 2017
		(Rupees)	
Due to clients against trading of securities	17.1	137,904,222	62,402,377
Workers' Welfare Fund payable		509,179	509,179
Accrued expenses		2,540,418	3,353,971
Other liabilities		743,878	383,656
		141,697,697	66,649,183

17.1 This includes trade payables of Rs. 25.397 (30 June 2017: Rs. 13.61) million payable to related parties.

18. CONTINGENCIES AND COMMITMENTS

Contingencies

There were no contingencies as at 31 December 2017 (30 June 2017: Nil).

Commitments

	Note	31 December 2017	30 June 2017
Commitments for rentals under Ijarah finance:			
Within one year	18.1	585,660	585,660
After one year but not later than five years		244,025	536,855
		829,685	1,122,515

18.1 This represents ijarah finance facility entered into with First Habib Modarba in respect of vehicles. Total ijarah payments due under the agreement are Rs. 0.829 (30 June 2017: Rs. 1.12) million. These commitments are secured by on-demand promissory notes of Rs. 1.773 (30 June 2017: Rs. 1.773) million.

19. BROKERAGE REVENUE	Note	Six months period ended 31 December 2017	31 December 2016
		(Rupees)	
Retail customers		4,160,798	2,918,171
Institutional customers		7,413,833	13,194,916
Proprietary trade		25,428	6,620
		11,600,059	16,119,707

20. OTHER INCOME

Profit on PSX exposure and interest on staff loan		244,845	105,854
Interest on Staff Loans		5,297	-
Miscellaneous Income		804,310	-
		1,054,452	105,854

21. ADMINISTRATIVE EXPENSES

Salaries and other benefits	21.1	18,199,062	15,154,183
Printing and stationery		176,267	252,864
Auditors' remuneration	21.2	276,672	231,306
Rent, rates and taxes		1,150,000	1,158,160
Vehicles running		791,119	574,068
Utilities		638,003	91,400
Legal and professional charges		522,924	468,937
Insurance		748,051	799,605
Newspapers and periodicals		33,699	15,010
Entertainment		45,311	22,275
Advertisement and business promotion		44,800	34,905
Computer expenses		826,021	612,145
Clearing house charges		1,631,375	1,381,828
Office security		327,300	428,310
Depreciation	4	788,178	720,046
Amortization	5	560,250	395,250
Repairs and maintenance		333,742	384,196
Conveyance and travelling		1,370	71,668
Communication		303,428	319,307
Fee and subscription		1,319,255	1,031,247
Lease rental of vehicles		292,320	292,320
Office supplies		146,599	104,200
Donations		3,000	-
Others		5,577	11,882
		29,219,313	24,545,112

21.1 Salaries, allowances and other benefits include the Company's contribution to the provident fund amounting to Rs. 1.084 (31 Dec 2016: Rs. 0.881) million.

21.2 Auditors' remuneration

	Note	Six months period ended 31 December 2017	31 December 2016
		---- (Rupees) ----	
Statutory audit fee		**100,000**	100,000
Half yearly review fee		**100,000**	75,000
Other certifications		**32,500**	7,500
Out of pocket expenses		**44,172**	48,806
		276,672	231,306

22. FINANCE COST

Mark-up on short term running finance		**8,391**	146,301
Bank charges		**77,796**	143,842
		86,187	290,143

23. TAXATION

Current		**2,543,133**	3,134,615
Deferred	8	**(355,294)**	1,477,175
		2,187,839	4,611,790

23.1 The assessments of income tax of the Company have been finalised upto tax year 2013. The income tax return for the tax year 2016 has been filed under the Universal Self Assessment Scheme. This scheme provides that the return filed is deemed to be an assessment order.

23.2 This represents difference between refundable amount claimed in the income tax returns of prior years and the advance tax recognized in the books of the Company.

23.3 Relationship between income tax expense and accounting profit

	Six months period ended 31 December 2017	31 December 2016
	---- (Rupees) ----	
Taxation	**2,187,839**	4,611,790
Accounting (loss) / profit before tax	**(11,787,268)**	5,480,063
Tax at the applicable tax rate of 31% (2017: 31%)	**(3,654,053)**	1,698,820
Tax effect of income subject to final tax regime and separate block of income	**2,543,133**	2,610,811
Tax effect of change in rate on deferred tax and others	**3,298,759**	302,159
	2,187,839	4,611,790

24. (LOSS) / EARNINGS PER SHARE - BASIC AND DILUTED

(Loss) / profit for the year after taxation	**(13,975,107)**	868,273
	---- (Number) ----	
Weighted average no. of ordinary shares in issue during the period	**30,000,000**	30,000,000
	---- (Rupees) ----	
Earnings / (loss) per share - basic and diluted	**(0.466)**	0.029

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24.1 Diluted earnings per share has not been presented as the Company does not have any convertible instruments in issue as at 31 December 2017 and 31 December 2016 which would have any effect on the earnings per share.

25. REMUNERATION OF CHIEF EXECUTIVE AND EXECUTIVES

The aggregate amounts charged in the financial statements for the remuneration, including all benefits to the Chief Executive and Executives of the Company are as follows:

	31 December 2017		31 December 2016	
	Chief Executive	Executives	Chief Executive	Executives
	(Rupees)			
Managerial remuneration	4,100,000	3,378,323	3,800,000	2,844,000
Housing and utilities	2,050,000	1,689,161	1,900,000	1,422,000
Medical	12,498	48,850	12,500	50,000
Retirement benefits	409,998	337,830	380,000	284,400
Commission	-	-	-	562,492
	6,572,496	5,454,164	6,092,500	5,162,892
Number of persons	1	4	1	4

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

26. PROVIDENT FUND

Details of investments held by the provident fund of the Company for its employees is as follows:

	(Unaudited) 31 December 2017	(Audited) 30 June 2017
	(Rupees)	
Size of the fund	43,583,272	55,557,436
Cost of investments made	43,148,863	49,227,075
Percentage of investments made	99%	85%
Fair value of investments	43,517,803	54,837,311

26.1 Breakup of investments in terms of amount and percentage of the size of the provident fund are as follows:

	31 December 2017		30 June 2017	
	Investments	% of investments as size of the fund	Investments	% of investments as size of the fund
	(Unaudited)		(Audited)	
	(Rupees)	(Percentage)	(Rupees)	(Percentage)
Government securities	20,388,900	46%	18,754,545	34%
Mutual fund units	9,176,245	21%	8,962,995	16%
Listed securities	13,131,048	30%	19,666,818	35%
	42,696,193	97%	47,384,358	85%

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

27. CASH AND CASH EQUIVALENTS

	Note	31 December 2017	30 June 2017
		(Rupees)	
Cash and bank balances	14	82,807,024	72,186,645
		82,807,024	72,186,645

28. TRANSACTIONS WITH RELATED PARTIES

Related parties comprises of the holding company, companies with common directorship, associated companies / undertakings, directors of the Company, other associated companies and key management personnel and their close family members including thereof the Holding Company. Remuneration of key management personnel are in accordance with their terms of employment. Other transactions with related parties are entered into at rates negotiated with them.

Transactions for the period	31 December 2017	31 December 2016
	(Rupees)	
Bank AL Habib Limited (the Holding Company)		
- Equity brokerage commission	1,092,314	1,137,035
- Mark-up expense on running finance	-	146,301
- Office rent	1,050,000	1,050,000
- Bank charges	23,945	93,993
- Markup income on bank balances	1,329,475	223,012
- Information technology services	249,996	348,630
Associated Companies		
Habib Insurance Company Limited		
- Equity brokerage commission	400,640	493,010
- Insurance premium paid	645,378	192,138
First Habib Stock Fund		
- Equity brokerage commission	29,731	15,435
Habib Sugar Mills Limited		
- Equity brokerage commission	-	19,683
First Habib Islamic Balanced Fund		
- Equity brokerage commission	10,200	10,785
AL Habib Capital Markets (Private) Limited - Employees' Provident Fund		
- Equity brokerage commission	582	2,020
Habib Asset Management - Staff Provident Fund		
- Equity brokerage commission	14,160	3,228
Key management personnel		
- Contribution to the provident fund	681,830	664,400
- Equity brokerage commission	28,293	39,302
- Loans and advances	240,000	509,000

Balances at period / year end	31 December 2017	30 June 2017
	------------ (Rupees) ------------	
Bank AL Habib Limited (the Holding Company)		
- Bank balances	41,853,318	8,753,276
- Equity brokerage commission receivable	-	602,162
- Accrued on Rent and IT Services	233,052	777,702
Associated Companies		
First Habib Stock Fund		
- Equity brokerage commission receivable	2,901	13,536
Habib Insurance Company Limited		
- Equity Payable	25,389,064	11,528,941
Habib Asset Management Limited		
- Equity brokerage commission receivable	5,721	5,721
Habib Asset Management Limited - Staff Provident Fund		
- Equity Payable	8,217	1,743,888
First Habib Islamic Balanced Fund		
- Equity brokerage commission receivable	40,144	27,839
Key management personnel		
- Other receivable	-	6,242
- Other payable	-	341,673

29. FINANCIAL RISK MANAGEMENT

The Management of the Company has an overall responsibility for the establishment and oversight of the Company's risk management framework. Management is also responsible for developing and monitoring the Company's risk management policies.

The Company's risk management policies are established to identify and analyse the risks faced by the Company, to set appropriate risk limits and controls, and to monitor risks and adherence to limits. Risk management policies and systems are reviewed regularly to reflect changes in market conditions and the Company's activities.

Risk Management Framework

The Company is exposed to the following risks in respect of financial instruments:

- Credit risk
- Liquidity risk
- Market risk
- Operational risk

29.1 Credit risk

Credit risk is the risk that the counterparty to a financial instrument will cause a financial loss for the Company by failing to discharge an obligation. The risk is generally limited to principal amounts and accrued interest thereon, if any. The Company's policy is to enter into financial contracts in accordance with the risk management framework. Out of total assets of Rs. 505.82 (30 June 2017: Rs. 458.22) million the financial assets which are subject to credit risk amounted to Rs. 187.49 (30 June 2017: Rs. 153.832) million. The carrying amount of these financial assets represents the maximum credit exposure at the reporting date.

	Note	31 December 2017	30 June 2017
		------------ (Rupees) ------------	
Long term loans	*7*	8,464	33,305
Long term advances and deposits	*7*	9,490,225	8,990,225
Trade debts	*10*	55,875,381	25,451,196
Loans and advances	*11*	805,339	225,483
Short term deposits	*12*	33,600,000	40,500,000
Other receivables	*13*	4,927,254	6,467,011
Bank balances	*14*	82,792,769	72,164,871
		187,499,432	153,832,091

29.1.1 The aging analysis of the trade debts is as follows:

	31 December 2017			
	Carrying amount		Provision held	Total
	Amount outstanding	Impaired		
	(Rupees)			
Not yet due	54,603,362	-	-	54,603,362
Upto 3 months	1,017,102	-	-	1,017,102
3 to 6 months	71,259	-	-	71,259
More than 6 months	183,658	-	-	183,658
	55,875,381	-	-	55,875,381

	30 June 2017			
	Carrying amount		Provision held	Total
	Amount outstanding	Impaired		
	(Rupees)			
Not yet due	23,123,314	-	-	23,123,314
Upto 3 months	2,090,992	-	-	2,090,992
3 to 6 months	117,686	-	-	117,686
More than 6 months	119,204	-	-	119,204
	25,451,196	-	-	25,451,196

29.1.2 The analysis below summarizes the credit quality of the Company's bank balances:

*Ratings of Banks**	31 December 2017	30 June 2017
	(Rupees)	
A1+	82,792,769	72,164,871
	82,792,769	72,164,871

* Rating of banks performed by PACRA & JCR-VIS.

29.2 Liquidity risk

Liquidity risk is the risk that the Company will encounter difficulty in meeting its financial obligations as they fall due. Liquidity risk arises because of the possibility that the Company could be required to pay its liabilities earlier than expected or difficulty in raising funds to meet commitments associated with financial liabilities as they fall due. The Company's approach to managing liquidity is to ensure, as far as possible, that it will always have sufficient liquidity to meet its liabilities when due, under both normal and stressed conditions, without incurring unacceptable losses or risking damage to the Company's reputation.

The following are the contractual maturities of financial liabilities:

	31 December 2017				
	On demand	Upto three months	More than three months and upto one year	More than one year	Total
	(Rupees)				
Trade payables, accrued expenses and other liabilities	141,697,697	-	-	-	141,697,697
Short term borrowing	-	-	-	-	-
Sales tax and FED payable	156,040	156,040	-	-	312,080
	141,853,737	156,040	-	-	142,009,777

	30 June 2017				
	On demand	Upto three months	More than three months and upto one year	More than one year	Total
	(Rupees)				
Trade payables, accrued expenses and other liabilities	66,140,004	-	-	-	66,140,004
Short term borrowing	-	-	-	-	-
Sales tax and FED payable	-	388,374	-	-	388,374
	66,140,004	388,374	-	-	66,528,378

29.3 Market risk

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

29.3.1 Interest rate risk

Interest rate risk is the risk that the value of a financial instrument will fluctuate due to changes in the market yield. At the reporting date the interest rate profile of the Company's significant interest bearing financial instruments was as follows:

	31 December 2017						
	Effective yield / interest rate percent	Interest / mark-up bearing: Maturity not later than one month	Maturity later than one month and not later than three months	Maturity later than three months and not later than one year	Maturity later than one year and not later than five years	Non interest / mark-up bearing	Total
On Balance Sheet Assets		(Rupees)					
Financial Assets							
Long term investments	-	-	-	-	-	35,906,147	35,906,147
Long term loans, advances and deposits	8%	-	-	-	8,464	-	8,464
Investments - available for sale	6.02% to 12.42%	-	-	-	-	119,256,129	119,256,129
Trade debts	-	-	-	-	-	55,875,381	55,875,381
Loans and advances	8%	-	-	74,833	-	275,506	350,339
Deposits	4.5% to 5.5%	-	-	-	-	33,600,000	33,600,000
Other receivables	-	-	-	-	-	4,927,254	4,927,254
Bank balances	3.75% to 5.25%	5,650,147	-	-	-	77,142,622	82,792,769
		5,650,147	-	74,833	8,464	326,983,039	332,716,483
Financial Liabilities							
Trade payables, accrued expenses and other liabilities	-	-	-	-	-	141,188,518	141,188,518
Sales tax and FED payable	-	-	-	-	-	156,040	156,040
		-	-	-	-	141,344,558	141,344,558
On Balance Sheet Gap		5,650,147	-	74,833	8,464	185,638,481	191,371,925
Total net assets							191,371,925

	30 June 2017						
	Effective yield / interest rate percent	Interest / mark-up bearing: Maturity not later than one month	Maturity later than one month and not later than three months	Maturity later than three months and not later than one year	Maturity later than one year and not later than five years	Non interest / mark-up bearing	Total
On Balance Sheet Assets		(Rupees)					
Financial Assets							
Long term investments	-	-	-	-	-	41,163,833	41,163,833
Long term loans, advances and deposits	8%	-	-	-	33,305	-	33,305
Investments - available for sale	6.02% to 12.42%	145,339,133	-	-	-	79,746,989	225,086,122
Trade debts	-	-	-	-	-	25,451,196	25,451,196
Loans and advances	8%	-	-	141,976	-	83,507	225,483
Deposits	4.5% to 5.5%	-	-	-	-	40,500,000	40,500,000
Other receivables	-	-	-	-	-	13,776,437	13,776,437
Bank balances	4.24% to 5.25%	10,981,898	-	-	-	61,182,973	72,164,871
		156,321,031	-	141,976	33,305	261,904,935	418,401,247
Financial Liabilities							
Trade payables, accrued expenses and other liabilities	-	-	-	-	-	66,140,004	66,140,004
Sales tax and FED payable	-	-	-	-	-	388,374	388,374
		-	-	-	-	66,528,378	66,528,378
On Balance Sheet Gap		156,321,031	-	141,976	33,305	195,376,557	351,872,869
Total net assets							351,872,869

29.3.2 *Price risk*

Price risk is the risk of unfavourable changes in the fair value of securities as a result of changes in the value of individual shares. The price risk exposure arises from the Company's investments in equity securities. The Company's policy is to manage price risk through selection of blue chip securities.

The Company's investments in quoted equity securities amounted to Rs. 155.16 (30 June 2017: Rs 120.91) million at the balance sheet date. The carrying value of investments subject to equity price risk are, in almost all instances, based on quoted market prices as of the balance sheet date. Market prices are subject to fluctuation. Fluctuation in the market price of a security may result from perceived changes in the underlying economic characteristics of the investee, the relative price of alternative investments and general market conditions.

In case of quoted equity investments, a 10% increase / decrease in share prices value at year end would have increased / decreased the other comprehensive income of the Company by increasing / decreasing surplus on revaluation of such investment by the amounts given below.

	31 December 2017	30 June 2017
	(Rupees)	
Effect on profit or loss (impairment loss)	-	-
Effect on other comprehensive income - net of tax	13,188,794	10,894,877
Effect on investments	15,516,228	12,091,082

29.3.3 *Currency risk*

Currency risk is the risk that the fair value or future cash flows of a financial instrument will fluctuate because of changes in foreign exchange rates. The Company, at present is not exposed to currency risk as all transactions are carried out in Pak Rupees.

29.4 Fair value of financial assets and liabilities

Fair value is an amount for which an asset could be exchanged or a liability settled between knowledgeable willing parties in arm's length transaction. The table below analysis financial instruments carried at fair value, by valuation method. The different levels (methods) have been defined as follows:

Level 1: Fair value measurements using quoted prices (unadjusted) in active markets for identical assets or liabilities.

Level 2: Fair value measurements using inputs other than quoted prices included within Level 1 that are observable for the asset or liability, either directly (i.e. as prices) or indirectly (i.e. derived from prices).

Level 3: Fair value measurements using inputs for the asset or liability that are not based on observable market data (i.e. unobservable inputs).

On balance sheet financial instruments	31 December 2017								
	Carrying Amount						Fair value		
	Available for Sale	Held for Trading	Held to Maturity	Loans and Receivables	Other financial liabilities	Total	Level 1	Level 2	Level 3
	(Rupees)								
Financial assets measured at fair value									
Investments - available for sale									
- Listed shares	119,256,129	-	-	-	-	119,256,129	119,256,129	-	-
- Pakistan Investment Bonds	-	-	-	-	-	-	-	-	-
- Market Treasury Bills	129,049,082	-	-	-	-	129,049,082	-	129,049,082	-
Long term investments	35,906,147	-	-	-	-	35,906,147	35,906,147	-	-
	284,211,358	-	-	-	-	284,211,358			
Financial assets not measured at fair value									
Long term loans, advances and deposits	-	-	-	1,584,964	-	1,584,964			
Trade debts	-	-	-	55,875,381	-	55,875,381			
Loans and advances	-	-	-	805,339	-	805,339			
Deposits and prepayments	-	-	-	34,066,526	-	34,066,526			
Other receivables	-	-	-	4,927,254	-	4,927,254			
Cash and bank balances	-	-	-	82,807,024	-	82,807,024			
	-	-	-	180,066,488	-	180,066,488			
Financial liabilities not measured at fair value									
Trade payables, accrued expenses and other liabilities	-	-	-	-	(141,188,518)	(141,188,518)			
Sales tax and FED Payable	-	-	-	-	(156,040)	(156,040)			
	-	-	-	-	(141,344,558)	(141,344,558)			

On balance sheet financial instruments	30 June 2017								
	Carrying Amount						Fair value		
	Available for Sale	Held for Trading	Held to Maturity	Loans and Receivables	Other financial liabilities	Total	Level 1	Level 2	Level 3
	(Rupees)								
Financial assets measured at fair value									
Investments - available for sale									
- Listed shares	79,746,989	-	-	-	-	79,746,989	79,746,989	-	-
- Pakistan Investment Bonds	145,339,133	-	-	-	-	145,339,133	-	145,339,133	-
Long term investments	41,163,833	-	-	-	-	41,163,833	41,163,833	-	-
	266,249,955	-	-	-	-	266,249,955			
Financial assets not measured at fair value									
Long term loans, advances and deposits	-	-	-	1,974,805	-	1,974,805			
Trade debts	-	-	-	25,451,196	-	25,451,196			
Loans and advances	-	-	-	225,483	-	225,483			
Deposits and prepayments	-	-	-	40,560,937	-	40,560,937			
Other receivables	-	-	-	13,776,437	-	13,776,437			
Cash and bank balances	-	-	-	72,186,645	-	72,186,645			
	-	-	-	154,175,503	-	154,175,503			
Financial liabilities not measured at fair value									
Trade payables, accrued expenses and other liabilities	-	-	-	-	(66,140,004)	(66,140,004)			
Sales tax and FED Payable	-	-	-	-	(388,374)	(388,374)			
	-	-	-	-	(66,528,378)	(66,528,378)			

29.5 Operational risk

Operational risk is the risk of direct or indirect loss arising from a wide variety of causes associated with the processes, technology and infrastructure supporting the Company's operations either internally within the Company or externally at the Company's service providers, and from external factors other than credit, market and liquidity risks such as those arising from legal and regulatory requirements and generally accepted standards of investment management behavior. Operational risks arise from all of the Company's activities.

The primary responsibility for the development and implementation of controls over operational risk rests with the Board of Directors. This responsibility encompasses the controls in the following areas:

- requirements for appropriate segregation of duties between various functions, roles and responsibilities;
- requirements for the reconciliation and monitoring of transactions;
- compliance with regulatory and other legal requirements;
- documentation of controls and procedures;
- requirements for the periodic assessment of operational risks faced, and the adequacy of controls and procedures to address the risks identified;
- ethical and business standards;
- risk mitigation, including insurance where this is effective.

30. CAPITAL RISK MANAGEMENT

The Company's objective when managing capital is to safeguard the Company's ability to continue as a going concern so that it can continue to provide returns for shareholders and benefits for other stakeholders; and to maintain a strong capital base to support the sustained development of its business. Further, Pakistan Stock Exchange Limited also requires the Company to maintain a minimum net capital.

30.1 Base Minimum Capital

In compliance with the sub-regulation 2.1 of the Regulation Governing Risk Management (Regulations) of the Pakistan Stock Exchange Limited (PSX) (formerly Karachi Stock Exchange Limited), every Trading Right Entitlement Certificate (TREC) holder registered as a broker under Brokers and Agents Registration Rules, 2001, is required to maintain a Base Minimum Capital (BMC) in the amount and form as prescribed in the Regulations.

As at 31 December 2017, the Company is required to have a BMC of Rs. 28 million. The Company's BMC is comprised of the sum of notional value of the TREC and the market value of Pakistan Stock Exchange Limited as at 31 December 2017. The market value taken to meet BMC deposit requirement is after the haircut of 10%.

The notional value of the TREC and the value of the shares for the purpose of BMC is determined by the PSX as under:

	31 December 2017	30 June 2017
	(Rupees)	
Trading Right Entitlement Certificates	2,500,000	5,000,000
Shares of Pakistan Stock Exchange Limited	32,315,532	-
Shares of The Hub Power Company Limited	-	25,203,414
	34,815,532	30,203,414

31. NUMBER OF EMPLOYEES

The details of number of employees are as follows:

	31 December 2017	30 June 2017
	(Number)	
Average number of employees during the period / year	27	24
Number of employees at period / year end	28	26

32. GENERAL

Comparative information has been re-classified, re-arranged or additionally incorporated in these special purpose financial statements, wherever necessary to facilitate comparative and to confirm with changes in presentation in the current year.

33. DATE OF AUTHORISATION FOR ISSUE

These special purpose financial statements were authorized for issue on 13 FEB 2018.

Chief Financial Officer

Chief Executive