



KPMG Taseer Hadi & Co.
Chartered Accountants

Al Habib Capital Markets
(Private) Limited

Financial Statements
For the six months period ended
31 December 2016



KPMG Taseer Hadi & Co.
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Auditors' Report to the Members

We have audited the annexed balance sheet of **AL Habib Capital Markets (Private) Limited** ("the Company") as at 31 December 2016 and the related profit and loss account, statement of comprehensive income, cash flow statement, and statement of changes in equity together with the notes forming part thereof, for the six months period then ended and we state that we have obtained all the information and explanations which, to the best of our knowledge and belief, were necessary for the purposes of our audit.

It is the responsibility of the Company's management to establish and maintain a system of internal control, and prepare and present the above said statements in conformity with the approved accounting standards and the requirements of the Companies Ordinance, 1984. Our responsibility is to express an opinion on these statements based on our audit.

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

- a) in our opinion, proper books of account have been kept by the Company as required by the Companies Ordinance, 1984;
- b) in our opinion:
 - i) the balance sheet and profit and loss account together with the notes thereon have been drawn up in conformity with the Companies Ordinance 1984 and are in agreement with the books of account and are further in accordance with accounting policies consistently applied;
 - ii) the expenditure incurred during the period was for the purpose of the Company's business; and
 - iii) the business conducted, investments made and the expenditure incurred during the period were in accordance with the objects of the Company;
- c) in our opinion and to the best of our information and according to the explanations given to us, the balance sheet, profit and loss account, statement of comprehensive income, cash flow statement and statement of changes in equity together with the notes forming part thereof conform with approved accounting standards as applicable in Pakistan, and give the information required by the Companies Ordinance, 1984, in the manner so required and respectively give a true and fair view of the state of the Company's affairs as at 31 December 2016 and of the profit, its cash flows and changes in equity for the six months period then ended; and



- d) in our opinion, no Zakat was deductible at source under the Zakat and Ushr Ordinance, 1980.

Restriction on Distribution

These financial statements have been prepared by the management of the Company for the purpose of calculating net capital balance. As a result, these financial statements are not suitable for any other purpose and should not be distributed to parties other than the Company, SECP, Pakistan Stock Exchange Limited, Central Depository Company of Pakistan Limited and National Clearing Company of Pakistan Limited without our prior written consent.

Date: 25 January 2017

Karachi

KPMG Taseer Hadi & Co.
KPMG Taseer Hadi & Co.
Chartered Accountants
Muhammad Taufiq

AL Habib Capital Markets (Private) Limited

Balance Sheet

As at 31 December 2016

	Note	31 December 2016	30 June 2016
		(Rupees)	
ASSETS			
NON-CURRENT ASSETS			
Property and equipment	6	9,159,820	9,693,866
Intangible assets	7	16,849,875	15,135,125
Long term investments	8	24,227,037	40,378,391
Long term loans, advances and deposits	9	8,583,793	8,627,081
Deferred tax - net	10	-	3,853,511
		<u>58,820,525</u>	<u>77,687,974</u>
CURRENT ASSETS			
Investments - Available for sale	11.1	228,049,833	220,070,056
Investments - Held for sale	11.2	44,882,684	-
Trade debts	12	23,187,669	44,668,069
Loans and advances	13	626,180	932,720
Deposits and prepayments	14	4,521,868	6,220,738
Other receivables	15	7,172,006	7,419,196
Taxation - net	25.2	20,121,365	19,392,570
Cash and bank balances	16	49,740,091	36,086,168
		<u>378,301,696</u>	<u>334,789,517</u>
		<u>437,122,221</u>	<u>412,477,491</u>
EQUITY AND LIABILITIES			
SHARE CAPITAL AND RESERVES			
Issued, subscribed and paid-up capital	17	300,000,000	300,000,000
Unappropriated profit		39,708,204	38,839,931
Unrealized gain on re-measurement of investments		43,809,883	15,914,548
		<u>383,518,087</u>	<u>354,754,479</u>
NON CURRENT LIABILITIES			
Deferred tax - net	10	2,341,594	-
CURRENT LIABILITIES			
Short term borrowing	18	-	2,740,038
Trade payables, accrued expenses and other liabilities	19	50,911,174	54,715,819
Sales tax and FED payable		351,366	267,155
		<u>51,262,540</u>	<u>57,723,012</u>
		<u>437,122,221</u>	<u>412,477,491</u>
CONTINGENCIES AND COMMITMENTS			
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The annexed notes 1 to 35 form an integral part of these 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 2016

	Note	31 December 2016	31 December 2015
(Rupees)			
INCOME			
Brokerage revenue	21	16,119,707	12,202,263
Share subscription income		1,190	150,188
Dividend income		1,945,619	3,391,774
Interest income from Pakistan Investment Bonds		8,001,598	8,834,126
Profit on saving and deposit accounts		407,720	433,657
Gain on sale of investments		3,840,891	1,738,691
Other income	22	105,854	52,636
		<u>30,422,579</u>	<u>26,803,335</u>
EXPENSES			
Administrative expenses	23	(24,545,112)	(25,479,306)
Provision for Workers' Welfare Fund		(107,261)	(41,392)
Finance cost	24	(290,143)	(149,427)
		<u>(24,942,516)</u>	<u>(25,670,125)</u>
Provision for impairment on investments		-	(5,030,044)
PROFIT / (LOSS) BEFORE TAXATION		<u>5,480,063</u>	<u>(3,896,834)</u>
Taxation - current	25	(3,134,615)	(1,995,553)
- deferred	10	(1,477,175)	(1,521,547)
		<u>(4,611,790)</u>	<u>(3,517,100)</u>
PROFIT / (LOSS) FOR THE PERIOD		<u>868,273</u>	<u>(7,413,934)</u>
Earnings / (loss) per share - basic and diluted	26	<u>0.029</u>	<u>(0.247)</u>

The annexed notes 1 to 35 form an integral part of these 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 2016

	31 December 2016	31 December 2015
	----- (Rupees) -----	
Profit / (loss) for the period	868,273	(7,413,934)
Other comprehensive income		
<i>Items to be reclassified to profit or loss in subsequent periods</i>		
Unrealized gain / (loss) on re-measurement of investments - net of tax	27,895,335	(1,314,956)
Total comprehensive income for the period	<u>28,763,608</u>	<u>(8,728,890)</u>

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

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Chief Financial Officer



- Chief Executive

AL Habib Capital Markets (Private) Limited

Cash Flow Statement

For the six months period ended 31 December 2016

Note	31 December 2016	31 December 2015
	(Rupees)	
CASH FLOWS FROM OPERATING ACTIVITIES		
Profit / (loss) before taxation	5,480,063	(3,896,834)
Adjustment for:		
Depreciation	720,046	651,702
Amortisation	385,250	195,595
Provision for impairment on investments	-	5,030,044
Finance cost	290,143	149,427
Amortisation on Pakistan Investment Bonds	107,765	(473,093)
Loss on disposal of property and equipment	-	1,874
Gain on sale of investments	(3,840,891)	(1,738,691)
	<u>(2,337,687)</u>	<u>3,816,858</u>
Operating profit / (loss) before working capital changes	3,142,376	(79,976)
Decrease in operating assets		
Trade debts	21,480,400	59,635,695
Loans and advances	306,540	(146,720)
Deposits and prepayments	1,698,870	15,227,588
Other receivables	247,191	(185,708)
	<u>23,733,001</u>	<u>74,530,855</u>
	26,875,377	74,450,879
Increase / (decrease) in operating liabilities		
Trade payables, accrued expenses and other liabilities	(3,804,645)	(84,871,418)
Sales tax and FED payable	84,211	-
	<u>(3,720,434)</u>	<u>(84,871,418)</u>
Net cash generated from / (used in) operations	23,154,943	(10,420,539)
Long term loans, advances and deposits		
Finance cost paid	43,288	27,973
Tax paid	(299,171)	(38,947)
	<u>(3,863,411)</u>	<u>(2,098,949)</u>
	(4,119,294)	(2,109,923)
Net cash generated from / (used in) operating activities	19,035,649	(12,530,462)
CASH FLOWS FROM INVESTING ACTIVITIES		
Investments made during the period	(46,732,839)	(53,045,091)
Investments disposed off during the period	46,377,151	53,195,409
Sale proceeds from disposal of property and equipment	-	68,000
Additions to property and equipment	(186,000)	(194,000)
Additions to intangible assets	(2,100,000)	-
Net cash (used in) / generated from investing activities	(2,641,688)	24,318
Net increase / (decrease) in cash and cash equivalents during the period	16,393,961	(12,506,144)
Cash and cash equivalents at beginning of the period	33,346,130	46,774,136
Cash and cash equivalents at end of the period	49,740,091	34,267,992

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The annexed notes 1 to 35 form an integral part of these 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 2016

	Issued, subscribed and paid-up capital	Unappropriated profit	Unrealised gain on re- measurement of investments	Total
	(Rupees)			
Balance as at 1 July 2015	300,000,000	44,469,352	15,177,126	359,646,478
<i>Total comprehensive income for the year</i>				
Loss for the year ended 30 June 2016	-	(5,629,421)	-	(5,629,421)
<i>Other comprehensive income</i>				
Unrealised gain on re-measurement of investments - net of tax	-	-	737,422	737,422
Total comprehensive income for the year	-	(5,629,421)	737,422	(4,891,999)
Balance as at 30 June 2016	300,000,000	38,839,931	15,914,548	354,754,479
<i>Total comprehensive income for the year</i>				
Profit for the six months period ended 31 December 2016	-	868,273	-	868,273
<i>Other comprehensive income</i>				
Unrealised gain on re-measurement of investments - net of tax	-	-	27,895,335	27,895,335
Total comprehensive income for the period	-	868,273	27,895,335	28,763,608
Balance as at 31 December 2016	<u>300,000,000</u>	<u>39,708,204</u>	<u>43,809,883</u>	<u>383,518,087</u>

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

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 Chief Financial Officer


 Chief Executive

AL Habib Capital Markets (Private) Limited

Notes to the Financial Statements

For the six months period ended 31 December 2016

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 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 the shares of the Company. The registered office of the Company is located at Technocity, Hasrat Mohani Road, 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

2.1 Statement of compliance

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

2.2 Basis of measurement

These financial statements have been prepared under the historical cost convention except for certain investments that are carried at fair value as referred in note 5.5 and 5.10 below.

2.3 Functional and presentation currency

These financial statements are presented in Pak Rupees, which is also the functional currency of the Company and rounded off to the nearest Rupee.

3 USE OF ESTIMATES AND JUDGMENTS

The preparation of 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 accounting policies and reported amounts of assets, liabilities, income and expenses.

The estimates, assumptions and judgments are continually evaluated and are based on historical experience and other factors, including reasonable expectations of future events. Revision to accounting estimates are recognised prospectively commencing from the period of revision. Areas where judgments and estimates made by the management that may have a significant effect on the amounts recognised in the financial statements are included in the following notes.

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- Residual value and useful lives of property and equipments (Note 5.1 and 6)
- Residual value and useful lives of intangible assets (Note 5.3 and 7)
- Classification, valuation and impairment of investments (Note 5.6, 5.10 and 11)
- Provision for impairment of receivable from customers and other receivables (Note 5.6)
- Provision for impairment of financial and non - financial assets (Note 5.6)
- Recognition of taxation and deferred tax (Note 5.11, 10 and 25)
- Provision for compensated absences (Note 5.13.2 and 19)

4 NEW ACCOUNTING STANDARDS AND IFRIC INTERPRETATIONS 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 01 January 2017:

- Amendments to IAS 12 'Income Taxes' are effective for annual periods beginning on or after 1 January 2017. The amendments clarify that the existence of a deductible temporary difference depends solely on a comparison of the carrying amount of an asset and its tax base at the end of the reporting period, and is not affected by possible future changes in the carrying amount or expected manner of recovery of the asset. The amendments further clarify that when calculating deferred tax asset in respect of insufficient taxable temporary differences, the future taxable profit excludes tax deductions resulting from the reversal of those deductible temporary differences. The amendments are not likely to have an impact on Company's financial statements.
- Amendments to IAS 7 'Statement of Cash Flows' are part of IASB's broader disclosure initiative and are effective for annual periods beginning on or after 1 January 2017. The amendments require disclosures that enable users of financial statements to evaluate changes in liabilities arising from financing activities, including both changes arising from cash flow and non-cash changes.
- Amendments to IFRS 2 - Share-based Payment 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 recognized for new and outstanding awards. The amendments are not likely to have an impact on Company's financial statements.
- Transfers of Investment Property (Amendments to IAS 40 'Investment Property' -effective for annual periods beginning on or after 1 January 2018) clarifies that an entity shall transfer a property to, or from, investment property when, and only when there is a change in use. A change in use occurs when the property meets, or ceases to meet, the definition of investment property and there is evidence of the change in use. In isolation, a change in management's intentions for the use of a property does not provide evidence of a change in use. The amendments are not likely to have an impact on Company's financial statements.
- Annual improvements to IFRS standards 2014-2016 cycle. The new cycle of improvements addresses improvements to following approved accounting standards:

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- Amendments to IFRS 12 'Disclosure of Interests in Other Entities' (effective for annual periods beginning on or after 1 January 2017) clarify that the requirements of IFRS 12 apply to an entity's interests that are classified as held for sale or discontinued operations in accordance with IFRS 5 – 'Non-current Assets Held for Sale and Discontinued Operations'. The amendments are not likely to have an impact on Company's financial statements.
- 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 organization 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 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 recognized. 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 recognized. 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.

5 SIGNIFICANT ACCOUNTING POLICIES

The significant accounting policies have been applied consistently to all periods presented in these financial statements as set out below:

5.1 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 6 to these 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.

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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.

5.2 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.

5.3 Intangible assets

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

Computer software and website developed are recognized in the 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 7. 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 7 to these financial statements.

5.4 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.

5.5 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.

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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 impaired 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 8 to these 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.

5.6 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

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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.

5.7 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 loses control of the contractual rights that comprise the financial assets. Financial liabilities are derecognised when they are extinguished, that is, when the obligation specified in the contract is discharged, cancelled, or expired. Any gain or loss on derecognition of the financial assets and financial liabilities is taken to profit and loss account.

5.8 Off-setting of financial assets and financial liabilities

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

5.9 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.

5.10 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.

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 asset 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. For impairment refer note 5.6 to the financial statements.

5.11 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.

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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 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.

5.12 Dividends distributions and appropriations

Dividend and appropriation to reserves are recognised in the financial statements in the period in which these are approved.

5.13 Staff retirement benefits

5.13.1 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.

5.13.2 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.

5.14 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.

5.15 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 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.

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5.16 Provisions

Provisions are recognised when the Company has a legal or constructive 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.

5.17 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.

6. PROPERTY AND EQUIPMENT

Note	31 December 2016								
	Cost			Accumulated depreciation			Written down value as at 31 December 2016	Rate of depreciation per annum	
	As at 01 July 2016	Additions / (disposals)	As at 31 December 2016	As at 01 July 2016	Charge for the period / (disposals)	As at 31 December 2016			
	(Rupees)								
								%	
Room and booths	6.2	14,500,000	-	14,500,000	7,612,500	362,502	7,975,002	6,524,998	5
Motor vehicles		1,309,900	-	1,309,900	68,115	125,800	193,995	1,115,905	20
Furniture and fixture		1,958,467	43,000	2,001,467	1,554,145	66,054	1,620,199	381,268	10
Office equipments		6,203,322	106,000	6,309,322	5,551,623	81,234	5,632,856	676,466	20
Computer equipment		5,617,265	37,000	5,654,265	5,108,706	84,376	5,193,082	461,183	20
		<u>29,588,954</u>	<u>186,000</u>	<u>29,774,954</u>	<u>19,895,088</u>	<u>720,046</u>	<u>20,615,134</u>	<u>9,159,820</u>	
		30 June 2016							
		Cost			Accumulated depreciation			Written down value as at 30 June 2016	Rate of depreciation per annum
		As at 01 July 2015	Additions / (disposals)	As at 30 June 2016	As at 01 July 2015	Charge for the year / (disposals)	As at 30 June 2016		
		(Rupees)							
									%
Room and booths	6.2	14,500,000	-	14,500,000	6,887,500	725,000	7,612,500	6,887,500	5
Motor vehicles		160,000	1,309,900 (160,000)	1,309,900	117,860	68,114 (117,859)	68,115	1,241,785	20
Furniture and fixture		1,958,467	-	1,958,467	1,390,135	164,010	1,554,145	404,322	10
Office equipments		6,673,078	477,372 (947,128)	6,203,322	6,190,308	175,189 (813,875)	5,551,622	651,700	20
Computer equipment		5,403,329	213,936	5,617,265	4,952,751	155,955	5,108,706	508,559	20
		<u>28,694,874</u>	<u>2,001,208</u> <u>(1,107,128)</u>	<u>29,588,954</u>	<u>19,538,554</u>	<u>1,288,268</u> <u>(931,734)</u>	<u>19,895,088</u>	<u>9,693,866</u>	

6.1 The cost of fully depreciated assets as at 31 Dec 2016 is Rs. 10.848 million (30 June 2016: Rs. 10.333 million).

6.2 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 leasee of the building, has sub-leased the said room in favour of the Company.

7. INTANGIBLE ASSETS

Note	31 December 2016								
	Cost			Accumulated amortisation / impairment			Written down value as at 31 December 2016	Rate of amortisation per annum	
	As at 01 July 2016	Additions	As at 31 December 2016	As at 01 July 2016	Charge for the period	As at 31 December 2016			
	(Rupees)								
								%	
Website		125,000	-	125,000	125,000	-	125,000	-	50
Computer software		1,099,849	2,100,000	3,199,849	964,724	385,250	1,349,974	1,849,875	50
Trading right entitlement certificate	7.2	17,158,785	-	17,158,785	2,158,785	-	2,158,785	15,000,000	-
		<u>18,383,634</u>	<u>2,100,000</u>	<u>20,483,634</u>	<u>3,248,509</u>	<u>385,250</u>	<u>3,633,759</u>	<u>16,849,875</u>	
		30 June 2016							
		Cost			Accumulated amortisation / impairment			Written down value as at 30 June 2016	Rate of amortisation per annum
		As at 01 July 2015	Additions	As at 30 June 2016	As at 01 July 2015	Charge for the year	As at 30 June 2016		
		(Rupees)							
									%
Website		125,000	-	125,000	125,000	-	125,000	-	50
Computer software		958,849	141,000	1,099,849	746,849	217,875	964,724	135,125	50
Trading right entitlement certificate	7.2	17,158,785	-	17,158,785	2,158,785	-	2,158,785	15,000,000	-
		<u>18,242,634</u>	<u>141,000</u>	<u>18,383,634</u>	<u>3,030,634</u>	<u>217,875</u>	<u>3,248,509</u>	<u>15,135,125</u>	

7.1 The cost of fully amortized intangible assets as at 31 December 2016 is Rs. 1.084 million (30 June 2016: Rs. 1.084 million).

7.2 The TRE Certificate acquired on surrender of Stock Exchange Membership Card is stated at Rs. 15 million (note 8.2).

According to the Stock Exchange (Corporatization, 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 prescribed. Up to 31 December 2019, the Stock Exchange shall offer for issuance of 15 TRE Certificate each year in the manner prescribed. After 2019, no restriction shall be placed on issuance of TRE Certificate.

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8. LONG TERM INVESTMENTS

	Note	31 December 2016	30 June 2016
8.1 Available for sale investments - (unquoted)		(Rupees)	
Investment in shares of Pakistan Stock Exchange Limited	8.2		
2,404,430 shares of Rs 10.076 each (30 June 2016: 4,007,383 shares of Rs 10.076 each)		24,227,037	40,378,391
		<u>24,227,037</u>	<u>40,378,391</u>

8.2 This represents shares of Pakistan Stock Exchange Limited (PSX) (formerly Karachi Stock Exchange Limited) 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 exchange after corporatization) of PSX by issuance of 4,007,383 to each initial shareholder in the following manner:

- 40% of the total shares allotted (i.e. 1,602,953 shares) are transferred in the House Account of CDC to each initial shareholder;
- 60% of the total shares (i.e. 2,404,430 shares) have been deposited in a sub-account in 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 (as per the provisions of the Act).

Right to receive distributions and sale proceed against 60% shares in the blocked account shall vest in the initial bonus and right shares (if any), shall be transferred to blocked account and disposed off with the blocked shares.

Right to vote against blocked shares shall be suspended till the time of sale.

The shares of PSX shall be listed within such time as the SECP may prescribe in consultation with the Board of Directors of PSX.

In compliance with the sub regulation 2.1 of the Regulation Governing Risk management (Regulation) of the PSX, every TREC holder registered as the 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 2016, the Company is required to have a base minimum capital of Rs. 28 million.

The Company's BMC is comprised of the sum of notional value of the TREC, breakup value of pledged 40% PSX shares and 1 million Exchange shares out of 60% pledged shares assigned in favour of Pakistan Stock Exchange Limited to meet the deficit in BMC deposit. As per notice no. PSX/N - 5328 dated 29 September 2016, the revised notional value of the TREC was Rs. 5 million and the breakup value of the shares was Rs. 25.977 million (30 June 2016: Rs. 9.98 per share) resulting in BMC maintained at Rs. 30.977 million against the requirements of Rs. 28 million.

8.3 In the current period, the Securities and Exchange Commission of Pakistan accorded its approval to Pakistan Stock Exchange Limited 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 offer price of Rs. 28 per share.

PSX vide their letter dated 29 December 2016 informed the Company that 40% shares (out of 60% of total shareholding in PSX), which were in 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 divestment committee of PSX.

As per the above mentioned letter, 10% of the consideration amount will be 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 classified 1,602,953 (40%) shares as non-current asset held for sale and are valued at Rs. 28 per share.

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9. LONG TERM LOANS, ADVANCES & DEPOSITS

	Note	31 December 2016	30 June 2016
(Rupees)			
Long term loans			
Staff loan	9.1	433,923	291,912
Less: current portion of staff loan		(315,357)	(140,056)
Long term portion of staff loan		108,566	151,856
Advance against Dubai Gold and Commodities Exchange membership	9.2	7,913,725	7,913,725
Security deposits			
- National Clearing Company of Pakistan Limited		200,000	200,000
- Pakistan Stock Exchange Limited		350,000	350,000
- Others		11,500	11,500
		561,500	561,500
		<u>8,583,793</u>	<u>8,627,081</u>

9.1 This represents personal loan carrying mark-up rates of 8% per annum (30 June 2016: 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.

9.2 This amount has been paid for corporate membership of Dubai Gold and Commodities Exchange (DGCEX). The Company has a plan to open a subsidiary for commencement of business and all charges will be transferred to subsidiary.

10. DEFERRED TAX - net

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

	Balance at 1 July 2015	Recognized in profit and loss	Recognized in OCI	Balance at 30 June 2016	Recognized in profit and loss	Recognized in OCI	Balance at 31 December 2016
(Rupees)							
Deferred tax assets arising in respect of:							
Intangible assets	135,831	88	-	135,919	75,615	-	211,534
Provision for impairment in value of investments	368,563	695,047	(1,063,610)	-	-	-	-
Provision for compensated absences	319,619	14,924	-	334,543	(80,933)	-	253,610
Tax losses	10,719,722	(1,991,731)	-	8,727,991	(281,548)	-	8,446,443
Less: Deferred tax liabilities arising in respect of:							
Accelerated tax depreciation allowance	(1,299,092)	34,036	-	(1,265,056)	118,137	-	(1,146,919)
(Surplus) / deficit on revaluation of investments - net	(4,907,909)	-	828,023	(4,079,886)	(1,308,447)	(4,717,929)	(10,106,262)
Net deferred tax assets / (liabilities)	<u>5,336,734</u>	<u>(1,247,636)</u>	<u>(235,587)</u>	<u>3,853,511</u>	<u>(1,477,176)</u>	<u>(4,717,929)</u>	<u>(1,341,494)</u>

The deferred tax assets recognized in the 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 in these years against tax losses carried forward from prior years.

11. INVESTMENTS

	Note	31 December 2016	30 June 2016
(Rupees)			
Investments - Available for sale			
Listed shares	11.1.1	79,057,308	67,364,775
Pakistan Investment Bonds	11.1.2	148,992,525	152,705,281
		<u>228,049,833</u>	<u>220,070,056</u>

11.1.1 Listed shares

31 December 2016	30 June 2016	Name of investee	31 December 2016	30 June 2016
(Number of shares)			Carrying amount	Market value
			(Rupees)	
252,500	252,500	The Hub Power Company Limited *	22,870,615	30,315,150
128,100	128,100	Pakistan Petroleum Limited *	17,800,002	19,861,905
87,000	87,000	Habib Bank Limited *	16,165,418	17,187,720
			56,836,035	67,364,775
		Unrealized gain on re-measurement of investment	22,221,273	
		Carrying value	<u>79,057,308</u>	

* These shares are pledged against PSX exposure. Details of shares pledged are as follows:

	31 December 2016	30 June 2016
(Number of Shares)		
The Hub Power Company Limited *	218,500	252,500
Pakistan Petroleum Limited *	112,600	128,100
Habib Bank Limited *	69,500	87,000

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11.1.2	Pakistan Investment Bonds - movement	31 December 2016	30 June 2016
		(Rupees)	
	Pakistan Investment Bonds - cost	145,000,000	145,000,000
	Unamortised value of premium / (discount)	1,028,982	(3,971)
	Pakistan Investment Bonds - carrying value	146,028,982	144,996,029
	Surplus on revaluation of investments	2,963,543	7,709,252
	Fair value as at 31 December / 30 June	148,992,525	152,705,281

These Pakistan Investment Bonds will mature on 17 July 2017 (30 June 2016: 17 July 2017) and carry yield 6.02% to 12.42% per annum (30 June 2016: 6.68% to 12.43% per annum). These are placed in the IPS account maintained with Bank AL Habib Limited (the Holding Company) (refer note 18).

11.2	Investments - Held for sale	31 December 2016	30 June 2016	31 December 2016	30 June 2016
	(Number of shares)			Carrying amount	Market value
				(Rupees)	
	1,602,953			16,151,354	44,882,684
				28,731,330	
				44,882,684	

12.	TRADE DEBTS - considered good	31 December 2016	30 June 2016
		(Rupees)	
	Due from clients against trading of securities	15,641,489	44,456,234
	Due from National Clearing Company of Pakistan Limited	6,620,061	-
	Due from associated companies / persons against trading of securities	926,119	211,835
		23,187,669	44,668,069

12.1 The value of marketable securities held against trade debts by the Company amounted to Rs. 5,607.1 million (30 June 2016: Rs. 6,179.1 million).

13.	LOANS AND ADVANCES	Note	31 December 2016	30 June 2016
			(Rupees)	
	Loan to employees - secured	9.1	315,357	140,056
	Advances to employees - secured	13.1	296,823	57,664
	Advance for expenses to contractors & suppliers		14,000	735,000
			626,180	932,720

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

14.	DEPOSITS AND PREPAYMENTS	Note	31 December 2016	30 June 2016
			(Rupees)	
	Exposure deposit with National Clearing Company of Pakistan Limited	14.1	4,000,000	6,000,000
	Prepayments			
	- Insurance		110,007	31,327
	- Others		411,861	189,411
			4,521,868	6,220,738

14.1 This represents deposits held under the National Clearing Company of Pakistan Limited exposure rules. These deposits also carry interest at the rate of 4.5% to 5% as at 31 December 2016 (30 June 2016: 4.5% to 6.7%) per annum.

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15.	OTHER RECEIVABLES	Note	31 December 2016	30 June 2016
			(Rupees)	
	Interest receivable on Pakistan Investment Bonds	11.1.2	7,093,272	7,414,387
	Others		78,734	4,809
			<u>7,172,006</u>	<u>7,419,196</u>

16. CASH AND BANK BALANCES

	Cash in hand		19,997	25,349
	Cash with banks in:			
	- Current accounts	16.1 & 16.4	30,877,351	31,207,552
	- Saving accounts	16.2	13,301,150	4,853,267
	- Call treasury deposit account	16.3	5,541,593	-
			<u>49,720,094</u>	<u>36,060,819</u>
			<u>49,740,091</u>	<u>36,086,168</u>

16.1 This includes bank balances held with Bank AL Habib Limited (the Holding Company) amounting to Rs. 0.06 million (30 June 2016: Rs. 0.11 million).

16.2 This includes bank balances held with Bank AL Habib Limited (the Holding Company) amounting to Rs. 0.372 million (30 June 2016: Rs. 0.085 million) and carry interest at the rate of 4.3% (30 June 2016: 4.5% to 6.5%) per annum.

16.3 This represents bank balances held with Bank AL Habib Limited (the Holding Company) and carry interest at the rate of 5.25% (30 June 2016: NIL) per annum.

16.4 This includes Rs. 29.688 million kept in designated bank accounts maintained on behalf of clients.

17. SHARE CAPITAL

17.1 Authorised Capital

31 December 2016	30 June 2016		Note	31 December 2016	30 June 2016
(Number of shares)				(Rupees)	
<u>50,000,000</u>	<u>50,000,000</u>	Ordinary shares of Rs. 10/- each fully paid in cash		<u>500,000,000</u>	<u>500,000,000</u>

17.2 Issued, subscribed and paid-up share capital

<u>30,000,000</u>	<u>30,000,000</u>	Ordinary shares of Rs. 10/- each fully paid in cash		<u>300,000,000</u>	<u>300,000,000</u>
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17.3 Pattern of shareholding

Categories of Shareholders	Number of shares held	% of shares held
Bank AL Habib Limited (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%
	<u>30,000,000</u>	<u>100.00%</u>

18. SHORT TERM BORROWING - related party

Short Term Running Finance - Secured	18.1	-	2,740,038
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18.1 Running finance facility of Rs. 175 million (30 June 2016: Rs. 175 million) has been obtained by the Company from Bank AL Habib Limited (the Holding Company) which is secured against hypothecation of amounts due from customers and lien over government securities. The mark-up is payable quarterly. The facilities carry mark-up rate at 3 month Average KIBOR + 1% (30 June 2016: 3 month Average KIBOR + 1%).

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19. TRADE PAYABLES, ACCRUED EXPENSES AND OTHER LIABILITIES	Note	31 December	30 June
		2016	2016
		(Rupees)	
Due to clients against trading of securities		46,379,247	51,653,271
Workers' Welfare Fund payable		107,261	135,874
Accrued expenses		3,426,797	2,466,468
Other liabilities		997,869	460,206
		<u>50,911,174</u>	<u>54,715,819</u>

20. CONTINGENCIES AND COMMITMENTS

Contingencies

There were no contingencies at year end.

Commitments

Commitments for rentals under Ijarah finance:

Within one year

20.1 585,660 585,660

After one year but not later than five years

829,685 1,122,515

1,415,345 1,708,175

- 20.1 This represents ijarah finance facility entered into with First Habib Modarba in respect of vehicles. Total ijarah payments due under the agreement are Rs. 1.415 million (30 June 2016: Rs. 1.708 million). These commitments are secured by on-demand promissory notes of Rs. 1.773 million (30 June 2016: Rs. 1.773 million).

21. BROKERAGE REVENUE	Note	Six months period ended	
		31 December	31 December
		2016	2015
		(Rupees)	
Retail customers		2,918,171	2,007,640
Institutional customers		13,194,916	10,182,033
Proprietary trade		6,620	12,590
		<u>16,119,707</u>	<u>12,202,263</u>

22. OTHER INCOME

Loss on disposal of property and equipment

- (1,874)

Other income

105,854 54,510

105,854 52,636

23. ADMINISTRATIVE EXPENSES

Salaries and other benefits	23.1	15,154,183	15,042,136
Printing and stationery		252,864	329,543
Auditors' remuneration	23.2	231,306	216,781
Rent, rates and taxes		1,158,160	1,050,000
Vehicles running		574,068	654,811
Utilities		91,400	89,589
Legal and professional charges		468,937	610,618
Insurance		799,605	720,830
Newspapers and periodicals		15,010	15,608
Entertainment		22,275	27,121
Advertisement and business promotion		34,905	64,914
Computer expenses		612,145	329,987
Clearing house charges		1,381,828	1,204,291
Office security		428,310	395,310
Depreciation	6	720,046	651,702
Amortization	7	385,250	195,595
Repairs and maintenance		384,196	290,781
Conveyance and travelling		71,668	83,839
Communication		319,307	300,627
Fee and subscription		1,031,247	1,085,076
Lease rental of vehicles		292,320	1,996,290
Office supplies		104,200	120,842
Others		11,882	3,015
		<u>24,545,112</u>	<u>25,479,306</u>

- 23.1 Salaries, allowances and other benefits include the Company's contribution to the provident fund amounting to Rs. 0.881 million (31 Dec 2015: Rs. 0.716 million).

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23.2 Auditors' remuneration

Note

	Six months period ended	
	31 December 2016	31 December 2015
	(Rupees)	
Statutory audit fee	100,000	100,000
Half yearly review fee	75,000	75,000
Other certifications	7,500	7,500
Out of pocket expenses	48,806	34,281
	<u>231,306</u>	<u>216,781</u>

24. FINANCE COST

Mark-up on short term running finance	18	146,301	127,395
Bank charges		143,842	22,032
		<u>290,143</u>	<u>149,427</u>

25. TAXATION

Current		3,134,615	1,995,553
Deferred	10	1,477,175	1,521,547
		<u>4,611,790</u>	<u>3,517,100</u>

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

25.2 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.

25.3 Relationship between income tax expense and accounting profit

	Six months period ended	
	31 December 2016	31 December 2015
	(Rupees)	
Taxation	<u>4,611,790</u>	<u>3,517,100</u>
Accounting profit / (loss) before tax	5,480,063	(3,896,834)
Tax at the applicable tax rate of 31% (2015: 32%)	1,698,820	(1,246,987)
Tax effect of income subject to final tax regime and separate block of income	2,610,811	751,642
Tax effect of change in rate on deferred tax and others	302,159	4,012,445
	<u>4,611,790</u>	<u>3,517,100</u>

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

Profit / (loss) for the period after taxation	<u>868,273</u>	<u>(7,413,934)</u>
	(Number)	
Weighted average ordinary shares in issue during the year	<u>30,000,000</u>	<u>30,000,000</u>
	(Rupees)	
Earnings / (loss) per share - basic	<u>0.029</u>	<u>(0.247)</u>

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Diluted earnings per share has not been presented as the Company does not have any convertible instruments in issue as at 31 December 2016 and 31 December 2015 which would have any effect on the earnings per share.

27. 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 2016		31 December 2015	
	Chief Executive	Executives	Chief Executive	Executives
	(Rupees)			
Managerial remuneration	3,800,000	2,844,000	3,500,000	3,024,000
Housing and utilities	1,900,000	1,422,000	1,750,000	1,422,000
Medical	12,500	50,000	12,500	50,000
Retirement benefits	380,000	284,400	350,000	284,400
Commission	-	562,492	-	340,215
	<u>6,092,500</u>	<u>5,162,892</u>	<u>5,612,500</u>	<u>5,120,615</u>
Number of persons	<u>1</u>	<u>4</u>	<u>1</u>	<u>4</u>

27.1 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.

28. PROVIDENT FUND

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

	30 June 2016 (Rupees)
Size of the fund	48,912,506
Cost of investments made	40,302,465
Percentage of investments made	96%
Fair value of investments	47,078,806

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

	30 June 2016		30 June 2015	
	Investments	% of investments as size of the fund	Investments	% of investments as size of the fund
	(Audited)		(Audited)	
	(Rupees)		(Rupees)	
Government securities	27,991,055	57%	23,547,604	62%
Mutual fund units	566,711	1%	555,579	1%
Listed securities	18,521,040	38%	13,923,667	26%
	<u>47,078,806</u>	<u>96%</u>	<u>38,026,850</u>	<u>89%</u>

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

29. CASH AND CASH EQUIVALENTS

Note

		Six months period ended	
		31 December 2016	31 December 2015
		(Rupees)	
Cash and bank balances	16	49,740,091	34,267,992
		<u>49,740,091</u>	<u>34,267,992</u>

30. 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

		Six months period ended	
		31 December 2016	31 December 2015
		(Rupees)	
Bank AL Habib Limited (Holding company)			
- Equity brokerage commission		1,137,035	499,684
- Mark-up accrued on bank balances		-	330,279
- Mark-up expense on running finance		146,301	127,395
- Office rent		1,050,000	1,050,000
- Bank charges		93,993	13,250
- Information technology services		-	250,000
- Markup income on bank balances		223,012	-
- Information technology services		348,630	-
Associated Companies			
Habib Insurance Company Limited			
- Equity brokerage commission		493,010	124,643
- Insurance premium paid		192,138	397,974
First Habib Stock Fund			
- Equity brokerage commission		15,435	83,828
Habib Sugar Mills Limited			
- Equity brokerage commission		19,683	5,532
First Habib Islamic Balanced Fund			
- Equity brokerage commission		10,785	31,725
Key management personnel			
- Contribution to the provident fund		664,400	634,400
- Equity brokerage commission		39,302	1,293
- Loans and advances		509,000	310,000
AL Habib Capital Markets - Employees' Provident Fund			
- Equity brokerage commission		2,020	3,846
Habib Asset Management Limited - Staff provident Fund			
- Equity brokerage commission		3,228	-

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Balances at period end

	31 December 2016	30 June 2016
	(Rupees)	
Bank AL Habib Limited (Holding Company)		
- Bank balances	5,975,656	195,969
- Short term borrowing	-	2,740,038
- Equity brokerage commission receivable	345,344	132,439
- Accrued return on Rent and IT Services	777,702	-
Associated Companies		
First Habib Stock Fund		
- Equity brokerage commission receivable	6,020	40,400
Habib Insurance Company Limited		
- Other receivable	200,982	8,047
- Equity Payable	3,750,797	-
Habib Sugar Mills Limited		
- Equity brokerage commission receivable	76,596	1,216
Habib Asset Management Limited		
- Equity brokerage commission receivable	5,721	5,721
Habib Asset Management Limited - Staff Provident Fund		
- Equity Payable	488,138	-
First Habib Islamic Balanced Fund		
- Equity brokerage commission receivable	3,445	18,953
First Habib Stock Fund		
- Other receivable	6,020	-
Key management personnel		
- Equity brokerage commission receivable	-	38
- Other Receivable	855	-
- Other payable	355,557	4,530,802
- Loans and advances	360,934	-

31. 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

33.1 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. 437.122 million (30 June 2016: Rs. 412.48 million) the financial assets which are subject to credit risk amounted to Rs. 86.196 million (30 June 2016: Rs. 96.29 million). The carrying amount of these financial assets represents the maximum credit exposure at the reporting date.

	Note	31 December 2016	30 June 2016
		(Rupees)	
Long term loans	9	108,568	151,856
Long term advances and deposits	9	8,475,225	8,475,225
Trade debts	12	23,187,669	44,668,069
Loans and advances	13	626,180	932,720
Short term deposits	14	4,000,000	6,000,000
Other receivables	15	78,734	4,809
Bank balances	16	49,720,094	36,060,819
		<u>86,196,470</u>	<u>96,293,498</u>

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

	31 December 2016			Total
	Carrying amount		Provision held	
	Amount outstanding	Impaired		
	(Rupees)			
Not yet due	21,014,038	-	-	21,014,038
Upto 3 months	1,993,712	-	-	1,993,712
3 to 6 months	89,259	-	-	89,259
More than 6 months	90,660	-	-	90,660
	<u>23,187,669</u>	-	-	<u>23,187,669</u>

	30 June 2016			Total
	Carrying amount		Provision held	
	Amount outstanding	Impaired		
	(Rupees)			
Not yet due	40,741,427	-	-	40,741,427
Upto 3 months	3,457,517	-	-	3,457,517
3 to 6 months	469,125	-	-	469,125
More than 6 months	-	-	-	-
	<u>44,668,069</u>	-	-	<u>44,668,069</u>

The aging analysis of the trade debts is as follows:

	31 December 2016
	Amount outstanding
Upto 5 days	18,093,051
More than 5 days*	<u>5,094,618</u>
	<u>23,187,669</u>

* The custody available against these receivable is Rs. 1,178,064.

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

Ratings of Banks*	31 December 2016	30 June 2016
	(Rupees)	
AA+	6,447,339	515,596
AAA	449,907	332,385
AA	-	34,504,635
A+	196,582	169,080
AA-	172,849	539,123
AA	<u>42,453,417</u>	-
	<u>49,720,094</u>	<u>36,060,819</u>

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

31.2 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 2016				Total
	On demand	Upto three months	More than three months and upto one year	More than one year	
	(Rupees)				
Trade payables, accrued expenses and other liabilities	50,803,913	-	-	-	50,803,913
Short term borrowing	-	-	-	-	-
Sales tax and FED payable	-	351,366	-	-	351,366
	<u>50,803,913</u>	<u>351,366</u>	-	-	<u>51,155,279</u>

	30 June 2016				Total
	On demand	Upto three months	More than three months and upto one year	More than one year	
	(Rupees)				
Trade payables, accrued expenses and other liabilities	54,579,945	-	-	-	54,579,945
Short term borrowing	2,740,038	-	-	-	2,740,038
Sales tax and FED payable	-	267,155	-	-	267,155
	<u>57,319,983</u>	<u>267,155</u>	-	-	<u>57,587,138</u>

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31.3 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 optimising 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:

31.3.1 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 2016						Total
	Effective yield / interest rate percent	Interest / mark-up bearing				Non 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		
On Balance Sheet Assets	(Rupees)						
Financial Assets							
Long term Investments	-	-	-	-	24,227,037	24,227,037	
Long term loans, advances and deposits	8%	-	-	108,568	-	108,568	
Investments - Available for sale	6.02% to 12.42%	-	148,992,525	-	79,057,308	228,049,833	
Investments - Held for sale	-	-	-	-	44,882,684	44,882,684	
Trade debts	-	-	-	-	23,187,669	23,187,669	
Loans and advances	8%	-	315,357	-	310,823	626,180	
Deposits	-	-	-	-	4,000,000	4,000,000	
Other receivables	-	-	-	-	7,172,006	7,172,006	
Bank balances	4.3% to 5.25%	18,842,743	-	-	30,897,348	49,740,091	
		<u>18,842,743</u>	<u>-</u>	<u>149,307,882</u>	<u>108,568</u>	<u>213,734,875</u>	<u>381,994,068</u>
Financial Liabilities							
Trade payables, accrued expenses and other liabilities	-	-	-	-	50,803,913	50,803,913	
Sales tax and FED payable	-	-	-	-	351,366	351,366	
		<u>-</u>	<u>-</u>	<u>-</u>	<u>51,155,279</u>	<u>51,155,279</u>	
On Balance Sheet Gap		<u>18,842,743</u>	<u>-</u>	<u>149,307,882</u>	<u>108,568</u>	<u>162,879,596</u>	<u>330,838,789</u>
Total net assets							<u>330,838,789</u>
	30 June 2016						
	Effective yield / interest rate percent	Interest / mark-up bearing			Non interest / mark-up bearing	Total	
		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
On Balance Sheet Assets	(Rupees)						
Financial Assets							
Long term Investments	-	-	-	-	40,378,391	40,378,391	
Long term loans, advances and deposits	8%	-	-	-	151,856	8,627,081	
Investments - Available for sale	6.68% to 12.43%	-	152,705,281	-	67,364,775	220,070,056	
Trade debts	-	-	-	-	44,668,069	44,668,069	
Loans and advances	8%	-	140,056	-	792,664	932,720	
Deposits	-	-	-	-	6,000,000	6,000,000	
Other receivables	-	-	-	-	7,419,196	7,419,196	
Bank balances	4.5% to 6.5%	4,853,267	-	-	31,232,901	36,086,168	
		<u>4,853,267</u>	<u>-</u>	<u>152,845,337</u>	<u>151,856</u>	<u>206,331,221</u>	<u>364,181,681</u>
Financial Liabilities							
Trade payables, accrued expenses and other liabilities	-	-	-	-	54,579,945	54,579,945	
Short term borrowing	7.35% to 7.96%	2,740,038	-	-	-	2,740,038	
Sales tax and FED payable	-	-	-	-	267,155	267,155	
		<u>2,740,038</u>	<u>-</u>	<u>-</u>	<u>54,847,100</u>	<u>57,587,138</u>	
On Balance Sheet Gap		<u>2,113,229</u>	<u>-</u>	<u>152,845,337</u>	<u>151,856</u>	<u>151,751,276</u>	<u>306,594,543</u>
Total net assets							<u>306,594,543</u>

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31.3.2 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 amounted to Rs. 79.06 million (30 June 2016: Rs 67.36 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 2016	30 June 2016
	————— (Rupees) —————	
Effect on profit or loss (impairment loss)	-	-
Effect on other comprehensive income - net of tax	<u>6,719,871</u>	<u>5,726,006</u>
Effect on investments	<u>7,905,731</u>	<u>6,736,478</u>

31.3.3 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.

31.4 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 analyses 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).

Fair value of the financial assets that are traded in active markets are based on quoted market prices. Since investment in Pakistan Stock Exchange Limited (PSX) is not listed on stock exchange, a quoted market price is not available and the fair value of such investment can not be determined with reasonable accuracy. The following table shows fair values of financial assets and financial liabilities, including their levels in the fair value hierarchy. It includes fair value information of 40% investment in PSX measured as per the bidding process explained in note 8.3. These financial assets and financial liabilities, except for 60% investment in PSX, are short term and their fair value approximates their carrying value.

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On balance sheet
Financial Instruments

31 December 2016

	Carrying Amount						Fair value				
	Available for Sale	Held for Trading	Held to Maturity	Loans and Receivables	Held for Sale	Other financial liabilities (Rupees)	Total	Level 1	Level 2	Level 3	Total
Financial assets measured at fair value											
Investments - available for sale											
- Listed shares	79,057,308	-	-	-	-	-	79,057,308	-	-	-	79,057,308
- Pakistan Investment Bonds	148,992,525	-	-	-	-	-	148,992,525	-	148,992,525	-	148,992,525
Investments - held for sale	-	-	-	-	-	-	-	-	-	-	-
- Shares of Pakistan Stock Exchange	-	-	-	44,882,684	-	-	44,882,684	-	44,882,684	-	44,882,684
	228,049,833	-	-	44,882,684	-	-	272,932,517	79,057,308	193,875,209	-	272,932,517
Financial assets not measured at fair value											
Long term investments	24,227,037	-	-	-	-	-	24,227,037	-	-	-	24,227,037
Long term loans, advances and deposits	-	-	-	8,583,793	-	-	8,583,793	-	-	-	8,583,793
Trade debts	-	-	-	23,187,669	-	-	23,187,669	-	-	-	23,187,669
Loans and advances	-	-	-	626,180	-	-	626,180	-	-	-	626,180
Deposits and prepayments	-	-	-	4,521,868	-	-	4,521,868	-	-	-	4,521,868
Other receivables	-	-	-	7,172,096	-	-	7,172,096	-	-	-	7,172,096
Cash and bank balances	-	-	-	49,740,821	-	-	49,740,821	-	-	-	49,740,821
	24,227,037	-	-	93,831,697	-	-	118,058,734	-	-	-	118,058,734
Financial liabilities not measured at fair value											
Trade payables, accrued expenses and other liabilities	-	-	-	-	-	(50,883,913)	(50,883,913)	-	-	-	(50,883,913)
Sales tax and FED Payable	-	-	-	-	-	(351,365)	(351,365)	-	-	-	(351,365)
	-	-	-	-	-	(51,155,279)	(51,155,279)	-	-	-	(51,155,279)
	282,276,870	-	-	93,831,697	44,882,684	(51,155,279)	369,835,972	79,057,308	193,875,209	-	562,768,489

On balance sheet
Financial Instruments

30 June 2016

	Carrying Amount						Fair value				
	Available for Sale	Held for Trading	Held to Maturity	Loans and Receivables	Held for Sale	Other financial liabilities (Rupees)	Total	Level 1	Level 2	Level 3	Total
Financial assets measured at fair value											
Investments - available for sale											
- Listed shares	67,364,775	-	-	-	-	-	67,364,775	67,364,775	-	-	67,364,775
- Pakistan Investment Bonds	152,705,281	-	-	-	-	-	152,705,281	-	152,705,281	-	152,705,281
Investments - held for sale	-	-	-	-	-	-	-	-	-	-	-
- Shares of Pakistan Stock Exchange	-	-	-	-	-	-	-	-	-	-	-
	220,070,056	-	-	-	-	-	220,070,056	67,364,775	152,705,281	-	220,070,056
Financial assets not measured at fair value											
Long term investments	40,378,391	-	-	-	-	-	40,378,391	-	-	-	40,378,391
Long term loans, advances and deposits	-	-	-	8,627,081	-	-	8,627,081	-	-	-	8,627,081
Trade debts	-	-	-	44,668,069	-	-	44,668,069	-	-	-	44,668,069
Loans and advances	-	-	-	932,720	-	-	932,720	-	-	-	932,720
Deposits and prepayments	-	-	-	6,220,738	-	-	6,220,738	-	-	-	6,220,738
Other receivables	-	-	-	7,419,196	-	-	7,419,196	-	-	-	7,419,196
Cash and bank balances	-	-	-	26,086,168	-	-	26,086,168	-	-	-	26,086,168
	40,378,391	-	-	103,953,972	-	-	144,332,363	-	-	-	144,332,363
Financial liabilities not measured at fair value											
Short term borrowing	-	-	-	-	-	(2,740,036)	(2,740,036)	-	-	-	(2,740,036)
Trade payables, accrued expenses and other liabilities	-	-	-	-	-	(54,579,945)	(54,579,945)	-	-	-	(54,579,945)
Sales tax and FED Payable	-	-	-	-	-	(367,155)	(367,155)	-	-	-	(367,155)
	-	-	-	-	-	(57,687,136)	(57,687,136)	-	-	-	(57,687,136)
	260,448,447	-	-	103,953,972	-	(57,687,136)	306,715,283	67,364,775	152,705,281	-	426,775,339

31.5 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.

32. CAPITAL RISK MANAGEMENT

The Company's objective when managing capital is to safe guard 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 require the Company to maintain a minimum net capital.

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32.1 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 2016, the Company is required to have a base minimum capital of Rs. 28 million. The Company's BMC is comprised of the sum of notional value of the TREC, the break up value of 40% of the PSX shares (i.e. 1,602,953 shares) allotted to the initial share holders and 1,000,000 Exchange shares out of 60% of the total shares (i.e. 2,404,430 shares) assigned to the PSX to meet the BMC deposit requirement.

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

	31 December 2016 (Rupees)
Trading Right Entitlement Certificates	5,000,000
Break up value of PSX shares (Rs. 9.98 per share)	<u>25,977,470</u>
	<u>30,977,470</u>

33. NUMBER OF EMPLOYEES

31 December 2016	30 June 2016
----- (Number) -----	

The details of number of employees are as follows:

Average number of employees during the year	<u>24</u>	<u>23</u>
Number of employees at period end	<u>23</u>	<u>24</u>

34. GENERAL

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

35. DATE OF AUTHORISATION

These financial statements were authorized for issue by the Board of Directors of the Company in their meeting held on 25 JAN 2017

lcmr



Chief Financial Officer



Chief Executive