



KPMG Taseer Hadi & Co.
Chartered Accountants

**AL Habib Capital Markets
(Private) Limited**

Financial Statements
For the year ended
30 June 2015



KPMG Taseer Hadi & Co.
Chartered Accountants
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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 30 June 2015 and the related profit and loss account, statement of comprehensive income, cash flow statement and statement of changes in equity together with the notes forming part thereof, for the year then ended and we state that we have obtained all the information and explanations which, to the best of our knowledge and belief, were necessary for the purposes of our audit.

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

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

- a) in our opinion, proper books of account have been kept by the Company as required by the Companies Ordinance, 1984;
- b) in our opinion:
 - i) the balance sheet and profit and loss account together with the notes thereon have been drawn up in conformity with the Companies Ordinance, 1984, and are in agreement with the books of account and are further in accordance with accounting policies consistently applied;
 - ii) the expenditure incurred during the year was for the purpose of the Company's business; and
 - iii) the business conducted, investments made and the expenditure incurred during the year were in accordance with the objects of the Company;
- c) in our opinion and to the best of our information and according to the explanations given to us, the balance sheet, profit and loss account, statement of comprehensive income, cash flow statement and statement of changes in equity together with the notes forming part thereof conform with approved accounting standards as applicable in Pakistan, and, give the information required by the Companies Ordinance, 1984, in the manner so required and respectively give a true and fair view of the state of the Company's affairs as at 30 June 2015 and of the profit, its cash flows and changes in equity for the year then ended; and



KPMG Taseer Hadi & Co.

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

The financial statements of the Company for the year ended 30 June 2014 were audited by another firm of chartered accountants who had expressed an unmodified opinion thereon dated 09 October 2014.

Date: 6 October 2015

Karachi

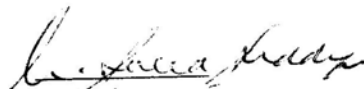
KPMG Taseer Hadi & Co.
KPMG Taseer Hadi & Co.
Chartered Accountants
Muhammad Taufiq


AL Habib Capital Markets (Private) Limited
 Balance Sheet
 As at 30 June 2015

	Note	2015 ----- (Rupees) -----	2014 -----
<u>ASSETS</u>			
NON-CURRENT ASSETS			
Property and equipment	6	9,156,320	10,380,239
Intangible assets	7	15,212,000	15,604,320
Long term investments	8	40,378,391	40,378,391
Long term loans, advances and deposits	9	8,399,240	9,667,351
Deferred tax asset - net	10	5,336,734	12,140,100
		<u>78,482,685</u>	<u>88,170,401</u>
CURRENT ASSETS			
Short term investments	11	219,187,301	7,665,570
Trade debts	12	66,088,686	22,682,027
Loans and advances	13	108,261	19,822,913
Deposits and prepayments	14	23,287,551	40,761,060
Other receivables	15	7,312,056	4,471
Taxation - net	25.2	18,744,704	16,952,652
Cash and bank balances	16	46,774,136	207,431,304
		<u>381,502,695</u>	<u>315,319,997</u>
		<u><u>459,985,380</u></u>	<u><u>403,490,398</u></u>
<u>EQUITY AND LIABILITIES</u>			
SHARE CAPITAL AND RESERVES			
Issued, subscribed and paid-up capital	17	300,000,000	300,000,000
Unappropriated profit		44,469,352	37,410,985
Unrealised gain on re-measurement of available-for-sale investments		15,177,126	154,809
		<u>359,646,478</u>	<u>337,565,794</u>
CURRENT LIABILITIES			
Trade payables, accrued expenses and other liabilities	19	99,419,917	65,121,194
Sales tax and FED payable		918,985	803,410
		<u>100,338,902</u>	<u>65,924,604</u>
		<u><u>459,985,380</u></u>	<u><u>403,490,398</u></u>
CONTINGENCIES AND COMMITMENTS			
	20		

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

1/2/15


 Chairman


 Chief Executive

AL Habib Capital Markets (Private) Limited

Profit and Loss Account

For the year ended 30 June 2015

	2015	2014
Note	----- (Rupees) -----	
INCOME		
Brokerage revenue	39,092,957	25,104,742
Share subscription income	3,018,239	655,602
Dividend income	4,586,469	2,622,283
Interest income from Pakistan Investment Bonds	14,796,960	-
Profit on saving and deposit accounts	3,730,863	880,231
Gain on sale of investments	2,652,664	23,048,716
Other income	21 <u>341,785</u>	<u>1,541,411</u>
	<u>68,219,937</u>	<u>53,852,985</u>
EXPENSES		
Administrative expenses	22 (53,546,875)	(51,655,718)
Provision of impairment on revaluation of available-for-sale investments	-	(5,462,824)
Finance cost	23 (695,378)	(899,087)
Provision of Workers' Welfare Fund	(260,699)	-
Other charges	24 (942,754)	-
	(55,445,706)	(58,017,629)
	<u>12,774,231</u>	<u>(4,164,644)</u>
PROFIT / (LOSS) BEFORE TAXATION		
Taxation - current	25 (4,065,058)	(555,847)
- deferred	(1,650,806)	7,720,457
	(5,715,864)	7,164,610
	<u>7,058,367</u>	<u>2,999,966</u>
PROFIT FOR THE YEAR		
Earnings per share - basic	26 <u>0.235</u>	<u>0.100</u>

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

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Chairman

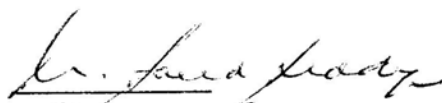

Chief Executive

AL Habib Capital Markets (Private) Limited
 Statement of Comprehensive Income
 For the year ended 30 June 2015

	2015	2014
	----- (Rupees) -----	
Profit for the year	7,058,367	2,999,966
Other comprehensive income		
<i>Items to be reclassified to profit or loss in subsequent periods</i>		
Unrealised gain on re-measurement of available-for-sales investments - net of tax	15,022,317	15,265,707
Reclassification adjustment on revaluation of investments classified as available-for-sale transferred to profit and loss on account of maturity / sale of investment	-	(23,048,716)
Total comprehensive income for the year	<u><u>22,080,684</u></u>	<u><u>(4,783,043)</u></u>

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

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 Chairman


 Chief Executive

AL Habib Capital Markets (Private) Limited

Cash Flow Statement

For the year ended 30 June 2015

Note	2015	2014
	----- (Rupees) -----	
CASH FLOWS FROM OPERATING ACTIVITIES		
Profit / (loss) before taxation	12,774,231	(4,164,644)
Adjustment for:		
Depreciation	1,493,260	1,874,610
Amortisation	392,320	179,529
Provision for impairment	-	5,462,824
Finance cost	695,378	899,087
Amortisation on Pakistan Investment Bonds	(1,034,064)	-
Loss / (gain) on disposal of property and equipment	11,167	(973,500)
Gain on sale of investments	(2,652,664)	(23,048,716)
	<u>(1,094,603)</u>	<u>(15,606,166)</u>
Operating profit / (loss) before working capital changes	11,679,628	(19,770,810)
Decrease / (increase) in operating assets		
Trade debts	(43,406,659)	5,792,324
Loans and advances	19,714,652	205,221
Deposits and prepayments	17,473,509	(58,952,457)
Other receivables	(5,539,947)	-
	<u>(11,758,445)</u>	<u>(52,954,912)</u>
	(78,817)	(72,725,722)
Increase / (decrease) in operating liabilities		
Trade payables, accrued expenses and other liabilities	34,188,243	(63,163,040)
Sales tax and FED payable	115,575	255,027
	<u>34,303,818</u>	<u>(62,908,013)</u>
Net cash flows from / (used in) operations	34,225,001	(135,633,735)
Finance cost paid	(584,906)	(911,893)
Tax paid	(5,857,110)	(2,648,929)
	<u>(6,442,016)</u>	<u>(3,560,822)</u>
Net cash from / (used in) operating activities	27,782,985	(139,194,557)
CASH FLOWS FROM INVESTING ACTIVITIES		
Investments made during the year	(241,951,340)	(7,510,761)
Investments disposed off during the year	52,523,576	243,166,890
Sale proceeds from disposal of property and equipment	20,000	973,500
Additions to property and equipment	(300,500)	(542,501)
Additions to intangible assets	-	(783,849)
Long term loans to employees	(70,651)	26,748
Long term deposits paid	1,338,762	(313,024)
	<u>(188,440,153)</u>	<u>235,017,003</u>
Net (decrease) / increase in cash and cash equivalents during the year	(160,657,168)	95,822,446
Cash and cash equivalents at beginning of the year	207,431,304	111,608,858
Cash and cash equivalents at end of the year	46,774,136	207,431,304

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

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Chairman


Chief Executive


AL Habib Capital Markets (Private) Limited
Statement of Changes in Equity
For the year ended 30 June 2015

	Issued, subscribed and paid-up capital	Unappropriated profit	Unrealised gain / (loss) on re- measurement of available-for-sale investments	Total
	----- (Rupees) -----			
Balance as at 1 July 2013	300,000,000	34,411,019	7,937,818	342,348,837
Total comprehensive income for the year				
Profit for the year ended 30 June 2014	-	2,999,966	-	2,999,966
Other comprehensive income				
Unrealised gain on re-measurement of available-for-sale investments - net of tax	-	-	(7,783,009)	(7,783,009)
Total comprehensive income for the year	-	2,999,966	(7,783,009)	(4,783,043)
Balance as at 30 June 2014	300,000,000	37,410,985	154,809	337,565,794
Total comprehensive income for the year				
Profit for the year ended 30 June 2015	-	7,058,367	-	7,058,367
Other comprehensive income				
Unrealised gain on re-measurement of available-for-sale investments - net of tax	-	-	15,022,317	15,022,317
Total comprehensive income for the year	-	7,058,367	15,022,317	22,080,684
Balance as at 30 June 2015	300,000,000	44,469,352	15,177,126	359,646,478

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

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Chairman


Chief Executive

AL Habib Capital Markets (Private) Limited

Notes to the Financial Statements

For the year ended 30 June 2015

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, Karachi. The Company is a corporate member of the Karachi Stock Exchange Limited and 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 available-for-sale investments, that are carried at fair value as referred in note 5.5 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.

- Residual value and useful lives of property and equipments (Note 5.1)
- Residual value and useful lives of intangible assets (Note 5.3)
- Classification, valuation and impairment of available for sale investments (Note 5.6)
- 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 5.10)

- Provision for compensated absences (Note 5.12.2)

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 July 2015:

- Amendments to IAS 38 Intangible Assets and IAS 16 Property, Plant and Equipment (effective for annual periods beginning on or after 1 January 2016) introduce severe restrictions on the use of revenue-based amortization for intangible assets and explicitly state that revenue-based methods of depreciation cannot be used for property, plant and equipment. The rebuttable presumption that the use of revenue-based amortisation methods for intangible assets is inappropriate can be overcome only when revenue and the consumption of the economic benefits of the intangible asset are 'highly correlated', or when the intangible asset is expressed as a measure of revenue. The amendments are not likely to have an impact on the Company's financial statements.
- Amendments to IAS 27 'Separate Financial Statements' (effective for annual periods beginning on or after 1 January 2016). The amendments to IAS 27 will allow entities to use the equity method to account for investments in subsidiaries, joint ventures and associates in their separate financial statements. The adoption of the amended standard is not likely to have an impact on the Company's financial statements.
- Sale or Contribution of Assets between an Investor and its Associate or Joint Venture (Amendments to IFRS 10 and IAS 28) [effective for annual periods beginning on or after 1 January 2016]. The main consequence of the amendments is that a full gain or loss is recognised when a transaction involves a business (whether it is housed in a subsidiary or not). A partial gain or loss is recognised when a transaction involves assets that do not constitute a business, even if these assets are housed in a subsidiary. The adoption of these amendments is not likely to have an impact on the Company's financial statements.
- Annual Improvements 2012-2014 cycles (amendments are effective for annual periods beginning on or after 1 January 2016). The new cycle of improvements contain amendments to the following standards:
 - IFRS 5 Non-current Assets Held for Sale and Discontinued Operations. IFRS 5 is amended to clarify that if an entity changes the method of disposal of an asset (or disposal group) i.e. reclassifies an asset from held for distribution to owners to held for sale or vice versa without any time lag, then such change in classification is considered as continuation of the original plan of disposal and if an entity determines that an asset (or disposal group) no longer meets the criteria to be classified as held for distribution, then it ceases held for distribution accounting in the same way as it would cease held for sale accounting.
 - IFRS 7 'Financial Instruments- Disclosures'. IFRS 7 is amended to clarify when servicing arrangements are in the scope of its disclosure requirements on continuing involvement in transferred financial assets in cases when they are derecognized in their entirety. IFRS 7 is also amended to clarify that additional disclosures required by 'Disclosures: Offsetting Financial Assets and Financial Liabilities (Amendments to IFRS7)' are not specifically required for inclusion in condensed interim financial statements for all interim periods.
 - IAS 19 'Employee Benefits'. IAS 19 is amended to clarify that high quality corporate bonds or government bonds used in determining the discount rate should be issued in the same currency in which the benefits are to be paid.
 - IAS 34 'Interim Financial Reporting'. IAS 34 is amended to clarify that certain disclosures, if

they are not included in the notes to interim financial statements and disclosed elsewhere should be cross referred.

The above interpretation and amendments are not likely to have significant impact on the financial statements of the Company.

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.

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 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.

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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 remeasurement 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 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 Karachi 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.

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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.

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 effective yield.
- Capital gains and losses on sale of securities is recognised as and when realised taking into account effective yield.
- Mark-up income, return on bank deposits and balances are recognised on accrual basis.
- Dividend income is recorded when the right to receive the dividend is established.

5.10 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

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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 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 it 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.

5.11 Dividends distributions and appropriations

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

5.12 Staff retirement benefits

5.12.1 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.

5.12.2 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.

5.13 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.

5.14 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.

5.15 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.

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5.16 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

		2015							
		Cost			Accumulated Depreciation			Written down value as at 30 June 2015	Rate of depreciation per annum
Note	As at 01 July 2014	Additions / (disposals)	As at 30 June 2015	As at 01 July 2014	Charge for the year / (disposals)	As at 30 June 2015			
(Rupees)									
Room and booths	6.2	14,500,000	-	14,500,000	6,162,500	725,000	6,887,500	7,612,500	5
Motor vehicles		160,000	-	160,000	85,860	32,000	117,860	42,140	20
Furniture and fixture		1,916,467	42,000	1,958,467	1,198,412	191,723	1,390,135	568,332	10
Office equipments		6,488,578	184,500	6,673,078	5,850,330	339,978	6,190,308	482,770	20
Computer equipment	6.3	5,383,729	74,000 (54,400)	5,403,329	4,771,433	204,551 (23,233)	4,952,751	450,578	20
		<u>28,448,774</u>	<u>300,500 (54,400)</u>	<u>28,694,874</u>	<u>18,068,535</u>	<u>1,493,252 (23,233)</u>	<u>19,538,554</u>	<u>9,156,320</u>	
2014									
		Cost			Accumulated Depreciation			Written down value as at 30 June 2014	Rate of depreciation per annum
Note	As at 01 July 2013	Additions / (disposals)	As at 30 June 2014	As at 01 July 2013	Charge for the year / (disposals)	As at 30 June 2014			
(Rupees)									
Room and booths	6.2	14,500,000	-	14,500,000	5,437,500	725,000	6,162,500	8,337,500	5
Motor vehicles		1,479,650	(1,319,650)	160,000	1,373,510	32,000 (1,319,650)	85,860	74,140	20
Furniture and fixture		1,916,467	-	1,916,467	1,006,710	191,702	1,198,412	718,056	10
Office equipments		6,457,177	68,901 (37,500)	6,488,578	5,249,769	638,062 (37,500)	5,850,331	638,247	20
Computer equipment		6,226,538	473,600 (1,316,409)	5,383,729	5,799,996	287,846 (1,316,409)	4,771,433	612,296	20
		<u>30,579,832</u>	<u>542,501 (2,673,559)</u>	<u>28,448,774</u>	<u>18,867,485</u>	<u>1,874,610 (2,673,559)</u>	<u>18,068,536</u>	<u>10,380,239</u>	

6.1 The cost of fully depreciated assets as at 30 June 2015 is Rs. 10.240 million (2014: Rs. 8.191 million).

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

6.3 This represents disposal of laptop to Ex- Chief Operating Officer of the Company at Rs. 20,000 on market value.

7. INTANGIBLE ASSETS

		2015							
		Cost			Accumulated Amortisation / Impairment			Written down value as at 30 June 2015	Rate of Amortisation per annum
Note	As at 01 July 2014	Additions	As at 30 June 2015	As at 01 July 2014	Charge for the year	As at 30 June 2015			
(Rupees)									
Website		125,000	-	125,000	125,000	-	125,000	-	50
Computer software		958,849	-	958,849	354,529	392,320	746,849	212,000	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>-</u>	<u>18,242,634</u>	<u>2,638,314</u>	<u>392,320</u>	<u>3,030,634</u>	<u>15,212,000</u>	
2014									
		Cost			Accumulated Amortisation / Impairment			Written down value as at 30 June 2014	Rate of Amortisation per annum
Note	As at 01 July 2013	Additions	As at 30 June 2014	As at 01 July 2013	Charge for the year	As at 30 June 2014			
(Rupees)									
Website		125,000	-	125,000	125,000	-	125,000	-	50
Computer software		175,000	783,849	958,849	175,000	179,529	354,529	604,320	50
Trading right entitlement certificate	7.2	17,158,785	-	17,158,785	2,158,785	-	2,158,785	15,000,000	-
		<u>17,458,785</u>	<u>783,849</u>	<u>18,242,634</u>	<u>2,458,785</u>	<u>179,529</u>	<u>2,638,314</u>	<u>15,604,320</u>	

- 7.1 The cost of fully amortised intangible assets as at 30 June 2015 is Rs. 0.3 million (2014: Rs. 0.3 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.

8. LONG TERM INVESTMENTS

		2015	2014
		----- (Rupees) -----	
8.1 Available for sale investments - (unquoted)			
Investment in shares of Karachi Stock Exchange Limited	8.2	40,378,391	45,841,215
Provision for diminishing in value of investment		-	(5,462,824)
		<u>40,378,391</u>	<u>40,378,391</u>

- 8.2 This represents shares of Karachi Stock Exchange Limited (KESL) acquired in pursuance of corporatization and demutualization of KSEL as a public company limited by shares. As per the arrangements the authorized and paid-up capital of KSEL 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 KSEL is equally distributed among 200 members (termed as initial shareholders of exchange after corporatization) of KSEL 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 KSEL'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 KSEL shall be listed within such time as the SECP may prescribe in consultation with the Board of Directors of KSEL.

In compliance with the sub regulation 2.1 of the Regulation Governing Risk management (Regulation) of the KSEL, 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 per notice No. KSE/N-1021 dated 26 February 2015, the BMC is Rs. 31.174 million.

The Company's BMC is comprised of the sum of notional value of the TREC and breakup value of pledged 40% KSEL shares. The KSEL once in every six months reviews notional value of the TREC and the breakup value of its shares. As per notice no. KSE/N-1021 dated 26 February 2015, the revised notional value of the TREC was Rs. 15 million and the breakup value of the shares was Rs. 16.174 million (Rs. 10.09 per share) resulting in BMC maintained at Rs. 31.174 million against the requirements of Rs. 31.174 million.

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9. LONG TERM LOANS, ADVANCES & DEPOSITS

		2015	2014
		----- (Rupees) -----	
Long term loans			
Staff loan	9.1	117,779	65,780
Less: current portion of staff loan		<u>(43,764)</u>	<u>(62,416)</u>
Long term portion of staff loan		74,015	3,364
Advance against Dubai Gold and Commodities Exchange membership	9.2	7,913,725	7,618,587
Security deposits			
- National Clearing Company of Pakistan Limited		200,000	200,000
- Karachi Stock Exchange Limited		200,000	700,000
- First Habib Modaraba		-	1,133,900
- Others		<u>11,500</u>	<u>11,500</u>
		411,500	2,045,400
		<u>8,399,240</u>	<u>9,667,351</u>

9.1 This represents personal loan carrying markup rates of 10% to 12.5% (2014: 12% to 13%) 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 (DGCX). The Company has a plan to open a subsidiary for commencement of business and all charges will be transferred to subsidiary.

10. DEFERRED TAX ASSET - net

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

	Balance at 1 July 2013	Recognised in profit and loss	Recognised in OCI	Balance at 30 June 2014	Recognised in profit and loss	Recognised in OCI	Balance at 30 June 2015
	----- (Rupees) -----						
Deferred tax assets arising in respect of:							
Intangible assets	755,575	(115,828)	-	639,747	(503,916)	-	135,831
Provision for impairment in value of investments	-	613,214	-	613,214	-	(244,651)	368,563
Provision for compensated absences	204,300	55,038	-	259,338	60,281	-	319,619
Tax losses	5,275,821	6,878,577	-	12,154,398	(1,434,676)	-	10,719,722
Less: Deferred tax liabilities arising in respect of							
Accelerated tax depreciation allowance	(1,816,053)	289,456	-	(1,526,597)	227,505	-	(1,299,092)
(Surplus) / deficit on revaluation of investments - net	-	-	-	-	-	(4,907,909)	(4,907,909)
Net deferred tax assets	<u>4,419,643</u>	<u>7,720,457</u>	<u>-</u>	<u>12,140,100</u>	<u>(1,650,806)</u>	<u>(5,152,560)</u>	<u>5,336,734</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. SHORT-TERM INVESTMENTS

		2015	2014
		----- (Rupees) -----	
Available-for-sale			
Listed shares	11.1	63,386,181	7,665,570
Pakistan Investment Bonds	11.2	<u>155,801,120</u>	<u>-</u>
		<u>219,187,301</u>	<u>7,665,570</u>

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11.1 Listed shares

2015 --- (Number of shares) ---	2014	Name of investee	2015		2014
			Carrying amount	Market value	Market value
			----- (Rupees) -----		
252,500	130,500	The Hub Power Company Limited *	19,088,038	23,626,425	7,665,570
128,100	-	Pakistan Petroleum Limited	23,172,723	21,041,706	-
87,000	-	Habib Bank Limited	14,618,990	18,718,050	-
			56,879,751	63,386,181	7,665,570
Provision for impairment in value of investments			-		
Unrealized gain on re-measurement of investment			6,506,430		
Carrying value			63,386,181		

* This includes nil shares (2014: 108,000) pledged against KSE margin exposure.

11.2 Pakistan Investment Bonds - movement

	2015	2014
	----- (Rupees) -----	
Pakistan Investment Bond - cost	145,000,000	-
Unamortised value of discount	(3,022,136)	-
Pakistan Investment Bond - carrying value	141,977,864	-
Surplus on revaluation of investments	13,823,256	-
Fair value as at 30 June	155,801,120	-

These Pakistan Investment Bonds will mature on 17 July 2017 (2014: nil) and carry yield ranging from 12.38% to 12.42% per annum (2014: nil). These are placed in the SGL / IPS account maintained with Bank Al. Habib Limited (the Holding Company) (refer note 18).

12. TRADE DEBTS - considered good

	2015	2014
	----- (Rupees) -----	
Due from clients against trading of securities	8,835,407	18,223,759
Due from National Clearing Company of Pakistan Limited	56,726,860	4,359,737
Due from associated companies / persons against trading of securities	526,419	98,531
	66,088,686	22,682,027

12.1 The value of marketable securities held against trade debts by the Company amounted to Rs. 5,288.7 million (2014: Rs. 1,916.4 million).

13. LOANS AND ADVANCES

	2015	2014
	----- (Rupees) -----	
Loan to employees - secured	9.1 43,764	62,416
Advances to employees - secured	13.1 64,497	50,497
Advance against subscription of shares	-	19,710,000
	108,261	19,822,913

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

	2015	2014
	----- (Rupees) -----	
Exposure deposit with Karachi Stock Exchange Limited	14.1 21,373,400	40,200,000
Security deposit to First Habib Modaraba	1,133,900	-
Prepayments		
- Insurance	639,159	509,870
- Others	141,092	51,190
	23,287,551	40,761,060

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14.1 This represents deposits held under the Karachi Stock Exchange Limited exposure rules. These deposits also carry interest at the rate of 6.6% to 8.61% (2014: 7.31% to 7.63%) per annum.

15. OTHER RECEIVABLES

		2015	2014
		(Rupees)	
Interest receivable on Pakistan Investment Bonds	11.2	7,307,247	-
Others		4,809	4,471
		<u>7,312,056</u>	<u>4,471</u>

16. CASH AND BANK BALANCES

Cash in hand		18,133	2,186
Cash with banks in:			
- Current accounts	16.1	29,100,581	55,788,156
- Saving accounts	16.2	1,215,725	216,985
- Call treasury deposit account	16.3	16,439,697	151,423,977
		46,756,003	207,429,118
		<u>46,774,136</u>	<u>207,431,304</u>

16.1 This includes bank balances held with Bank AL Habib Limited (the Holding Company) amounting to Rs. 28.02 million (2014: Rs. 53.714 million).

16.2 This includes bank balances held with Bank AL Habib Limited (the Holding Company) amounting to Rs. 0.15 million (2014: Rs. 0.12 million) and carry interest at the rate of 6% to 6.5% (2014: 6% to 7.5%) per annum.

16.3 This represents bank balances held with Bank AL Habib Limited (the Holding Company) and carry interest at the rate of 6% to 9% (2014: 7.50% to 9%) per annum.

17. SHARE CAPITAL

17.1 Authorised Capital

	2015	2014		2015	2014
	(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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18. SHORT TERM BORROWING - related party

Running finance facility of Rs. 500 million (2014: Rs. 500 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 Ask +1 % (2014: 3 month Average KIBOR Ask +1%).

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19. TRADE PAYABLES, ACCRUED EXPENSES AND OTHER LIABILITIES		2015	2014
		----- (Rupees) -----	
	Due to clients against trading of securities	96,517,370	62,661,948
	Workers' Welfare Fund payable	260,699	-
	Accrued expenses	2,641,848	2,316,868
	Other liabilities	-	142,378
		<u>99,419,917</u>	<u>65,121,194</u>
20. CONTINGENCIES AND COMMITMENTS			
Contingencies			
There were no contingencies at year end.			
Commitments			
Commitments for rentals under Ijarah finance			
	With in one year	20.1 3,327,150	4,016,280
	After one year but not later than five years	-	3,346,900
		<u>3,327,150</u>	<u>7,363,180</u>
20.1	This represents Ijarah Finance Facility entered into with First Habib Modarba in respect of vehicles. Total Ijarah payments due under the agreement is Rs. 3.33 million (2014: Rs. 7.36 million) and are payable in monthly instalments latest by April 2016. These commitments are secured by on-demand promissory notes of Rs. 13.108 million (2014: Rs. 13.108 million).		
21. OTHER INCOME		2015	2014
		----- (Rupees) -----	
	(Loss) / gain on disposal of property and equipment	(11,167)	973,500
	Other income	352,952	567,911
		<u>341,785</u>	<u>1,541,411</u>
22. ADMINISTRATIVE EXPENSES			
	Salaries and other benefits	22.1 31,097,963	28,170,360
	Printing and stationery	316,060	371,664
	Auditors' remuneration	22.2 309,384	287,814
	Rent, rates and taxes	2,253,920	2,616,953
	Vehicle running	1,312,568	2,083,246
	Utilities	1,554,319	1,674,870
	Legal and professional charges	944,477	875,630
	Insurance	1,434,357	1,547,218
	Newspapers and periodicals	43,648	64,206
	Entertainment	109,019	72,804
	Advertisement and business promotion	170,480	179,115
	Computer expenses	724,759	760,936
	Clearing house charges	3,267,494	2,594,717
	Office security	721,509	814,935
	Depreciation	6 1,493,260	1,874,610
	Amortization	7 392,320	179,529
	Repairs and maintenance	664,307	699,941
	Conveyance and travelling	115,057	46,830
	Communication	674,165	643,537
	Fee and subscription	1,708,017	1,809,188
	Lease rental of vehicles	4,006,557	4,019,434
	Office supplies	213,884	200,314
	Others	19,351	67,867
		<u>53,546,875</u>	<u>51,655,718</u>
22.1	Salaries, allowances and other benefits include the Company's contribution to the provident fund amounting to Rs. 1.6 million (2014: Rs. 1.6 million).		

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22.2 Auditors' remuneration	2015	2014
	----- (Rupees) -----	
Statutory audit fee	150,000	150,000
Half yearly review fee	50,000	50,000
Other certifications	15,000	15,000
Out of pocket expenses	94,384	72,814
	<u>309,384</u>	<u>287,814</u>
23. FINANCE COST		
Mark-up on short term running finance	564,467	784,335
Bank charges	130,911	114,752
	<u>695,378</u>	<u>899,087</u>
24. OTHER CHARGES		
This represents sales tax on share subscription income, other income and surcharge on sales tax.		
25. TAXATION		
Current	4,065,058	555,847
Deferred	1,650,806	(7,720,457)
	<u>5,715,864</u>	<u>(7,164,610)</u>
25.1	The assessments of income tax of the Company have been finalised upto tax year 2012. The income tax return for the tax year 2013 and 2014 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.	
	2015	2014
	----- (Rupees) -----	
25.3 Relationship between income tax expense and accounting profit	<u>5,715,864</u>	<u>(7,164,610)</u>
Accounting profit / (loss) before tax	12,774,231	(4,164,644)
Tax at the applicable tax rate of 33% (2014: 34%)	4,215,496	(1,415,979)
Minimum tax charged	-	265,411
Tax effect of income subject to final tax regime and separate block of income	(381,445)	(476,410)
Tax effect of permanent differences	(564,270)	(5,979,203)
Tax effect of TRE (deferred tax recognized in previous years)	690,811	-
Tax effect of change in rate on deferred tax and others	1,755,272	441,571
	<u>5,715,864</u>	<u>(7,164,610)</u>
26. EARNINGS PER SHARE - BASIC		
Profit for the year after taxation	<u>7,058,367</u>	<u>2,999,966</u>
	----- (Number) -----	
Weighted average ordinary shares in issue during the year	<u>30,000,000</u>	<u>30,000,000</u>
	----- (Rupees) -----	
Earnings per share - basic	<u>0.235</u>	<u>0.100</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 30 June 2015 and 30 June 2014 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:

	2015		2014	
	Chief Executive	Executives	Chief Executive	Executives
	(Rupees)			
Managerial remuneration	7,000,000	5,636,476	6,400,000	6,183,490
Housing and utilities	3,500,000	2,818,238	3,200,000	3,091,745
Medical	25,000	98,991	25,000	125,000
Retirement benefits	700,000	524,117	640,000	618,349
Commission	-	2,034,550	-	777,793
	<u>11,225,000</u>	<u>11,112,372</u>	<u>10,265,000</u>	<u>10,796,377</u>
Number of persons	<u>1</u>	<u>5</u>	<u>1</u>	<u>5</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:

	2015	2014
	Un audited	Audited
	(Rupees)	
Size of the fund	38,480,533	35,810,107
Cost of investments made	34,228,878	34,033,656
Percentage of investments made	89%	95%
Fair value of investments	38,026,850	34,462,898

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

	2015		2014	
	Investments	% of investments as size of the fund	Investments	% of investments as size of the fund
	(Un audited)		(Audited)	
	(Rupees)		(Rupees)	
Government securities	23,812,492	62%	22,747,729	64%
Mutual fund units	500,000	1%	1,254,344	3%
Listed securities	9,916,290	26%	10,031,583	28%
	<u>34,228,782</u>	<u>89%</u>	<u>34,033,656</u>	<u>95%</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	2015	2014
	----- (Rupees) -----	
Cash and bank balances	<u>46,774,136</u>	<u>207,431,304</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.

<u>Transactions for the year</u>	2015	2014
	----- (Rupees) -----	
Bank AL Habib Limited (Holding company)		
- Equity brokerage commission	649,016	661,135
- Purchase of Pakistan Investment Bonds	142,711,438	-
- Custody Fee on IPS account	30,000	-
- Mark-up accrued on bank balances	3,569,156	754,490
- Mark-up expense on running finance	564,467	784,335
- Office rent	2,100,000	2,616,953
- Bank charges	97,260	88,130
- Research fee	-	462,857
- Information technology services	500,000	500,000
Associated Companies		
Habib Insurance Company Limited		
- Equity brokerage commission	772,386	1,079,671
- Insurance premium paid	1,482,152	1,532,215
First Habib Stock Fund		
- Equity brokerage commission	167,725	175,454
Habib Sugar Mills Limited		
- Equity brokerage commission	231,266	92,094
First Habib Islamic Balanced Fund		
- Equity brokerage commission	198,552	168,011
Key management personal		
- Contribution to the provident fund	1,224,118	1,258,349
- Equity brokerage commission	7,232	9,352
- Loans and advances	480,000	459,000
- Sales proceed from disposal of computer equipment	20,000	-
AL Habib Capital Markets employees' Provident Fund		
- Equity brokerage commission	8,500	16,185

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2015 2014
----- (Rupees) -----

Balances at year end

Bank AL Habib Limited (Holding Company)

- Bank balances	44,609,315	205,254,119
- Equity brokerage commission receivable	460,650	-

Associated Companies

First Habib Stock Fund		
- Equity brokerage commission receivable	11,909	43,657

Habib Sugar Mills Limited

- Equity brokerage commission receivable / (payable)	976	(2,224)
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First Habib Islamic Balanced Fund

- Equity brokerage commission receivable	52,884	54,376
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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

31.1 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. 459.99 million (2014: Rs. 403.49 million) the financial assets which are subject to credit risk amounted to Rs. 143.86 million (2014: Rs. 299.81 million). The carrying amount of these financial assets represents the maximum credit exposure at the reporting date.

	<i>Note</i>	2015	2014
		----- (Rupees) -----	-----
Long term loans	9	74,015	3,364
Long term deposits	9	8,325,225	9,663,987
Trade debts	12	66,088,686	22,682,027
Loans and advances	13	108,261	19,822,913
Short term deposits	14	22,507,300	40,200,000
Other receivables	15	4,809	4,471
Cash and bank balances	16	46,756,003	207,429,118
		<u>143,864,299</u>	<u>299,805,880</u>

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

	2015			Total
	Carrying amount		Provision held	
	Amount outstanding	Impaired		
	(Rupees)			
Not yet due	62,774,508	-	-	62,774,508
Upto 3 months	2,956,085	-	-	2,956,085
3 to 6 months	358,093	-	-	358,093
More than 6 months	-	-	-	-
	<u>66,088,686</u>	<u>-</u>	<u>-</u>	<u>66,088,686</u>

	2014			Total
	Carrying amount		Provision held	
	Amount outstanding	Impaired		
	(Rupees)			
Not yet due	20,819,730	-	-	20,819,730
Upto 3 months	1,540,975	-	-	1,540,975
3 to 6 months	321,322	-	-	321,322
More than 6 months	-	-	-	-
	<u>22,682,027</u>	<u>-</u>	<u>-</u>	<u>22,682,027</u>

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

Ratings of Banks*	2015	2014
	(Rupees)	
AA+	45,030,346	205,396,549
AAA	612,810	450,923
AA	1,072,289	1,440,882
A+	19,373	18,857
AA-	21,185	121,907
	<u>46,756,003</u>	<u>207,429,118</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:

	2015				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	<u>99,419,917</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>99,419,917</u>

	2014				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	<u>65,121,194</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>65,121,194</u>

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:

	2015						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	-	-	-	-	-	40,378,391	40,378,391
Long term loans, advances and deposits	10% to 12.5%	-	-	-	74,015	8,325,225	8,399,240
Short term investments	12.38% to 12.42%	-	-	-	155,801,120	63,386,181	219,187,301
Trade debts	-	-	-	-	-	66,088,686	66,088,686
Loans and advances	10% to 12.5%	-	-	43,764	-	64,497	108,261
Deposits	-	-	-	-	-	21,373,400	21,373,400
Other receivables	-	-	-	-	-	7,312,056	7,312,056
Cash and bank balances	6% to 9%	17,655,422	-	-	-	29,118,714	46,774,136
		17,655,422	-	43,764	155,875,135	236,047,150	409,621,471
Financial Liabilities							
Trade payables, accrued expenses and other liabilities	-	-	-	-	-	99,159,218	99,159,218
On Balance Sheet Gap		17,655,422	-	43,764	155,875,135	136,887,932	310,462,253
Total net assets							310,462,253

	2014						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	-	-	-	-	-	40,378,391	40,378,391
Long term loans, advances and deposits	12% to 13%	-	-	-	3,364	9,663,987	9,667,351
Short term investments	-	-	-	-	-	7,665,570	7,665,570
Trade debts	-	-	-	-	-	22,682,027	22,682,027
Loans and advances	12% to 13%	-	-	62,416	-	19,760,497	19,822,913
Deposits	-	-	-	-	-	40,200,000	40,200,000
Other receivables	-	-	-	-	-	4,471	4,471
Cash and bank balances	6.0% to 9%	151,640,962	-	-	-	55,790,342	207,431,304
		151,640,962	-	62,416	3,364	196,145,285	347,852,027
Financial Liabilities							
Trade payables, accrued expenses and other liabilities	-	-	-	-	-	65,121,194	65,121,194
On Balance Sheet Gap		151,640,962	-	62,416	3,364	131,024,091	282,730,833
Total net assets							282,730,833

LCM

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 and government securities amounted to Rs. 63.39 million and Rs. 155.80 million respectively (2014: Rs 7.67 million and nil respectively) 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 available-for-sale investments, a 10% increase / decrease in share prices and net asset 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.

	2015	2014
	----- (Rupees) -----	
Effect on profit or loss (impairment loss)	-	-
Effect on other comprehensive income	<u>21,918,730</u>	<u>766,557</u>
Effect on investments	<u>21,918,730</u>	<u>766,557</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 Karachi Stock Exchange Limited (KSEL) is not listed on any 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 does not include fair value information for investment in KSEL and financial assets and financial liabilities not measured at fair value. These financial assets and financial liabilities are short term and their fair value approximates their carrying value.

	Level 1	Level 2	Level 3	Total
----- (Rupees) -----				
Investments - Available-for-sale				
- Listed shares	<u>63,386,181</u>	-	-	<u>63,386,181</u>
- Pakistan Investment Bonds	-	<u>155,801,120</u>	-	<u>155,801,120</u>

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 behaviour. 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, Karachi Stock Exchange Limited also require the Company to maintain a minimum net capital.

32.1 Base Minimum Capital

In compliance with the sub-regulation 2.1 of the Regulation Governing Risk Management (Regulations) of the Karachi Stock Exchange Limited (KSEL), 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.

The KSEL vide notice No. KSE/N – 2863 dated May 03, 2013 notified the TREC holders that in accordance with the Regulations, the BMC is comprised of the sum of notional value of the TREC and the break up value of 40% of the KSEL shares (i.e. 1,602,953) allotted to the initial share holders.

KSMR

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

	2015 (Rupees)
Trading Right Entitlement Certificates	15,000,000
Break up value of KSEL shares (Rs. 10.09 per share)	<u>16,173,796</u>
	<u><u>31,173,796</u></u>

33. NUMBER OF EMPLOYEES

2015	2014
----- (Number) -----	

The details of number of employees are as follows:

Average number of employees during the year	<u>22</u>	<u>23</u>
Number of employees at year end	<u>24</u>	<u>20</u>

	<u>22</u>	<u>23</u>
	<u>24</u>	<u>20</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 06.04.2015.

KML


Chairman


Chief Executive