



KPMG Taseer Hadl & Co.
Chartered Accountants

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

Financial Statements
For the year ended
30 June 2017



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 2017 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and present the above said statements in conformity with the approved accounting standards and the requirements of the repealed Companies Ordinance, 1984.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- a) in our opinion, proper books of accounts have been kept by the Company as required by the repealed Companies Ordinance, 1984;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the balance sheet and profit and loss account together with the notes thereon have been drawn up in conformity with the repealed Companies Ordinance, 1984, and are in agreement with the books of accounts and are further in accordance with accounting policies consistently applied;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 repealed 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 2017 and of the profit, its cash flows and changes in equity for the year then ended; and



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

Date: 5 October 2017

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 2017

	Note	30 June 2017	30 June 2016
(Rupees)			
ASSETS			
Non-Current Assets			
Property and equipment	4	9,054,271	9,693,866
Intangible assets	5	3,789,625	15,135,125
Long term investments	6	41,163,833	40,378,391
Long term loans, advances and deposits	7	1,109,805	8,627,081
Deferred tax asset - net	8	4,487,620	3,853,511
		<u>59,605,154</u>	<u>77,687,974</u>
Current Assets			
Short term investments	9	225,086,122	220,070,056
Trade debts - considered good	10	25,451,196	44,668,069
Loans and advances	11	225,483	932,720
Deposits and prepayments	12	40,560,937	6,220,738
Other receivables	13	13,776,437	7,419,196
Taxation - net	24.2	21,326,690	19,392,570
Cash and bank balances	14	72,186,645	36,086,168
		<u>398,613,510</u>	<u>334,789,517</u>
Total Assets		<u><u>458,218,664</u></u>	<u><u>412,477,491</u></u>
EQUITY AND LIABILITIES			
Share Capital And Reserves			
Authorised Capital			
50,000,000 (30 June 2016: 50,000,000) Ordinary shares of Rs. 10 each	15.1	<u>500,000,000</u>	<u>500,000,000</u>
Issued, subscribed and paid-up capital	15.2	<u>300,000,000</u>	<u>300,000,000</u>
Unappropriated profit		53,783,887	38,839,931
Unrealized gain on re-measurement of investments	16	<u>37,397,220</u>	<u>15,914,548</u>
		<u>391,181,107</u>	<u>354,754,479</u>
Current Liabilities			
Short term borrowing	17	-	2,740,038
Trade payables, accrued expenses and other liabilities	18	<u>66,649,183</u>	<u>54,715,819</u>
Sales tax and FED payable		<u>388,374</u>	<u>267,155</u>
		<u>67,037,557</u>	<u>57,723,012</u>
Total equity and liabilities		<u><u>458,218,664</u></u>	<u><u>412,477,491</u></u>
CONTINGENCIES AND COMMITMENTS			
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The annexed notes 1 to 34 form an integral part of these financial statements.

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Chairman


Chief Executive

AL Habib Capital Markets (Private) Limited
Profit and Loss Account
For the year ended 30 June 2017

	Note	30 June 2017	30 June 2016
----- (Rupees) -----			
INCOME			
Brokerage revenue	20	32,912,775	26,013,149
Share subscription income		1,300,860	156,456
Dividend income		4,511,463	6,709,738
Interest income from Pakistan Investment Bonds		15,225,160	16,858,264
Profit on saving and deposit accounts		1,237,618	810,930
Gain on sale of investments		47,820,116	5,007,098
Other income	21	258,407	584,239
		<u>103,266,399</u>	<u>56,139,874</u>
EXPENSES			
Administrative expenses	22	(56,832,686)	(51,012,230)
Provision for Workers' Welfare Fund		(509,179)	(135,874)
Finance cost	23	(561,049)	(390,589)
		<u>(57,902,914)</u>	<u>(51,538,693)</u>
Provision for impairment of Trading Right Entitlement (TRE) Certificate	5	(12,500,000)	-
Provision for impairment on investments		-	(5,030,044)
Provision for impairment of Advance against Dubai Gold and Commodities Exchange membership (DGCX)	7	(7,913,725)	-
PROFIT / (LOSS) BEFORE TAXATION		<u>24,949,760</u>	<u>(428,863)</u>
Taxation			
-Current	24	(6,876,576)	(3,952,922)
-Deferred	8	(3,129,228)	(1,247,636)
		<u>(10,005,804)</u>	<u>(5,200,558)</u>
PROFIT / (LOSS) FOR THE YEAR		<u>14,943,956</u>	<u>(5,629,421)</u>
Earnings / (loss) per share - basic and diluted	25	<u>0.498</u>	<u>(0.188)</u>

The annexed notes 1 to 34 form an integral part of these financial statements.

Chairman

Chairman


Chief Executive

AL Habib Capital Markets (Private) Limited
Statement of Comprehensive Income
For the year ended 30 June 2017

	30 June 2017	30 June 2016
	----- (Rupees) -----	
Profit / (loss) for the year	14,943,956	(5,629,421)
Other comprehensive income for the year		
<i>Items to be reclassified to profit or loss account in subsequent periods</i>		
Unrealized gain on re-measurement of investments - net of tax	21,482,672	737,422
Total comprehensive income for the year	<u>36,426,628</u>	<u>(4,891,999)</u>

The annexed notes 1 to 34 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 2017

Note	30 June 2017	30 June 2016
	(Rupees)	
CASH FLOWS FROM OPERATING ACTIVITIES		
Profit / (loss) before taxation	24,949,760	(428,863)
Adjustment for:		
Depreciation	1,456,570	1,288,268
Amortisation	945,500	217,875
Provision for impairment on investments	-	5,030,044
Provision for impairment of advance against Dubai Gold and Commodities Exchange membership	7,913,725	-
Impairment of TREC	12,500,000	-
Finance cost	561,049	390,589
Amortisation on Pakistan Investment Bonds	1,096,166	(295,658)
Gain on disposal of property and equipment	-	(365,749)
Gain on sale of investments	(47,820,116)	(5,007,098)
	<u>(23,347,106)</u>	<u>1,258,271</u>
Operating (loss) / profit before working capital changes	1,602,654	829,408
(Increase) / decrease in current assets		
Trade debts	19,216,873	21,420,617
Loans and advances	707,237	(824,459)
Deposits and prepayments	(34,340,199)	17,066,813
Other receivables	(6,357,241)	(107,140)
	<u>(20,773,330)</u>	<u>37,555,831</u>
	(19,170,676)	38,385,239
Increase / (decrease) in current liabilities		
Trade payables, accrued expenses and other liabilities	12,034,903	(44,704,098)
Sales tax and FED payable	121,219	(651,830)
	<u>12,156,122</u>	<u>(45,355,928)</u>
Net cash used in operations	(7,014,554)	(6,970,689)
Long term loans, advances and deposits	(396,449)	(324,133)
Finance cost paid	(662,588)	(522,334)
Taxes paid	(8,791,859)	(4,600,788)
	<u>(9,850,896)</u>	<u>(5,447,255)</u>
Net cash used in operating activities	(16,865,450)	(12,417,944)
CASH FLOWS FROM INVESTING ACTIVITIES		
Investments made during the year	(57,263,513)	(97,753,644)
Investments disposed off during the year	115,886,453	98,344,647
Proceeds from disposal of property and equipment	-	541,143
Purchase of property and equipment	(816,975)	(2,001,208)
Purchase of intangible assets	(2,100,000)	(141,000)
Net cash from / (used in) investing activities	55,705,965	(1,010,062)
Net increase / (decrease) in cash and cash equivalents during the year	38,840,515	(13,428,006)
Cash and cash equivalents at beginning of the year	33,346,130	46,774,136
Cash and cash equivalents at end of the year	72,186,645	33,346,130

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The annexed notes 1 to 34 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 2017

	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 year ended 30 June 2017	-	14,943,956	-	14,943,956
<i>Other comprehensive income</i>				
Unrealised gain on re-measurement of investments - net of tax	-	-	21,482,672	21,482,672
Total comprehensive income for the year	-	14,943,956	21,482,672	36,426,628
Balance as at 30 June 2017	300,000,000	53,783,887	37,397,220	391,181,107

The annexed notes 1 to 34 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 2017

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 shares of the Company. The registered office of the Company is located at Technocity, Hasrat Mohani Road, Karachi, Pakistan. The Company holds a Trading Right Entitlement (TRE) Certificate from Pakistan Stock Exchange Limited - PSX and is principally engaged in the business of stocks broking. Other activities includes investment in a mix of listed and unlisted equity securities, economic research and advisory services.

2 BASIS OF PREPARATION

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 Standard 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 by the SECP differ with the requirements of IFRS and IFAS, the requirements of the Companies Ordinance, 1984 and said directives shall prevail.

The Companies Ordinance, 1984 has been repealed after the enactment of the Companies Act, 2017. However, as allowed by the SECP vide its press release dated 20 July 2017, these financial statements have been prepared in accordance with the provisions of the repealed Companies Ordinance, 1984. The new requirements of the Companies Act, 2017 shall be applicable to the Company having their financial year closure after 30 June 2017. The application of Companies Act, 2017 will require additional disclosures in the financial statements of the Company.

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.

2.3 Functional and presentation currency

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

2.4 Use of estimates and judgments

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

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

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

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

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

The following standards, amendments and interpretations of approved accounting standards will be effective for accounting periods beginning on or after 1 July 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. The amendments are not likely to have an impact on the 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 the 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.

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- IFRIC 23 'Uncertainty over Income Tax Treatments' (effective for annual periods beginning on or after 1 January 2019) clarifies the accounting for income tax when there is uncertainty over income tax treatments under IAS 12. The interpretation requires the uncertainty over tax treatment be reflected in the measurement of current and deferred tax.
- 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.
- Annual improvements to IFRS standards 2014-2016 cycle. The new cycle of improvements addresses improvements to following approved accounting standards:
 - 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.
- In addition, the Companies Act, 2017 was enacted on 30 May 2017 and SECP vide its circular 17 of 2017 has clarified that the companies whose financial year closes on or before 30 June 2017 shall prepare their financial statements in accordance with the provisions of the repealed Companies Ordinance, 1984.

3 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

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

3.1 Property and equipment

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

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

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

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

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

3.2 Operating leases / Ijarah agreements

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

3.3 Intangible assets

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

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

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

3.4 Trade debts and other receivables

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

3.5 Investments

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

Investment at fair value through profit or loss

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

Held-to-maturity

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

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

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

Loans and receivables

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

3.6 Impairment

Equity Securities

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

Debt Securities

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

Non-Financial assets

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

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

3.7 Financial instruments

All financial assets and financial liabilities are recognised at the time when the Company becomes a party to the contractual provisions of the instrument. Financial assets are derecognised when the Company 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.

3.8 Off-setting of financial assets and financial liabilities

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

3.9 Revenue recognition

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

3.10 Non current assets / investments held for sale

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

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.

3.11 Taxation

Current

The charge for taxation is based on taxable income at the current rate of tax after taking into account applicable tax credits, rebates and exemptions available, if any, in accordance with Income Tax Ordinance, 2001.

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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.

3.12 Dividends distributions and appropriations

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

3.13 Staff retirement benefits

3.13.1 Defined contribution plan

The Company operates a contributory provident fund for all its permanent employees and contributions are made monthly in accordance with the fund rules.

3.13.2 Employee compensated absences

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

3.14 Cash and cash equivalents

Cash in hand and at banks is carried at cost. For the purposes of cash flow statement, cash and cash equivalents comprises of cash in hand, bank balances, short term borrowings which are repayable on demand and other short term highly liquid investments with original maturities of three months or less, if any.

3.15 Foreign currency transactions

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

3.16 Provisions

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

3.17 Trade and other payables

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

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4. PROPERTY AND EQUIPMENT

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

Note	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	4.2	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 (1,107,128)</u>	<u>29,588,954</u>	<u>19,538,554</u>	<u>1,288,268 (931,734)</u>	<u>19,895,088</u>	<u>9,693,866</u>	

4.1 The cost of fully depreciated assets as at 30 June 2017 is Rs. 10.938 million (30 June 2016: Rs. 10.333 million).

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

5. INTANGIBLE ASSETS

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

Note	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	141,080	1,099,849	746,849	217,875	964,724	135,125	50
Trading Right Entitlement (TRE) Certificate	5.2	17,158,785	-	17,158,785	2,158,785	-	2,158,785	15,000,000	-
		<u>18,242,634</u>	<u>141,080</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>	

5.1 The cost of fully amortized intangible assets as at 30 June 2017 is Rs. 3.084 million (30 June 2016: Rs. 1.084 million)

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

PSX vide notice no. PSX/N- 1947, dated 30 March 2016, has maintained the nominal value of TRE Certificate at Rs. 5 million. According to the Stock Exchange (Corporatisation, Demutualization and Integration) Act 2012, the TRE Certificate may only be transferred once to a company intending to carry out shares brokerage business in the manner to be prescribed. Up to 31 December 2019, the Stock Exchange shall offer for issuance, 15 TRE Certificates each year in the manner prescribed. After 2019, no restriction shall be placed on issuance of TRE Certificates. The Company has marked lien on TRE Certificate in favour of the Pakistan Stock Exchange Limited (PSX) to fulfil the requirement of Base Minimum Capital.

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6. LONG TERM INVESTMENTS

Available-for-sale investments

30 June 2017 (Number of Shares)	30 June 2016		Note	30 June 2017 (Rupees)	30 June 2016
4,007,383	4,007,383	Opening balance		40,378,391	40,378,391
(1,602,953)	-	Sold to strategic investor (40% shares) (2016: Nil)		(16,151,355)	-
(801,477)	-	Sold to general public (20% shares) (2016: Nil)	6.1	(8,075,682)	-
		Closing balance represents 40% shares (2016: 100% shares)		<u>16,151,354</u>	<u>40,378,391</u>

Market value basis

Book value as of 30 June 2017

16,151,354

Unrealized gain for the year

25,012,479

Market value as of 30 June 2017

41,163,833

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

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

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

These shares were listed on PSX in the month of June 2017. Therefore, the same were carried at the market value. At 30 June 2017, the outstanding 40% shares are classified as "Freczc" in the CDC report of the company.

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

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

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

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

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7.	LONG TERM LOANS, ADVANCES & DEPOSITS	Note	30 June 2017	30 June 2016
			(Rupees)	
	Long term loans			
	Staff loan	7.1	175,281	291,912
	Less: current portion of staff loan		(141,976)	(140,056)
	Long term portion of staff loan		33,305	151,856
	Advance against Dubai Gold and Commodities Exchange membership	7.2	7,913,725	7,913,725
	Provision for impairment		(7,913,725)	-
			-	7,913,725
	Security deposits			
	- National Clearing Company of Pakistan Limited		1,050,000	200,000
	- Pakistan Stock Exchange Limited		-	350,000
	- Others		26,500	11,500
			1,076,500	561,500
			1,109,805	8,627,081

7.1 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.

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

8. DEFERRED TAX ASSET- net

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

	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 30 June 2017
	(Rupees)						
Deferred tax assets arising in respect of:							
Intangible assets	135,831	88	-	135,919	133,634	-	269,553
Provision for impairment in value of investments	368,563	695,047	(1,063,610)	-	-	-	-
Provision for compensated absences	319,619	14,924	-	334,543	(109,808)	-	224,735
Provision for impairment in DGCX	-	-	-	-	1,799,610	-	1,799,610
Tax losses	10,719,722	(1,991,731)	-	8,727,991	(3,978,781)	-	4,749,210
Less: Deferred tax liabilities arising in respect of:							
Accelerated tax depreciation allowance	(1,299,092)	34,036	-	(1,265,056)	334,564	-	(930,492)
Surplus on revaluation of investments - net	(4,907,909)	-	828,023	(4,079,886)	(1,308,447)	3,763,337	(1,624,996)
Net deferred tax assets	5,336,734	(1,247,636)	(235,587)	3,853,511	(3,129,228)	3,763,337	4,487,620

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 against tax losses carried forward from prior years.

9.	SHORT TERM INVESTMENTS	Note	30 June 2017	30 June 2016
			(Rupees)	
	Available-for-sale			
	Listed shares	9.1	79,746,989	67,364,775
	Pakistan Investment Bonds	9.2	145,339,133	152,705,281
			225,086,122	220,070,056

9.1 Listed shares

30 June 2017	30 June 2016	Name of Investee	30 June 2017	30 June 2016
(Number of shares)			Carrying amount	Market value
(Rupees)				
252,500	252,500	Hub Power Company Limited *	22,889,250	30,315,150
128,100	128,100	Pakistan Petroleum Limited *	17,805,374	19,861,905
87,000	87,000	Habib Bank Limited *	16,845,387	17,187,720
300,000	-	Pakistan Stock Exchange Limited	8,479,238	-
			66,019,249	67,364,775
		Unrealized gain on re-measurement of investment	13,727,740	-
		Carrying value	79,746,989	-

* These shares are pledged against PSX/NCCPL exposure.

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9.2 Pakistan Investment Bonds - movement	Note	30 June 2017	30 June 2016
		(Rupees)	
Pakistan Investment Bonds - cost		145,000,000	145,000,000
Unamortised value of premium / (discount)		57,136	(3,971)
Pakistan Investment Bonds - carrying value		145,057,136	144,996,029
Surplus on revaluation of investments		281,997	7,709,252
Fair value as at 30 June 2017		<u>145,339,133</u>	<u>152,705,281</u>

These Pakistan Investment Bonds will mature on 17 July 2017 (30 June 2016: 17 July 2017) and carry yield 5.96% 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) and Bank Alfalah Limited.

10. TRADE DEBTS - considered good		30 June 2017	30 June 2016
		(Rupees)	
From equity securities			
Due from clients against trading of securities - secured	10.1	13,353,443	44,456,234
Due from National Clearing Company of Pakistan Limited - secured	10.2	11,495,591	-
Due from clients against trading of securities - associated company	10.3	602,162	211,835
		<u>25,451,196</u>	<u>44,668,069</u>

10.1 The value of marketable securities held against trade debts by the Company amounted to Rs. 5,155.9 million (30 June 2016: Rs. 6,179.1 million).

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

10.3 This shows trade debts receivable from related parties.

10.4 Aging Analysis

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

	30 June 2017	30 June 2016
	(Rupees)	
Upto 5 days	20,127,453	28,487,726
More than 5 days*	5,323,743	16,180,343
	<u>25,451,196</u>	<u>44,668,069</u>

* The custody available against these receivable is Rs. 4,351.9 million (30 June 2016: 1,590.5 million).

11. LOANS AND ADVANCES - considered good	Note	30 June 2017	30 June 2016
		(Rupees)	
Loan to employees - secured	7.1	141,976	140,056
Advances to employees - secured	11.1	51,007	57,664
Advance for expenses to admin, contractors & suppliers		32,500	735,000
		<u>225,483</u>	<u>932,720</u>

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

12. DEPOSITS AND PREPAYMENTS	Note	30 June 2017	30 June 2016
		(Rupees)	
Exposure deposit with National Clearing Company of Pakistan Limited	12.1	40,500,000	6,000,000
Prepayments			
- Insurance		28,113	31,327
- Others		32,824	189,411
		<u>40,560,937</u>	<u>6,220,738</u>

12.1 This represents deposits held under the National Clearing Company of Pakistan Limited exposure rules. These deposits carry interest at the rate of 4.5% to 5.5% (30 June 2016: 4.5% to 6.7%) per annum.

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13. OTHER RECEIVABLES	Note	30 June 2017	30 June 2016
----- (Rupees) -----			
Interest receivable on Pakistan Investment Bonds	9.2	7,309,426	7,414,387
Dividend income receivable		505,000	-
Receivable from PSX against disposal of shares	6.2	4,488,269	-
Others		1,473,742	4,809
		<u>13,776,437</u>	<u>7,419,196</u>

14. CASH AND BANK BALANCES

Cash in hand		21,774	25,349
Cash with banks in:			
- Current accounts	14.1 & 14.4	61,182,973	31,207,552
- Saving accounts	14.2	2,747,079	4,853,267
- Call treasury deposit account	14.3	8,234,819	-
		<u>72,164,871</u>	<u>36,060,819</u>
		<u>72,186,645</u>	<u>36,086,168</u>

14.1 This includes bank balances held with Bank AL Habib Limited (the Holding Company) amounting to Rs. 0.056 million (30 June 2016: Rs. 0.11 million).

14.2 This includes bank balances held with Bank AL Habib Limited (the Holding Company) amounting to Rs. 0.46 million (30 June 2016: Rs. 0.085 million) and carry interest at the rate of 4.24% - 5.25% (30 June 2016: 4.5% to 6.5%) per annum.

14.3 This represents bank balances held with Bank AL Habib Limited (the Holding Company) and carry interest at the rate of 4.24% to 5.25% (30 June 2016: 4.5% to 6.5%) per annum.

14.4 This includes Rs. 37.496 million (30 June 2016: 29.888 million) kept in designated bank accounts maintained on behalf of clients.

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

15.1 Authorised Capital

30 June 2017	30 June 2016		30 June 2017	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>

15.2 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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15.3 Pattern of shareholding

Categories of Shareholders	Number of shares held	% of shares held
Bank AL Habib Limited (the Holding Company)	19,999,600	66.67%
Companies	1,249,980	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>

16. UNREALIZED GAIN ON RE-MEASUREMENT OF INVESTMENTS

	Note	30 June 2017	30 June 2016
----- (Rupees) -----			
Fully paid-up ordinary shares		38,740,219	13,348,792
Pakistan Investment Bonds		281,997	7,709,252
		<u>39,022,216</u>	<u>21,058,044</u>
Related deferred tax liability		<u>(1,624,996)</u>	<u>(5,143,496)</u>
		<u>37,397,220</u>	<u>15,914,548</u>

17. SHORT TERM BORROWING

Short Term Running Finance - Secured	17.1	-	2,740,038
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17.1 Running finance facility of Rs. 275 million (30 June 2016: Rs. 175 million) has been obtained by the Company from Bank AL Habib Limited (the Holding Company) and Bank Alfalah Limited of Rs. 175 million and Rs. 100 million having expiry of 31 December 2017 and 30 September 2017 respectively which is secured against hypothecation of amounts due from customers and lien over government securities. During the year Company has not availed the Running finance facility of Bank Alfalah Limited. The mark-up is payable quarterly. The facilities obtained from Bank AL Habib Limited carry mark-up rate at 3 month average KIBOR + 1% (30 June 2016: 3 month average KIBOR + 1%) and Bank Alfalah Limited carry mark-up rate at 3 month average KIBOR + 1% (30 June 2016: nil).

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18. TRADE PAYABLES, ACCRUED EXPENSES AND OTHER LIABILITIES	Note	30 June 2017	30 June 2016
----- (Rupees) -----			
Due to clients against trading of securities	18.1	62,402,377	40,855,363
Due to National Clearing Company of Pakistan Limited	18.2	-	10,797,908
Workers' Welfare Fund payable		509,179	135,874
Accrued expenses		3,353,971	2,466,468
Other liabilities		383,656	460,206
		<u>66,649,183</u>	<u>54,715,819</u>

18.1 This includes trade payables of Rs. 13.61 million (30 June 2016: Rs. 4.53 million) payable to related parties.

18.2 This shows trade payable in respect of two days trading T+2 settlement.

19. CONTINGENCIES AND COMMITMENTS

Contingencies

There were no contingencies as at 30 June 2017 (30 June 2016: Nil).

Commitments

Commitments for rentals under Ijarah finance:

Within one year

19.1 585,660 585,660

After one year but not later than five years

536,855 1,122,515

1,122,515 1,708,175

19.1 This represents Ijarah finance facility entered into with First Habib Modarba in respect of vehicles. Total Ijarah payments due under the agreement are Rs. 1.12 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).

20. BROKERAGE REVENUE	Note	30 June 2017	30 June 2016
----- (Rupees) -----			
Retail customers		7,527,142	4,846,290
Institutional customers		25,343,128	21,137,776
Proprietary trade		42,505	29,083
		<u>32,912,775</u>	<u>26,013,149</u>

21. OTHER INCOME

Gain on disposal of property and equipment

-

Profit on PSX exposure and interest on staff loan

258,407 218,490

258,407 584,239

22. ADMINISTRATIVE EXPENSES

Salaries and other benefits	22.1	35,151,224	31,277,096
Printing and stationery		383,863	407,886
Auditors' remuneration	22.2	501,292	439,282
Rent, rates and taxes		2,376,160	2,100,000
Vehicles running		1,497,307	1,371,058
Utilities		141,981	174,946
Legal and professional charges		920,248	1,060,231
Insurance		1,429,075	1,338,082
Newspapers and periodicals		46,985	46,472
Entertainment		36,701	95,771
Advertisement and business promotion		41,414	71,191
Annual Membership Fees DGCX		798,000	530,250
Computer expenses		1,386,570	613,699
Clearing house charges		3,160,994	2,142,964
Office security		843,420	790,620
Depreciation	4	1,456,570	1,288,268
Amortization	5	945,500	217,875
Repairs and maintenance		912,083	609,577
Conveyance and travelling		245,288	167,603
Communication		650,469	587,121
Fee and subscription		2,485,146	2,304,353
Lease rental of vehicles		584,640	3,349,284
Office supplies		257,205	224,027
Others		480,551	4,574
		<u>56,832,686</u>	<u>51,012,230</u>

22.1 Salaries, allowances and other benefits include the Company's contribution to the provident fund amounting to Rs. 2.033 million (30 June 2016: Rs. 1.76 million).

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22.2 Auditors' remuneration	Note	30 June 2017	30 June 2016
		(Rupees)	
Statutory audit fee		200,000	200,000
Half yearly review fee		100,000	100,000
Other certifications		135,000	15,000
Out of pocket expenses		66,292	124,282
		<u>501,292</u>	<u>439,282</u>
23. FINANCE COST			
Mark-up on short term running finance	17	354,521	277,484
Bank charges		206,528	113,105
		<u>561,049</u>	<u>390,589</u>
24. TAXATION - net			
Current		6,876,576	3,952,922
Deferred	8	3,129,228	1,247,636
		<u>10,005,804</u>	<u>5,200,558</u>
24.1	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.		
24.2	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.		
24.3	Relationship between income tax expense and accounting profit	30 June 2017	30 June 2016
		(Rupees)	
	Taxation	<u>10,005,804</u>	<u>5,200,558</u>
	Accounting profit / (loss) before tax	24,949,760	(428,863)
	Tax at the applicable tax rate of 31% (2016: 32%)	7,734,426	(137,236)
	Tax effect of income subject to final tax regime and separate block of income	(4,539,652)	3,011,678
	Tax effect of permanent differences	3,875,000	(19,347)
	Tax effect of change in rate on deferred tax and others	2,981,030	2,345,463
		<u>10,050,804</u>	<u>5,200,558</u>
25. EARNINGS / (LOSS) PER SHARE - BASIC AND DILUTED			
	Profit / (loss) for the year after taxation	<u>14,943,956</u>	<u>(5,629,421)</u>
		(Number)	
	Weighted average no. of ordinary shares in issue during the year	<u>30,000,000</u>	<u>30,000,000</u>
		(Rupees)	
	Earnings / (loss) per share - basic and diluted	<u>0.498</u>	<u>(0.188)</u>

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25.1 Diluted earnings per share has not been presented as the Company does not have any convertible instruments in issue as at 30 June 2017 and 30 June 2016 which would have any effect on the earnings per share.

26. 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:

	30 June 2017		30 June 2016	
	Chief Executive	Executives	Chief Executive	Executives
	(Rupees)			
Managerial remuneration	8,200,000	6,389,692	7,600,000	5,688,000
Housing and utilities	4,100,000	3,217,102	3,800,000	2,844,000
Medical	25,000	99,051	25,000	100,000
Retirement benefits	820,000	635,359	760,000	568,800
Bonus	-	-	500,000	180,000
Commission	-	903,764	-	785,884
	<u>13,145,000</u>	<u>11,244,968</u>	<u>12,685,000</u>	<u>10,166,684</u>
Number of persons	<u>1</u>	<u>4</u>	<u>1</u>	<u>4</u>

26.1 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.

27. PROVIDENT FUND

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

	(Unaudited)	(Audited)
	30 June 2017	30 June 2016
	(Rupees)	
Size of the fund	55,557,436	48,929,792
Cost of investments made	49,227,075	40,430,411
Percentage of investments made	85%	96%
Fair value of investments	54,837,311	47,078,809

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

	30 June 2017		30 June 2016	
	Investments	% of investments as size of the fund	Investments	% of investments as size of the fund
	(Unaudited)		(Audited)	
	(Rupees)	(Percentage)	(Rupees)	(Percentage)
Government securities	18,754,545	34%	27,991,058	57%
Mutual fund units	8,962,995	16%	566,711	1%
Listed securities	19,666,818	35%	18,521,040	38%
	<u>47,384,358</u>	<u>85%</u>	<u>47,078,809</u>	<u>96%</u>

1/2/2017

27.2 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.

28. CASH AND CASH EQUIVALENTS	Note	30 June 2017	30 June 2016
----- (Rupees) -----			
Cash and bank balances	14	72,186,645	36,086,168
Short term borrowings	17	-	(2,740,038)
		<u>72,186,645</u>	<u>33,346,130</u>

29. 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 year

	30 June 2017	30 June 2016
----- (Rupees) -----		
Bank AL Habib Limited (the Holding Company)		
- Equity brokerage commission	2,594,519	1,548,563
- Mark-up accrued on bank balances	-	564,737
- Mark-up expense on running finance	354,521	277,484
- Office rent	2,268,000	2,100,000
- Bank charges	128,949	36,525
- Information technology services	729,163	500,000
- Markup income on bank balances	759,620	-
Associated Companies		
Habib Insurance Company Limited		
- Equity brokerage commission	916,589	552,101
- Insurance premium paid	1,273,900	604,816
- Insurance claim received	-	473,143
First Habib Stock Fund		
- Equity brokerage commission	45,065	176,168
Habib Sugar Mills Limited		
- Equity brokerage commission	19,683	28,282
First Habib Islamic Balanced Fund		
- Equity brokerage commission	33,590	84,440
AL Habib Capital Markets (Private) Limited - Employees' Provident Fund		
- Equity brokerage commission	6,022	10,506
Habib Asset Management - Staff Provident Fund		
- Equity brokerage commission	9,958	17,198
Key management personnel		
- Contribution to the provident fund	1,534,286	1,328,800
- Equity brokerage commission	52,935	18,688
- Loans and advances	-	580,000

15/06/17

Balances at year end

	30 June 2017	30 June 2016
	(Rupees)	
Bank AL Habib Limited (the Holding Company)		
- Bank balances	8,753,276	195,969
- Short term borrowing	-	2,740,038
- Equity brokerage commission receivable	602,162	132,429
- Accrued on Rent and IT Services	777,702	-
Associated Companies		
First Habib Stock Fund		
- Equity brokerage commission receivable	13,536	40,400
Habib Insurance Company Limited		
- Equity brokerage commission receivable	-	8,047
- Equity Payable	11,528,941	-
Habib Sugar Mills Limited		
- Equity brokerage commission receivable	-	1,216
Habib Asset Management Limited		
- Equity brokerage commission receivable	5,721	5,721
Habib Asset Management Limited - Staff Provident Fund		
- Equity Payable	1,743,888	-
First Habib Islamic Balanced Fund		
- Equity brokerage commission receivable	27,839	18,953
Key management personnel		
- Equity brokerage commission receivable	-	38
- Other receivable	6,242	-
- Other payable	341,673	4,530,802

30. 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

30.1 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. 458.22 million (30 June 2016: Rs. 412.48 million) the financial assets which are subject to credit risk amounted to Rs. 153.831 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	30 June 2017	30 June 2016
		(Rupees)	
Long term loans	7	33,305	151,856
Long term advances and deposits	7	8,990,225	8,475,225
Trade debts	10	25,451,196	44,668,069
Loans and advances	11	225,483	932,720
Short term deposits	12	40,500,000	6,000,000
Other receivables	13	6,467,011	4,809
Bank balances	14	73,164,871	36,060,819
		<u>153,832,091</u>	<u>96,293,498</u>

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

	30 June 2017			Total
	Carrying amount		Provision held	
	Amount outstanding	Impaired		
	(Rupees)			
Not yet due	23,123,314	-	-	23,123,314
Upto 3 months	2,090,992	-	-	2,090,992
3 to 6 months	117,686	-	-	117,686
More than 6 months	119,204	-	-	119,204
	<u>25,451,196</u>	<u>-</u>	<u>-</u>	<u>25,451,196</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>-</u>	<u>-</u>	<u>44,668,069</u>

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

Ratings of Banks*	30 June 2017	30 June 2016
	(Rupees)	
A1+	72,164,871	-
AA+	-	515,596
AAA	-	332,385
AA	-	34,504,635
A1	-	169,080
AA-	-	539,123
AA	-	-
	<u>72,164,871</u>	<u>36,060,819</u>

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

30.2 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:

	30 June 2017				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	66,140,004	-	-	-	66,140,004
Short term borrowing	-	-	-	-	-
Sales tax and FED payable	-	388,374	-	-	388,374
	<u>66,140,004</u>	<u>388,374</u>	<u>-</u>	<u>-</u>	<u>66,528,378</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	54,579,943	-	-	-	54,579,943
Short term borrowing	2,740,038	-	-	-	2,740,038
Sales tax and FED payable	-	267,155	-	-	267,155
	<u>57,319,981</u>	<u>267,155</u>	<u>-</u>	<u>-</u>	<u>57,587,136</u>

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30.3 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:

30.3.1 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:

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

	30 June 2016					Non interest / mark-up bearing	Total
	Effective yield / interest rate percent	Maturity not later than one month	Interest / mark-up bearing				
			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		
(Rupees)							
On Balance Sheet Assets							
Financial Assets							
Long term investments	-	-	-	-	-	40,378,391	40,378,391
Long term loans, advances and deposits	8%	-	-	-	151,856	8,475,225	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	-	-	-	31,232,904	36,086,168
		4,853,267	-	152,845,337	151,856	206,331,221	364,181,681
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
		2,740,038	-	-	-	54,847,100	57,587,138
On Balance Sheet Gap		2,113,229	-	152,845,337	151,856	151,751,276	306,594,543
Total net assets							306,594,543

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30.3.2 Price risk

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

The Company's investments in quoted equity securities amounted to Rs. 120.91 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.

	30 June 2017	30 June 2016
	----- (Rupees) -----	
Effect on profit or loss (impairment loss)	-	-
Effect on other comprehensive income - net of tax	<u>10,894,877</u>	<u>5,726,006</u>
Effect on investments	<u>12,091,082</u>	<u>6,736,478</u>

30.3.3 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.

30.4 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).

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On balance sheet		30 June 2017							
Financial instruments		Carrying Amount					Fair value		
Available for Sale	Held for Trading	Held to Maturity	Loans and Receivables	Other financial Liabilities	Total	Level 1	Level 2	Level 3	
(Rupees)									
Financial assets measured at fair value									
Short term investments									
- Listed shares	79,746,989	-	-	-	79,746,989	79,746,989	-	-	
- Pakistan Investment Bonds	145,339,133	-	-	-	145,339,133	-	145,339,133	-	
Long term investments	41,163,833	-	-	-	41,163,833	41,163,833	-	-	
	166,249,955				266,249,955				
Financial assets not measured at fair value									
Long term loans, advances and deposits	-	-	1,109,805	-	1,109,805				
Trade debts	-	-	25,451,196	-	25,451,196				
Loans and advances	-	-	225,483	-	225,483				
Deposits and prepayments	-	-	40,560,937	-	40,560,937				
Other receivables	-	-	13,776,437	-	13,776,437				
Cash and bank balances	-	-	72,186,645	-	72,186,645				
			153,310,503		153,310,503				
Financial liabilities not measured at fair value									
Trade payables, accrued expenses and other liabilities	-	-	-	(66,140,004)	(66,140,004)				
Sales tax and FFD Payable	-	-	-	(388,374)	(388,374)				
				(66,528,378)	(66,528,378)				
On balance sheet		30 June 2016							
Financial instruments		Carrying Amount					Fair value		
Available for Sale	Held for Trading	Held to Maturity	Loans and Receivables	Other financial Liabilities	Total	Level 1	Level 2	Level 3	
(Rupees)									
Financial assets measured at fair value									
Short term investments									
- Listed shares	67,364,775	-	-	-	67,364,775	67,364,775	-	-	
- Pakistan Investment Bonds	152,705,281	-	-	-	152,705,281	-	152,705,281	-	
	220,070,056				220,070,056				
Financial assets not measured at fair value									
Long term investments	40,378,191	-	-	-	40,378,191				
Long term loans, advances and deposits	-	-	8,627,081	-	8,627,081				
Trade debts	-	-	44,658,089	-	44,658,089				
Loans and advances	-	-	932,720	-	932,720				
Deposits and prepayments	-	-	6,220,738	-	6,220,738				
Other receivables	-	-	7,419,196	-	7,419,196				
Cash and bank balances	-	-	36,086,168	-	36,086,168				
	40,378,191		103,853,972		144,232,163				
Financial liabilities not measured at fair value									
Short term borrowing	-	-	-	(2,740,038)	(2,740,038)				
Trade payables, accrued expenses and other liabilities	-	-	-	(54,579,945)	(54,579,945)				
Sales tax and FFD Payable	-	-	-	(267,155)	(267,155)				
				(57,587,138)	(57,587,138)				

30.5 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.

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31. CAPITAL RISK MANAGEMENT

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

31.1 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 30 June 2017, the Company is required to have a BMC of Rs. 28 million. The Company's BMC is comprised of the sum of notional value of the TREC and the market value of Hub Power Company Limited as at 30 June 2017. The market value taken to meet BMC deposit requirement is after the haircut of 15%.

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

	30 June 2017	30 June 2016
	(Rupees)	
Trading Right Entitlement Certificates	5,000,000	5,000,000
Shares of Hub Power Company Limited	25,203,414	-
Shares of Pakistan Stock Exchange Limited	-	26,138,854
	<u>30,203,414</u>	<u>31,138,854</u>

32. NUMBER OF EMPLOYEES

The details of number of employees are as follows:

Average number of employees during the year
Number of employees at period end

	30 June 2017	30 June 2016
	(Number)	
	<u>24</u>	<u>23</u>
	<u>26</u>	<u>24</u>

33. 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.

34. DATE OF AUTHORISATION FOR ISSUE

These financial statements were authorized for issue by the Board of Directors of the Company in their meeting held on 05 OCT 2017

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Chairman


Chief Executive