

INDEPENDENT AUDITORS REPORT ON STATEMENT OF NET CAPITAL BALANCE OF AL HABIB CAPITAL MARKETS (PRIVATE) LIMITED

**To the Chief Executive Officer of AL Habib Capital Markets (Private) Limited (the
Securities Broker)**

Opinion

We have audited the Statement of Net Capital Balance of **AL Habib Capital Markets (Private) Limited** (the Securities Broker) and notes to the Statement of Net Capital Balance as at June 30, 2019 (together 'the statement').

In our opinion, the financial information in the statement of the Securities Broker as at 30 June 2019 is prepared, in all material respects, in accordance with the requirements of the Second Schedule of the Securities Brokers (Licensing and Operations) Regulations 2016 (the Regulations) read with Rule 2(d) of the Securities Exchange Commission (SEC) Rules 1971 (SEC Rules 1971) issued by the Securities & Exchange Commission of Pakistan (SECP).

Basis for Opinion

We conducted our audit in accordance with International Standards on Auditing (ISAs) as applicable in Pakistan. Our responsibilities under those standards are further described in the Auditor's Responsibilities for the Audit of the statement section of our report. We are independent of the Securities Broker in accordance with the ethical requirements that are relevant to our audit of the statement in Pakistan, and we have fulfilled our other ethical responsibilities in accordance with these requirements. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Emphasis of Matter - Basis of Accounting and Restriction on Distribution

We draw attention to Note 1 to the statement, which describes the basis of accounting. The statement is prepared to assist the Securities Broker to meet the requirements of the SECP, Pakistan Stock Exchange (PSX) and National Clearing Company of Pakistan Limited (NCCPL). As a result, the statement may not be suitable for another purpose. Our report is intended solely for the Securities Broker, SECP, PSX and NCCPL and should not be distributed to parties other than the Securities Broker or the SECP, PSX or NCCPL. Our opinion is not modified in respect of this matter.

Responsibilities of Management and Those Charged with Governance for the statement

Management is responsible for the preparation of the statement in accordance with the Regulations and the SEC Rules 1971, and for such internal control as management determines is necessary to enable the preparation of the statement that is free from material misstatement, whether due to fraud or error.

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

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Auditor's Responsibilities for the Audit of the statement

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

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

- Identify and assess the risks of material misstatement of the statement, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Securities Broker's internal control.
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates, if any, and related disclosures made by management.

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

The engagement partner on the audit resulting in this independent auditor's report is Arslan Khalid.



Chartered Accountants

Place: Karachi

Date: 12 September 2019



AL Habib Capital Markets (Pvt) Ltd.

A Subsidiary of Bank AL Habib Ltd.

AL Habib Capital Markets (Private) Limited
Statement of Net Capital Balance
As at 30 June 2019

(Excess of Current Assets over Current Liabilities determined in accordance with the requirements of Second Schedule of the Securities Broker (Licensing and Operations) Regulations, 2016 (the Regulations) read with Rule 2(d) of the Securities Exchange Commission (SEC) Rules 1971 (SEC Rules 1971) issued by the Securities and Exchange Commission of Pakistan (SECP)).

DESCRIPTION	VALUATION BASIS	Note	Sub Total	Total
			(Rupees)	
<u>CURRENT ASSETS</u>				
Cash in hand and bank balances	As per book value	2		50,032,139
Cash deposited as margin with National Clearing Company of Pakistan Limited (NCCPL)	As per book value	3		1,200,000
Trade receivables	As per book value Less: Overdue for more than 14 days	4	82,854,878 (2,823,289)	80,031,589
Investment in listed securities in the name of broker	At market value Less: Securities pledged against Base Minimum Capital Less: Outstanding exposure demand by NCCPL as on 30 June 2019	5	76,804,864 (12,565,800) (630,681)	63,608,383
	Less: 15% discount on market value of securities		(9,541,257)	54,067,126
Securities purchased for customers	Value of shares appearing in clients respective sub account to the extent of overdue balance for more than 14 days or value of securities, whichever is less.			162,175
Pakistan Investment Bond	At market value Less: 5% discount		137,261,340 (6,863,067)	130,398,273
Total Current Assets		A		315,891,302
<u>CURRENT LIABILITIES</u>				
Trade payables	As per book value (trade base) Less: Overdue for more than 30 days	6	71,465,330 (34,122,279)	37,343,051
Other liabilities	As per book value	7		84,157,927
Total Current Liabilities		B		121,500,978
Net Capital Balance as at June 30, 2019		A-B		194,390,324

The annexed notes 1 to 8 form an integral part of the statement

Chief Executive Officer

Chief Financial Officer



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AL Habib Capital Markets (Private) Limited
Notes to the Statement of Net Capital Balance
As at 30 June 2019

1. STATEMENT OF COMPLIANCE

- 1.1 The statement of net capital balance ("the Statement") has been prepared in accordance with the Rule 2 (d) of, and Third Schedule to the Securities and Exchange Rules, 1971 and in accordance with the clarifications / guidelines issued by Securities and Exchange Commission of Pakistan (SECP) dated 03 July 2013, 24 June 2015 and 08 September 2016.
- 1.2 The valuation of current assets and current liabilities for the purpose of net capital balance has been determined on the basis of the following:

Description	Valuation Basis
Cash in hand or in bank	As per book value.
Cash deposited as margin with National Clearing Company of Pakistan	As per book value.
Trade receivables	Book value less those overdue for more than fourteen days.
Investment in listed securities in the name of the broker	Securities on the exposure list marked to market less 15% discount.
Securities purchased for customers	Securities purchased
Pakistan Investment Bond	Marked to market less 5% discount.
Any other assets as specified by the Commission	As per the valuation basis as determined by the Commission.
Trade Payables	Book value less those overdue for more than thirty days.
Other Liabilities	As classified under the generally accepted accounting principles.

2. CASH IN HANDS AND BANK BALANCES

These are stated at book value.

	Note	30 June 2019 (Rupees)
Cash in hand		27,399
Bank balances pertaining to:		
- AL Habib Capital Markets (Private) Limited - Current and PLS accounts		2,115,059
- Clients - saving account (Settlement base)		47,909,813
		<u>50,052,271</u>
Less: Adjustment to restrict client account to client-wise / overall creditors	2.1	(20,132)
		<u>50,032,139</u>

- 2.1 The client's bank account balance amounting to Rs. 47,909,813 has been restricted to client wise trade payables balance on settlement base Rs. 47,889,681 for the purpose of Net Capital Balance in accordance with clause 1.5 A of clarification / guidelines issued by SECP on 08 September 2016.

3. CASH DEPOSITED AS MARGIN WITH NCCPL

This represent cash deposited with National Clearing Company of Pakistan Limited against the exposure margin deposits. Deposits held with PSX and NCCPL as basic deposits have not been included as per the clarifications issued by Securities and Exchange Commission of Pakistan (SECP).



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4. TRADE RECEIVABLES

These are valued at cost less bad and doubtful debts (if any) and debts outstanding for more than 14 days.

Total receivable	82,854,878
Less: Outstanding for more than 14 days	<u>(2,823,289)</u>
Balance generated within 14 days and/or not yet due	<u><u>80,031,589</u></u>

**30 June
2019
(Rupees)**

5. INVESTMENT IN LISTED SECURITIES IN THE NAME OF BROKER

<u>30 June 2019</u>	Name of investee	Note	<u>30 June 2019</u>	
Number of shares			Carrying amount (Rupees)	Market value
283,609	The Hub Power Company Limited		26,450,609	22,334,209
147,315	Pakistan Petroleum Limited	5.1	24,700,784	21,276,705
87,000	Habib Bank Limited		14,748,629	9,853,620
35,200	Engro Corporation Limited		10,075,009	9,349,120
86,000	Engro Fertilizer Limited		6,191,759	5,501,420
300,000	Pakistan Stock Exchange Limited	5.1	5,837,640	3,900,000
9,000	Attock Petroleum Limited		4,617,590	2,596,590
88,000	Pioneer Cement Limited		4,984,574	1,993,200
			<u><u>97,606,594</u></u>	<u><u>76,804,864</u></u>

5.1 These includes 60,000 shares (31 December 2018 : 100,000) and 300,000 shares (31 December 2018 : NIL) of Pakistan Petroleum Limited and Pakistan Stock Exchange Limited respectively pledged against Base Minimum Capital.

6. TRADE PAYABLES

This represents balances payable against trading of shares less trade payable balance overdue for more than 30 days which have been included in other liabilities.

7. OTHER LIABILITIES

These represents current liabilities, other than trade payable, which are due with in 30 days. Other liabilities are stated at book value.

The break up is as follows:

- Accrued expenses	1,941,585
- Workers' Welfare Fund	509,179
- Other liabilities	924,966
- Short Term Borrowings	6,849,262
- Trade payables overdue for more than 30 days	34,122,279
- Payable NCCPL	<u>39,810,656</u>
	<u><u>84,157,927</u></u>

**30 June
2019
(Rupees)**

8. GENERAL

8.1 Restriction of distribution of statement

The statement is prepared to meet the requirements of the Securities and Exchange Commission of Pakistan (SECP), Pakistan Stock Exchange (PSX) and National Clearing Company of Pakistan Limited (NCCPL). As a result, this statement may not be suitable for any another purpose and should not be distributed to parties other than AL Habib Capital Markets (Private) Limited, the SECP, PSX or NCCPL.

8.2 Date of issuance

12 SEP 2019

This statement is being authorized for issue on _____

Chief Executive Officer



Chief Financial Officer

