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Independent Auditor's Report on Statement of Net Capital Balance 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 31 December 2017 (together 'the statement').

In our opinion, the financial information in the statement of the Securities Broker, as at 31 December 2017 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 1.1 to the statement, which describes the basis of accounting. The statement is prepared to assist AL Habib Capital Markets (Private) Limited (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 AL Habib Capital Markets (Private) Limited (the Securities Broker), SECP, PSX and NCCPL and should not be distributed to parties other than AL Habib Capital Markets (Private) Limited (the Securities Broker), 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 is responsible for overseeing the Securities Broker's financial reporting process.

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.

Date: 14 March 2018

Karachi

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



AL Habib Capital Markets (Pvt) Ltd.

(A Subsidiary of Bank AL Habib Ltd.)

(Excess of Current Assets over Current Liabilities determined in accordance with the requirements of the Second Schedule of the Securities Brokers (Licensing and Operations) Regulations, 2016 (the Regulations) and Rule 2 (d) of the Securities Exchange Commission (SEC) Rules 1971 (SEC Rules 1971) issued by the Securities & 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		82,805,217
Cash deposited as margin with National Clearing Company of Pakistan	As per book value	3		33,600,000
Trade receivables	As per book value Less: Overdue for more than 14 days	4	55,875,381 (2,208,448)	53,666,933
Investment in listed securities in the name of broker	At market value Less: Securities in exposure against demand Less: Securities in exposure list marked to market less 15% discount	5	119,256,129 (185,627) 119,070,502 (17,860,575)	101,209,927
Securities purchase for customer	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			161,292
SBP Treasury Bill	At market value	6		129,947,640
Total Current Assets				401,391,009
<u>CURRENT LIABILITIES</u>				
Trade payables	As per book value Less: Overdue for more than 30 days	7	137,904,222 (22,447,639)	115,456,583
Other liabilities	As per book value	8		26,397,154
Total Current Liabilities				141,853,737
Net Capital Balance as at 31 December 2017				259,537,272

The annexed notes 1 to 9 form an integral part of the statement.

Chief Executive Officer



Chief Financial Officer



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1. STATEMENT OF COMPLIANCE

The statement of Net Capital Balance ("the Statement") has been prepared in accordance with the requirements of the Third Schedule read with Rule 2(d) of the Securities Exchange Commission Rules, 1971 ("SEC Rules, 1971"), the Securities Brokers (licensing and Operations) Regulations, 2016 (Regulations) and the Clarifications issued by Securities Exchange Commission of Pakistan (SECP) under SEC Rules, 1971.

All figures have been obtained from the audited special purpose financial statements of the Company for the period ended 31 December 2017.

1.1 Basis of accounting

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
Trade receivables	Book value less those overdue for more than fourteen days.
Investment in listed securities in the name of broker	Securities on the exposure list marked to market less 15% discount.
Securities purchased for customers	Securities purchased for customers and held by the broker where the payment has not been received within fourteen days.
SBP Treasury Bill	At market value
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 30 days.
Other liabilities	As classified under the generally accepted accounting principles.

2. CASH IN HAND AND BANK BALANCES

	Note	31 December 2017 (Rupees)
These are stated at book value.		
Cash in hand		14,255
Bank balances pertaining to:		
- Brokerage house - Current and PLS Accounts		6,157,769
- Clients - Current Account		76,635,000
		82,792,769
		<u>82,807,024</u>
Less: adjustment to restrict client account to client-wise / overall creditors	2.1	(1,807)
		<u>82,805,217</u>

2.1 The clients bank account balance amounting to Rs. 76.635 million has been restricted to client wise trade payable balance on settlement base Rs. 76.633 million for the purpose of Net Capital Balance in accordance with clause 1.5A of clarification / guidelines issued by SECP on 8 September 2016.

		31 December 2017 (Rupees)
Trade Payables		137,904,222
Less: Accrual of Trade payables for T+2 transaction		61,271,029
		<u>76,633,193</u>



AL Habib Capital Markets (Pvt) Ltd.

3. CASH DEPOSITED AS MARGIN WITH NATIONAL CLEARING COMPANY OF PAKISTAN LIMITED

This represents cash deposited with National Clearing Company of Pakistan Limited against the exposure margin deposits

4. TRADE RECEIVABLES

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

	31 December 2017 (Rupees)
Total receivable	55,875,381
Less: Outstanding for more than 14 days	<u>(2,208,448)</u>
Balance generated within 14 days and/or not yet due	<u>53,666,933</u>

5. INVESTMENTS IN LISTED SECURITIES IN THE NAME OF BROKER

31 December 2017

Number of shares	Name of investee	Note	31 December 2017	
			Carrying amount	Market value
			(Rupees)	
252,500	The Hub Power Company Limited		22,889,250	22,977,500
128,100	Pakistan Petroleum Limited		17,805,374	26,377,071
87,000	Habib Bank Limited		16,845,386	14,536,830
300,000	Pakistan Stock Exchange Limited		8,479,238	6,720,000
5,600	Attock Petroleum Limited		3,560,977	2,929,248
32,000	Engro Corporation Limited		10,075,009	8,792,000
86,000	Engro Fertilizer Limited	5.1	4,840,047	5,823,920
88,000	Pioneer Cement Limited		9,969,047	5,554,560
50,000	Thal Limited		<u>25,480,373</u>	<u>25,545,000</u>
			<u>119,944,701</u>	<u>119,256,129</u>

5.1 These shares are pledged against NCCPL exposure.

6. SBP Treasury Bill

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

7. 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 (refer note 8).

8. 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:

	31 December 2017 (Rupees)
- Accrued expenses	2,540,418
- Workers' Welfare Fund	509,179
- Other liabilities	743,878
- Sales tax and FED payable	156,040
- Trade payables (more than 30 days)	<u>22,447,639</u>
	<u>26,397,154</u>

9. GENERAL

9.1 Restriction on distribution of statement

This statement is prepared to meet the requirements of the Securities & Exchange Commission of Pakistan (SECP), Pakistan Stock Exchange (PSX) and National Clearing Company of Pakistan Limited (NCCPL). Therefore, this statement may not be suitable for any other purpose and should not be distributed to parties other than Al Habib Capital Market (Private) Limited (the Securities Broker), its clients, SECP, PSX or NCCPL.

9.2 Date of Authorisation

This statement was authorised for issue on _____.


Chief Executive Officer


Chief Financial Officer

