KPMG Taseer Hadi & Co.
Chartered Accountants

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

# Financial Statements
For the period from 1 July 2015 to
31 December 2015

KPMG Taseer Hadi & Co.
Chartered Accountants
Sheikh Sultan Trust Building No. 2
Beaumont Road
Karachi, 75530 Pakistan

Telephone + 92 (21) 3568 5847
Fax + 92 (21) 3568 5095
Internet www.kpmg.com.pk

## Auditors' Report to the Members

We have audited the annexed balance sheet of **AL Habib Capital Markets (Private) Limited** ("the Company") as at 31 December 2015 and the related profit and loss account, statement of comprehensive income, cash flow statement, and statement of changes in equity together with the notes forming part thereof, for the six months period then ended and we state that we have obtained all the information and explanations which, to the best of our knowledge and belief, were necessary for the purposes of our audit.

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

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

a) in our opinion, proper books of account have been kept by the Company as required by the Companies Ordinance, 1984;

b) in our opinion:

   i) the balance sheet and profit and loss account together with the notes thereon have been drawn up in conformity with the Companies Ordinance, 1984 and are in agreement with the books of account and are further in accordance with accounting policies consistently applied except for the change in accounting policy as disclosed in note 5 to the accompanying financial statements, with which we concur;

   ii) the expenditure incurred during the period was for the purpose of the Company's business; and

   iii) the business conducted, investments made and the expenditure incurred during the period were in accordance with the objects of the Company;

c) in our opinion and to the best of our information and according to the explanations given to us, the balance sheet, profit and loss account, statement of comprehensive income, cash flow statement and statement of changes in equity together with the notes forming part thereof conform with approved accounting standards as applicable in Pakistan, and give the information required by the Companies Ordinance, 1984, in the manner so required and respectively give a true and fair view of the state of the Company's affairs as at 31 December 2015 and of the loss, its cash flows and changes in equity for the six months period then ended; and

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

**Restriction on Distribution**

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

KPMG Taseer & Co.

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

**Date: 26 January 2016**

**Karachi**

# AL Habib Capital Markets (Private) Limited
## Balance Sheet
*As at 31 December 2015*

| | Note | 31 December 2015 | 30 June 2015 |
|---|---|---|---|
| | | (Rupees) | |
| **ASSETS** | | | |
| **NON-CURRENT ASSETS** | | | |
| Property and equipment | 6 | 8,628,745 | 9,156,320 |
| Intangible assets | 7 | 15,016,405 | 15,212,000 |
| Long term Investments | 8 | 40,378,391 | 40,378,391 |
| Long term loans, advances and deposits | 9 | 8,371,267 | 8,399,240 |
| Deferred tax asset - net | 10 | 4,984,402 | 5,336,734 |
| | | 77,379,210 | 78,482,685 |
| **CURRENT ASSETS** | | | |
| Short term investments | 11 | 213,734,551 | 219,187,301 |
| Trade debts | 12 | 6,452,991 | 66,088,686 |
| Loans and advances | 13 | 254,981 | 108,261 |
| Deposits and prepayments | 14 | 8,059,963 | 23,287,551 |
| Other receivables | 15 | 7,497,764 | 7,312,056 |
| Taxation - net | 24.2 | 18,848,100 | 18,744,704 |
| Cash and bank balances | 16 | 34,267,992 | 46,774,136 |
| | | 289,116,342 | 381,502,695 |
| | | 366,495,552 | 459,985,380 |
| **EQUITY AND LIABILITIES** | | | |
| **SHARE CAPITAL AND RESERVES** | | | |
| Issued, subscribed and paid up capital | 17 | 300,000,000 | 300,000,000 |
| Unappropriated profit | | 37,055,418 | 44,469,352 |
| Unrealised gain on re-measurement of available-for-sale investments | | 13,862,170 | 15,177,126 |
| | | 350,917,588 | 359,646,478 |
| **CURRENT LIABILITIES** | | | |
| Trade payables, accrued expenses and other liabilities | 19 | 15,424,939 | 99,419,917 |
| Sales tax and FED payable | | 153,025 | 918,985 |
| | | 15,577,964 | 100,338,902 |
| | | 366,495,552 | 459,985,380 |
| **CONTINGENCIES AND COMMITMENTS** | 20 | | |

The annexed notes 1 to 33 form an integral part of these financial statements.

Chief Executive

Chief Financial Officer

AL Habib Capital Markets (Private) Limited

Profit and Loss Account

*For the six months period ended 31 December 2015*

| | Note | 31 December 2015 | 31 December 2014 |
|---|---|---|---|
| | | ---------------- (Rupees) | -------------- |
| **INCOME** | | | |
| Brokerage revenue | | 12,202,263 | 16,653,613 |
| Share subscription income | | 150,188 | 2,130,837 |
| Dividend income | | 3,391,774 | 2,276,107 |
| Interest income from Pakistan Investment Bonds | | 8,834,126 | 6,112,589 |
| Profit on saving and deposit accounts | | 433,657 | 3,198,950 |
| Gain on sale of investment | | 1,738,691 | - |
| Other income | 21 | 52,636 | 236,367 |
| | | 26,803,335 | 30,608,463 |
| **EXPENSES** | | | |
| Administrative expenses | 22 | (25,479,306) | (25,770,683) |
| Finance cost | 23 | (149,427) | (47,140) |
| Provision of Workers' Welfare Fund | | (41,392) | (95,851) |
| | | (25,670,125) | (25,913,674) |
| Impairment on investment - available for sale | | (5,030,044) | - |
| **(LOSS) / PROFIT BEFORE TAXATION** | | (3,896,834) | 4,694,789 |
| Taxation - current | 24 | (1,995,553) | (625,038) |
| - deferred | | (1,521,547) | (1,780,041) |
| | | (3,517,100) | (2,405,079) |
| **(LOSS) / PROFIT FOR THE PERIOD** | | (7,413,934) | 2,289,710 |
| (Loss) / earnings per share - basic and diluted | 25 | (0.247) | 0.076 |

The annexed notes 1 to 33 form an integral part of these financial statements.

Chief Executive

Chief Financial Officer

# AL Habib Capital Markets (Private) Limited
## Statement of Comprehensive Income
*For the six months period ended 31 December 2015*

| | 31 December 2015 | 31 December 2014 |
|---|---|---|
| | ---------- (Rupees) ---------- | |
| **(Loss) / profit for the period** | (7,413,934) | 2,289,710 |
| **Other comprehensive income** | | |
| ***Items to be reclassified to profit or loss in subsequent periods*** | | |
| Unrealised (loss) / gain on re-measurement of available-for-sales investments - net of tax | (1,314,956) | 7,074,041 |
| **Total comprehensive income for the period** | (8,728,889) | 9,363,751 |

The annexed notes 1 to 33 form an integral part of these financial statements.

lqamkr

Chief Executive

Chief Financial Officer

AL Habib Capital Markets (Private) Limited

Cash Flow Statement

*For the six months period ended 31 December 2015*

| | Note | 31 December 2015 | 31 December 2014 |
|---|---|---|---|
| | | ------ (Rupees) ------ | |
| **CASH FLOWS FROM OPERATING ACTIVITIES** | | | |
| (Loss) / profit before taxation | | (3,896,834) | 4,694,789 |
| **Adjustment for:** | | | |
| Depreciation | | 651,702 | 796,460 |
| Amortisation | | 195,595 | 195,960 |
| Finance cost | | 149,427 | 47,140 |
| Amortisation on Pakistan Investment Bonds | | (473,093) | (416,697) |
| Impairment on investment - available for sale | | 5,030,044 | |
| Loss on disposal of property and equipment | | 1,874 | - |
| Gain on sale of investments | | (1,738,691) | - |
| | | 3,816,858 | 622,863 |
| **Operating (loss) / profit before working capital changes** | | (79,976) | 5,317,652 |
| **(Increase) / decrease in operating assets** | | | |
| Trade debts | | 59,635,695 | (18,474,764) |
| Loans and advances | | (146,720) | 19,537,506 |
| Deposits and prepayments | | 15,227,588 | 40,183,814 |
| Other receivables | | (185,708) | (5,816,356) |
| | | 74,530,855 | 35,430,200 |
| | | 74,450,879 | 40,747,852 |
| **Increase / (decrease) in operating liabilities** | | | |
| Trade payables, accrued expenses and other liabilities | | (84,871,418) | 54,848,300 |
| **Net cash (used in) / generated from operations** | | (10,420,539) | 95,596,152 |
| Long term loans, advances and deposits | | 27,973 | (379,393) |
| Finance cost paid | | (38,947) | (184,647) |
| Tax paid | | (2,098,949) | (2,470,366) |
| | | (2,109,923) | (3,034,406) |
| **Net cash (used in) / generated from operating activities** | | (12,530,462) | 92,561,746 |
| **CASH FLOWS FROM INVESTING ACTIVITIES** | | | |
| Investments made during the period | | (53,045,091) | (194,692,620) |
| Investments disposed off during the period | | 53,195,409 | - |
| Sale proceeds from disposal of property and equipment | | 68,000 | - |
| Additions to property and equipment | | (194,000) | - |
| Additions to intangible assets | | - | (3,565) |
| **Net cash generated from / (used in) investing activities** | | 24,318 | (194,696,185) |
| **Net decrease in cash and cash equivalents during the period** | | (12,506,144) | (102,134,439) |
| Cash and cash equivalents at beginning of the period | | 46,774,136 | 207,431,304 |
| **Cash and cash equivalents at end of the period** | 28 | 34,267,992 | 105,296,865 |

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

Chief Executive

Chief Financial Officer

## AL Habib Capital Markets (Private) Limited
Statement of Changes in Equity
*For the six months period ended 31 December 2015*

| | Issued, subscribed and paid up capital | Unappropriated profit | Unrealised gain / (loss) on re-measurement of available-for-sale investments | Total |
|---|---|---|---|---|
| | ---------- | ---------- | (Rupees) ---------- | ---------- |
| Balance as at 1 July 2014 | 300,000,000 | 37,410,985 | 154,809 | 337,565,794 |
| ***Total comprehensive income for the year*** | | | | |
| Profit for the year ended 30 June 2015 | - | 7,058,367 | - | 7,058,367 |
| ***Other comprehensive income*** | | | | |
| Unrealised gain on remeasurement of available-for-sale investments - net of tax | - | - | 15,022,317 | 15,022,317 |
| Total comprehensive income for the year | - | 7,058,367 | 15,022,317 | 22,080,684 |
| Balance as at 30 June 2015 | 300,000,000 | 44,469,352 | 15,177,126 | 359,646,478 |
| ***Total comprehensive income for the period*** | | | | |
| Loss for the six months period ended 31 December 2015 | - | (7,413,934) | - | (7,413,934) |
| ***Other comprehensive income*** | | | | |
| Unrealised gain on remeasurement of available-for-sale investments - net of tax | - | - | (1,314,956) | (1,314,956) |
| Total comprehensive income for the period | - | (7,413,934) | (1,314,956) | (8,728,890) |
| **Balance as at 31 December 2015** | 300,000,000 | 37,055,418 | 13,862,170 | 350,917,588 |

The annexed notes 1 to 33 form an integral part of these financial statements.

Chief Executive

Chief Financial Officer

## 1. LEGAL STATUS AND NATURE OF BUSINESS

AL Habib Capital Markets (Private) Limited (the Company) was incorporated in Pakistan on 23 August 2005 as a private limited company under the Companies Ordinance, 1984 and started operations from 14 December 2005. The Company is a subsidiary of Bank AL Habib Limited (the Holding Company) which holds 66.67% of the shares of the Company. The registered office of the Company is located at Techno city, Hasrat Mohani Road, Karachi. The Company is a corporate member of the Karachi Stock Exchange Limited (subsequent to year end due to demutualisation of all stock exchanges are integrated into Pakistan Stock Exchange) and principally engaged in the business of stocks brokrage. Other activities includes investment in a mix of listed and unlisted equity securities, economic research and advisory services.

## 2. BASIS OF PREPARATION

### 2.1 Statement of compliance

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

### 2.2 Basis of measurement

These financial statements have been prepared under the historical cost convention except for available-for-sale investments, that are carried at fair value as referred in note 5.5 below.

### 2.3 Functional and presentation currency

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

## 3. USE OF ESTIMATES AND JUDGMENTS

The preparation of financial statements in conformity with approved accounting standards as applicable in Pakistan requires management to make judgments, estimates and assumptions that affect the application of accounting policies and reported amounts of assets, liabilities, income and expenses.

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

- Residual value and useful lives of property and equipments (Note 5.1 & 6)
- Residual value and useful lives of intangible assets (Note 5.3 & 7)
- Valuation and impairment of available for sale investments (Note 5.5, 5.6 & 8)
- Provision for impairment of receivable from customers and other receivables (Note 5.4, 5.6 & 12)
- Provision for impairment of financial and non - financial assets (Note 5.6)
- Recognition of taxation and deferred tax (Note 5.10 , 10 & 24)
- Provision for compensated absences (Note 5.12.2)

## 4. NEW ACCOUNTING STANDARDS AND IFRIC INTERPRETATIONS THAT ARE NOT YET EFFECTIVE

The following standards, amendments and interpretations of approved accounting standards will be effective for accounting periods beginning on or after 01 January 2016:

- Amendments to IAS 38 Intangible Assets and IAS 16 Property, Plant and Equipment (effective for annual periods beginning on or after 1 January 2016) introduce severe restrictions on the use of revenue-based amortization for intangible assets and explicitly state that revenue-based methods of depreciation cannot be used for property, plant and equipment. The rebuttable presumption that the use of revenue-based amortization methods for intangible assets is inappropriate can be overcome only when revenue and the consumption of the economic benefits of the intangible asset are 'highly correlated', or when the intangible asset is expressed as a measure of revenue. The amendments are not likely to have an impact on Company's financial statements.

- Investment Entities: Applying the Consolidation Exception (Amendments to IFRS 10 – Consolidated Financial Statements and IAS 28 – Investments in Associates and Joint Ventures) [effective for annual periods beginning on or after 1 January 2016) clarifies (a) which subsidiaries of an investment entity are consolidated; (b) exemption to present consolidated financial statements is available to a parent entity that is a subsidiary of an investment entity; and (c) how an entity that is not an investment entity should apply the equity method of accounting for its investment in an associate or joint venture that is an investment entity. The amendments are not likely to have an impact on Company's financial statements.

- Accounting for Acquisitions of Interests in Joint Operations – Amendments to IFRS 11 'Joint Arrangements' (effective for annual periods beginning on or after 1 January 2016) clarify the accounting for the acquisition of an interest in a joint operation where the activities of the operation constitute a business. They require an investor to apply the principles of business combination accounting when it acquires an interest in a joint operation that constitutes a business. The amendments are not likely to have an impact on Company's financial statements.

- Amendment to IAS 27 'Separate Financial Statement' (effective for annual periods beginning on or after 1 January 2016) allows entities to use the equity method to account for investments in subsidiaries, joint ventures and associates in their separate financial statements. The amendment is not likely to have an impact on Company's financial statements.

- Agriculture: Bearer Plants [Amendment to IAS 16 and IAS 41] (effective for annual periods beginning on or after 1 January 2016). Bearer plants are now in the scope of IAS 16 Property, Plant and Equipment for measurement and disclosure purposes. Therefore, a company can elect to measure bearer plants at cost. However, the produce growing on bearer plants will continue to be measured at fair value less costs to sell under IAS 41 Agriculture. A bearer plant is a plant that: is used in the supply of agricultural produce; is expected to bear produce for more than one period; and has a remote likelihood of being sold as agricultural produce. Before maturity, bearer plants are accounted for in the same way as self-constructed items of property, plant and equipment during construction. The amendments are not likely to have an impact on Company's financial statements.

- Annual Improvements 2012-2014 cycles (amendments are effective for annual periods beginning on or after 1 January 2016). The new cycle of improvements contain amendments to the following standards:

  - IFRS 5 Non-current Assets Held for Sale and Discontinued Operations. IFRS 5 is amended to clarify that if an entity changes the method of disposal of an asset (or disposal group) i.e. reclassifies an asset from held for distribution to owners to held for sale or vice versa without any time lag, then such change in classification is considered as continuation of the original plan of disposal and if an entity determines that an asset (or disposal group) no longer meets the criteria to be classified as held for distribution, then it ceases held for distribution accounting in the same way as it would cease held for sale accounting.

  - IFRS 7 'Financial Instruments- Disclosures'. IFRS 7 is amended to clarify when servicing arrangements on continuing involvement in transferred financial assets in cases when they are derecognized in their entirety are in the scope of its disclosure requirements. IFRS 7 is also amended to clarify that additional disclosures required by 'Disclosures: Offsetting Financial Assets and Financial Liabilities (Amendments to IFRS7)' are not specifically required for inclusion in condensed interim financial statements for all interim periods.

  - IAS 19 'Employee Benefits'. IAS 19 is amended to clarify that high quality corporate bonds or government bonds used in determining the discount rate should be issued in the same currency in which the benefits are to be paid.

  - IAS 34 'Interim Financial Reporting'. IAS 34 is amended to clarify that certain disclosures, if they are not included in the notes to interim financial statements and disclosed elsewhere should be cross referred.

  The above amendments are not likely to have an impact on Company's financial statements.

## 5. SIGNIFICANT ACCOUNTING POLICIES

The significant accounting policies have been applied consistently to all periods presented in these financial statements as set out below except for the following standard, which became effective during the period:

**Standards, interpretations and amendments effective during the period**

- IFRS 10 'Consolidated Financial Statements' replaces the current guidance on consolidation in IAS 27 Consolidated and Separate Financial Statements. It introduces a single model of assessing control whereby an investor controls an investee when it has the power, exposure to variable returns and the ability to use its power to influence the returns of the investee. IFRS 10 also includes specific guidance on de-facto control, protective rights and the determination of whether a decision maker is acting as principal or agent, all of which is influence the assessment of control. the application of IFRS 10 did not result in any investee being in control of the Company.

- IFRS 11 'Joint Arrangements' replaces IAS 31 'Interests in Joint Ventures' it requires all joint ventures to be equity accounted hereby removing the option in IAS 31 for proportionate consolidation. It also removes the IAS 31 concept to jointly controlled assets. The application of IFRS 11 did not result in identification of any associate as joint venture.

- IFRS 12 'Disclosure of Interests in Other Entities' prescribes additional disclosures around significant judgments and assumptions meet in determining whether an entity controls another entity and has joint control or significant influence over another entity. The standard also requires disclosures on the nature and risks associated with interest in unconsolidated structured entities. The application of IFRS 12 does not have an impact on the financial statements of the Company.

- IFRS 13 'Fair Value Measurement' consolidates the guidance on how to measure fair value, which was spread across various IFRS, into one comprehensive standard. It introduces the use of an exact price, as well as extensive disclosure requirements, particularly the inclusion of non-financial instruments into the fair value hierarchy. The application of IFRS 13 does not have an impact on the financial statements of the Company except for certain disclosures as mentioned in note 30.4.

### 5.1 Property and equipment

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

Depreciation is charged applying the straight line method at the rates specified in note 6 to these financial statements, which are considered appropriate to write off the cost of the assets over their useful economic lives.

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

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

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

### 5.2 Operating leases / Ijarah agreements

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

### 5.3 Intangible assets

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

Computer software and website developed are recognized in the financial statements, if and only if, it is probable that the future economic benefits that are attributable to the assets will flow to the Company; and the cost of the assets can be measured reliably. These are carried at cost less accumulated amortization and impairment, if any. Amortization of computer software and website developed is charged to profit and loss account for the year on a straight line basis at the rates specified in note 7. The amortization period and the amortization method for intangible assets with finite useful are reviewed, and adjusted if appropriate.

Details of the basis of valuation of the Trading Rights Entitlement (TRE) Certificate is given in note 7 to these financial statements.

### 5.4 Trade debts and other receivables

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

### 5.5 Investments

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

**Investment at fair value through profit or loss**

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

**Held-to-maturity**

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

**Available-for-sale**

Investments which are not classified in any of the preceding categories are classified as available-for-sale investments. After initial recognition, these investments are re-measured at fair value. Surplus / deficit arising from re-measurement are taken to other comprehensive income until the investments are sold / disposed-off or until the investments are determined to be impaired, at which time, cumulative gain or loss previously reported in the other comprehensive income is included in the current year's profit and loss account.

If, in a subsequent period, the fair value of an impaired increases and the increase can be objectively related to an event occurring after the impairment loss recognised in profit and loss, the impairment loss is reversed, with the amount of the reversal recognised in profit and loss. However, any subsequent

kpmg

recovery in the fair value of an impaired available for sale equity security is recognised in other comprehensive income.

Details of the basis of valuation of the investment in shares of Karachi Stock Exchange Limited are given in note 8 to these financial statements.

**Loans and receivables**

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

## 5.6 Impairment

*Equity securities*

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

*Debt securities*

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

*Non-financial assets*

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

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

## 5.7 Financial instruments

All financial assets and financial liabilities are recognised at the time when the Company becomes a party to the contractual provisions of the instrument. Financial assets are derecognised when the Company losses control of the contractual rights that comprise the financial assets. Financial liabilities are derecognised when they are extinguished, that is, when the obligation specified in the contract is discharged, cancelled, or expired. Any gain or loss on derecognition of the financial assets and financial liabilities is taken to profit and loss account.

## 5.8 Off-setting of financial assets and financial liabilities

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

## 5.9 Revenue recognition

- Brokerage, commission, consultancy and advisory fee are recognised as and when such services are rendered.

- Income from government securities is recognised on time proportion basis taking into account effective yield.

- Capital gains and losses on sale of securities is recognised as and when realised taking into account effective yield.

- Mark-up income, return on bank deposits and balances are recognised on accrual basis.

- Dividend income is recorded when the right to receive the dividend is established.

## 5.10 Taxation

*Current*

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

*Deferred*

Deferred tax is recognized using the balance sheet liability method in respect of all temporary differences arising from differences between the carrying amount of assets and liabilities in the financial statements and the tax base. This is recognized on the basis of expected manner of the realization and the settlement of the carrying amount of assets and liabilities using the tax rates enacted or substantively enacted at the balance sheet date. Deferred tax assets are recognized to the extent that future taxable profits will be available against which the deductible temporary differences can be utilised. Deferred tax assets are reduced to the extent that is no longer probable that the related tax benefit will be realised.

Deferred tax, if any, on revaluation of investments is recognised as an adjustment to surplus / deficit arising on revaluation.

### 5.11 Dividends distributions and appropriations

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

### 5.12 Staff retirement benefits

#### *5.12.1 Defined contribution plan*

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

#### *5.12.2 Employee compensated absences*

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

### 5.13 Cash and cash equivalents

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

### 5.14 Foreign currency transactions

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

### 5.15 Provisions

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

### 5.16 Trade and other payables

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

## 6. PROPERTY AND EQUIPMENT

| | Note | 31 December 2015 Cost: As at 01 July 2015 | Additions / (disposals) | As at 31 December 2015 | Accumulated Depreciation: As at 01 July 2015 | Charge for the period / (disposals) | As at 31 December 2015 | Written down value as at 31 December 2015 | Rate of depreciation per annum |
|---|---|---|---|---|---|---|---|---|---|
| | | (Rupees) | | | | | | | % |
| Room and booths | 6.1 | 14,500,000 | - | 14,500,000 | 6,887,500 | 362,500 | 7,250,000 | 7,250,000 | 5 |
| Motor vehicles | 6.2 | 160,000 | 176,000<br>(160,000) | 176,000 | 117,860 | 17,827<br>(117,860) | 17,827 | 158,173 | 20 |
| Furniture and fixture | | 1,958,467 | - | 1,958,467 | 1,390,135 | 97,160 | 1,487,295 | 471,172 | 10 |
| Office equipments | 6.3 | 6,673,078 | 18,000<br>(32,000) | 6,659,078 | 6,190,308 | 101,436<br>(4,267) | 6,287,477 | 371,601 | 20 |
| Computer equipment | | 5,403,329 | - | 5,403,329 | 4,952,751 | 72,779 | 5,025,530 | 377,799 | 20 |
| | | 28,694,874 | 194,000<br>(192,000) | 28,696,874 | 19,538,554 | 651,702<br>(122,127) | 20,068,129 | 8,628,745 | |

| | Note | 30 June 2015 Cost: As at 01 July 2014 | Additions / (disposals) | As at 30 June 2015 | Accumulated Depreciation: As at 01 July 2014 | Charge for the year / (disposals) | As at 30 June 2015 | Written down value as at 30 June 2015 | Rate of depreciation per annum |
|---|---|---|---|---|---|---|---|---|---|
| | | (Rupees) | | | | | | | % |
| Room and booths | 6.1 | 14,500,000 | - | 14,500,000 | 6,162,500 | 725,000 | 6,887,500 | 7,612,500 | 5 |
| Motor vehicles | | 160,000 | - | 160,000 | 85,860 | 32,000 | 117,860 | 42,140 | 20 |
| Furniture and fixture | | 1,916,467 | 42,000 | 1,958,467 | 1,198,412 | 191,723 | 1,390,135 | 568,332 | 10 |
| Office equipments | | 6,488,578 | 184,500 | 6,673,078 | 5,850,330 | 339,978 | 6,190,308 | 482,770 | 20 |
| Computer equipment | | 5,383,729 | 74,000<br>(54,400) | 5,403,329 | 4,771,433 | 204,551<br>(23,233) | 4,952,751 | 450,578 | 20 |
| | | 28,448,774 | 300,500<br>(54,400) | 28,694,874 | 18,068,535 | 1,493,252<br>(23,233) | 19,538,554 | 9,156,320 | |

6.1 The rights to occupy room no. 16 at Karachi Stock Exchange (subsequent to year end due to demutualisation of all stock exchanges are integrated into Pakistan Stock Exchange) building were acquired through lease and license agreement for the purpose of the Company's business. The Karachi Stock Exchange Limited, as the lessee of the building, has sub-leased the said room in favour of the Company.

6.2 During the period, the Company disposed off four motor bikes by obtaining bids from different vendors and purchased four new motor bikes from the dealer.

6.3 The cost of fully depreciated assets as at 31 December 2015 is Rs. 11.209 million (30 June 2015: 10.240 million).

## 7. INTANGIBLE ASSETS

| | Note | 31 December 2015 Cost: As at 01 July 2015 | Additions | As at 31 December 2015 | Accumulated Amortisation: As at 01 July 2015 | Charge for the period | As at 31 December 2015 | Written down value as at 31 December 2015 | Rate of Amortisation per annum |
|---|---|---|---|---|---|---|---|---|---|
| | | (Rupees) | | | | | | | % |
| Website | | 125,000 | - | 125,000 | 125,000 | - | 125,000 | - | 50 |
| Computer software | | 958,849 | - | 958,849 | 746,849 | 195,595 | 942,444 | 16,405 | 50 |
| Trading right entitlement certificate | 7.2 | 17,158,785 | - | 17,158,785 | 2,158,785 | - | 2,158,785 | 15,000,000 | - |
| | | 18,242,634 | - | 18,242,634 | 3,030,634 | 195,595 | 3,226,229 | 15,016,405 | |

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

7.1 The cost of fully amortised intangible assets as at 31 December 2015 is Rs. 0.3 million (30 June 2015: 0.3 million).

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

According to the Stock Exchange (Corporatization, demutualization and integration) Act, 2012, the TRE Certificate may only be transferred once to a company intending to carry out shares brokerage business in the manner prescribed. Up to 31 December 2019, the Stock Exchange shall offer for issuance of 15 TRE Certificate each year in the manner prescribed. After 2019, no restriction shall be placed on issuance of TRE Certificate.

## 8. LONG TERM INVESTMENTS

### 8.1 Available-for-sale investments - (unquoted)

| | | 31 December 2015 | 30 June 2015 |
|---|---|---|---|
| | | (Rupees) | |
| Investment in Karachi Stock Exchange Limited | 8.2 | 40,378,391 | 40,378,391 |
| | | 40,378,391 | 40,378,391 |

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

- 40% of the total shares allotted (i.e. 1,602,953 shares) are transferred in the House Account of CDC to each initial shareholder;

- 60% of the total shares (i.e. 2,404,430 shares) have been deposited in a sub-account in Company's name under KSEL's participant ID with CDC which will remain blocked until they are divested to strategic investor(s), general public and financial institutions (as per the provisions of the Act).

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

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

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

In compliance with the sub regulation 2.1 of the Regulation Governing Risk management (Regulation) of the KSEL, every TREC holder registered as the broker under Brokers and Agents Registration Rules 2001, is required to maintain a Base Minimum Capital (BMC) in the amount and form as prescribed in the Regulations. As per notice No. KSE/N-5171 dated 13 October 2015, the BMC is Rs. 31.302 million.

The Company's BMC is comprised of the sum of notional value of the TREC and breakup value of pledged 40% KSEL shares. The KSEL once in every six months reviews notional value of the TREC and the breakup value of its shares. As per notice no. KSE/N-5171 dated 13 October 2015, the revised notional value of the TREC was Rs. 15 million and the breakup value of the shares was Rs. 16.302 million (Rs. 10.17 per share) resulting in BMC maintained at Rs. 31.302 million against the requirements of Rs. 31.302 million.

| 9. LONG TERM LOANS, ADVANCES & DEPOSITS | | 31 December 2015 | 30 June 2015 |
|---|---|---|---|
| | | (Rupees) | (Rupees) |
| **Long term loans** | | | |
| Staff loan | 9.1 | 201,028 | 117,779 |
| Less: current portion of staff loan | | (154,986) | (43,764) |
| Long term portion of staff loan | | 46,042 | 74,015 |
| **Advance against Dubai Gold and Commodity Exchange membership** | 9.2 | 7,913,725 | 7,913,725 |
| **Security deposits** | | | |
| - National Clearing Company of Pakistan Limited | | 200,000 | 200,000 |
| - Karachi Stock Exchange Limited | | 200,000 | 200,000 |
| - Others | | 11,500 | 11,500 |
| | | 411,500 | 411,500 |
| | | 8,371,267 | 8,399,240 |

9.1 This represents personal loan carry mark-up rate of 8% (30 June 2015: 10% to 12.5%) per annum provided to employees who have completed at least one year service with the Company. These are recoverable over a period of three years and are secured against retirement benefit payable to respective employees.

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

## 10. DEFERRED TAX ASSET - net

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

| Deferred tax assets arising in respect of: | Balance at 1 July 2014 | Recognised in profit and loss | Recognised in OCI | Balance at 30 June 2015 | Recognised in profit and loss | Recognised in OCI | Balance at 31 December 2015 |
|---|---|---|---|---|---|---|---|
| | (Rupees) | | | | | | |
| Intangible assets | 639,747 | (503,916) | - | 135,831 | 36,405 | - | 172,236 |
| Provision for impairment in value of investments | 613,214 | | (244,651) | 368,563 | 298,270 | | 666,833 |
| Provision for compensated absences | 259,338 | 60,281 | - | 319,619 | (11,744) | - | 307,875 |
| Tax losses | 12,154,398 | (1,434,676) | - | 10,719,722 | (1,991,731) | - | 8,727,991 |
| **Less: Deferred tax liabilities arising in respect of** | | | | | | | |
| Accelerated tax depreciation allowance | (1,526,597) | 227,505 | - | (1,299,092) | 147,253 | - | (1,151,839) |
| (Surplus) / deficit on revaluation of investments - net | - | - | (4,907,909) | (4,907,909) | - | 1,169,215 | (3,738,694) |
| **Net deferred tax assets** | 12,140,100 | (1,650,806) | (5,152,560) | 5,336,734 | (1,521,547) | 1,169,215 | 4,984,402 |

The deferred tax asset recognized in the financial statements represents the management's best estimate of the tax benefit which is expected to be realized in future years as the Company expects to set off the profits earned in these years against tax losses carried forward from prior years.

| 11. SHORT-TERM INVESTMENTS | | 31 December 2015 | 30 June 2015 |
|---|---|---|---|
| | | (Rupees) | (Rupees) |
| **Available-for-sale** | | | |
| Listed shares | 11.1 | 58,920,801 | 63,386,181 |
| Pakistan Investment Bonds | 11.2 | 154,813,750 | 155,801,120 |
| | | 213,734,551 | 219,187,301 |

11.1 Listed shares

| 31 December 2015 | 30 June 2015 | Name of investee | 31 December 2015 Carrying amount | 31 December 2015 Market value | 30 June 2015 Market value |
|---|---|---|---|---|---|
| -------- (Number of shares) ------- | | | ---------- (Rupees) ---------- | | |
| 252,500 | 252,500 | The Hub Power Company Limited * | 20,560,389 | 25,906,500 | 23,626,425 |
| 128,100 | 128,100 | Pakistan Petroleum Limited * | 20,633,905 | 15,603,861 | 21,041,706 |
| 87,000 | 87,000 | Habib Bank Limited* | 14,618,991 | 17,410,440 | 18,718,050 |
| | | | 55,813,285 | 58,920,801 | 63,386,181 |
| | | Provision for impairment in value of investments | (5,030,044) | | |
| | | Unrealized gain on re-measurement of investment | 8,137,560 | | |
| | | Carrying value | 58,920,801 | | |

* These shares (30 June 2015: nil) were pledged against Karachi Stock Exchange margin exposure.

11.2 Pakistan Investment Bonds - movement

| | 31 December 2015 | 30 June 2015 |
|---|---|---|
| | ---------- (Rupees) ---------- | |
| Pakistan Investment Bonds - cost | 145,000,000 | 145,000,000 |
| Unamortised value of premium / (discount) - net | 105,795 | (3,022,136) |
| Pakistan Investment Bonds - carrying value | 145,105,795 | 141,977,864 |
| Surplus on revaluation of investments | 9,707,955 | 13,823,256 |
| Fair value as at 31 December / 30 June | 154,813,750 | 155,801,120 |

These Pakistan Investment Bonds will mature on 17 July 2017 and carry yield ranging from 11.25% to 12.42% per annum (30 June 2015: 12.38% to 12.42%) per annum. These are placed in the SGL / IPS account maintained with Bank AL Habib Limited (the Holding Company). These Pakistan Investment Bonds are marked under lien/ hypothecation against running finance from Bank AL Habib Limited (the Holding Company).

12. TRADE DEBTS - considered good

| | 31 December 2015 | 30 June 2015 |
|---|---|---|
| | ---------- (Rupees) ---------- | |
| Due from clients against trading of securities | 6,257,940 | 8,835,407 |
| Due from National Clearing Company of Pakistan Limited | 102,370 | 56,726,860 |
| Due from associated companies / persons against trading of securities | 92,681 | 526,419 |
| | 6,452,991 | 66,088,686 |

12.1 The value of marketable securities held against trade debts by the Company amounted to Rs. 5,401.9 million (30 June 2015: Rs. 5,288.7 million).

13. LOANS AND ADVANCES

| | Note | 31 December 2015 | 30 June 2015 |
|---|---|---|---|
| | | ---------- (Rupees) ---------- | |
| Current portion of staff loan - secured | 9 | 154,986 | 43,764 |
| Advances to employees - secured | 13.1 | 99,995 | 64,497 |
| | | 254,981 | 108,261 |

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

14. DEPOSITS AND PREPAYMENTS

| | Note | 31 December 2015 | 30 June 2015 |
|---|---|---|---|
| | | ---------- (Rupees) ---------- | |
| Exposure deposit with Karachi Stock Exchange Limited | 14.1 | 6,000,000 | 21,373,400 |
| Security deposit to First Habib Modaraba | | 1,133,900 | 1,133,900 |
| Prepayments | | | |
| - Insurance | | 441,724 | 639,159 |
| - Others | | 484,339 | 141,092 |
| | | 8,059,963 | 23,287,551 |

14.1 This represents deposits held under the Karachi Stock Exchange Limited exposure rules. These deposits also carry interest at the rate of 5% to 6.6% (30 June 2015: 6.6% to 8.51%) per annum.

| 15. OTHER RECEIVABLES | Note | 31 December 2015 | 30 June 2015 |
|---|---|---|---|
| | | (Rupees) | |
| Interest receivable on Pakistan Investment Bonds | 11.2 | 7,436,732 | 7,307,247 |
| Others | | 61,032 | 4,809 |
| | | 7,497,764 | 7,312,056 |

| 16. CASH AND BANK BALANCES | Note | 31 December 2015 | 30 June 2015 |
|---|---|---|---|
| Cash in hand | | 22,120 | 18,133 |
| Cash with banks in: | | | |
| - Current accounts | *16.1* | 14,619,167 | 29,100,581 |
| - Saving accounts | *16.2* | 9,184,983 | 1,215,725 |
| - Call treasury deposit account | *16.3* | 10,441,722 | 16,439,697 |
| | | 34,245,872 | 46,756,003 |
| | | 34,267,992 | 46,774,136 |

16.1 This includes bank balances held with Bank AL Habib Limited (the Holding Company) amounting to Rs. 4.976 million (30 June 2015: Rs. 28.02 million).

16.2 This includes bank balances held with Bank AL Habib Limited (the Holding Company) amounting to Rs. 0.21 million (30 June 2015: Rs. 0.15 million) and carry interest at the rate of 5.5% (30 June 2015: 6% to 6.5%) per annum.

16.3 This represents bank balances held with Bank AL Habib Limited (the Holding Company) and carry interest at the rate of 5.5% and 6% (30 June 2015: 6% to 9%) per annum.

## 17. SHARE CAPITAL

### 17.1 Authorised Capital

| 31 December 2015 | 30 June 2015 | | 31 December 2015 | 30 June 2015 |
|---|---|---|---|---|
| (Number of shares) | | | (Rupees) | |
| 50,000,000 | 50,000,000 | Ordinary shares of Rs. 10/- each | 500,000,000 | 500,000,000 |

### 17.2 Issued, subscribed and paid-up share capital

| | | | | |
|---|---|---|---|---|
| 30,000,000 | 30,000,000 | Ordinary shares of Rs. 10/- each fully paid in cash | 300,000,000 | 300,000,000 |

## 18. SHORT TERM BORROWING - related party

Running finance facility of Rs. 500 million (30 June 2015: Rs. 500 million) has been obtained by the Company from Bank AL Habib Limited (the Holding Company) which is secured against hypothecation of amounts due from customers and lien over Government Securities. The mark-up is payable quarterly. The facilities carry mark-up rate at 3 month average KIBOR Ask + 1% (30 June 2015: 3 month average KIBOR Ask +1%).

| 19. | TRADE PAYABLES, ACCRUED EXPENSES AND OTHER LIABILITIES | | 31 December 2015 | 30 June 2015 |
|---|---|---|---|---|
| | | | ---------- (Rupees) ---------- | |
| | Due to clients against trading of securities | 19.1 | 12,630,409 | 96,517,370 |
| | Workers' Welfare Fund payable | | 41,392 | 260,699 |
| | Accrued expenses | | 2,753,138 | 2,641,848 |
| | | | 15,424,939 | 99,419,917 |

19.1 This includes Rs. 61,793 (30 June 2015: nil ) due to National Clearing Company of Pakistan Limited.

## 20. CONTINGENCIES AND COMMITMENTS

**Contingencies**
There were no contingencies at period end.

**Commitments**

| | | | |
|---|---|---|---|
| Commitments for rentals under Ijarah finance | | | |
| With in one year | 20.1 | 1,330,860 | 3,327,150 |
| After one year but not later than five years | | - | - |
| | | 1,330,860 | 3,327,150 |

20.1 Represent Ijarah Finance Facility entered into with First Habib Modarba in respect of vehicles. Total Ijarah payments due under the agreement is Rs. 1.33 million (30 June 2015: Rs. 3.33 million) and are payable in monthly instalments latest by April 2016. These commitments are secured by on-demand promissory notes of Rs. 13.11 million (30 June 2015: Rs. 13.11 million).

| 21. | OTHER INCOME | Six months period ended 31 December 2015 | 31 December 2014 |
|---|---|---|---|
| | | ---------- (Rupees) ---------- | |
| | Loss on disposal of property and equipment - net | (1,874) | - |
| | Other income | 54,510 | 236,367 |
| | | 52,636 | 236,367 |

## 22. OPERATING EXPENSES

| | | | |
|---|---|---|---|
| Salaries and other benefits | 22.1 | 15,042,136 | 14,028,136 |
| Printing and stationery | | 329,543 | 258,183 |
| Auditors remuneration | 22.2 | 216,781 | 161,502 |
| Rent, rates and taxes | | 1,050,000 | 1,203,920 |
| Vehicles running | | 654,811 | 719,218 |
| Utilities | | 89,589 | 935,740 |
| Legal and professional charges | | 610,618 | 499,130 |
| Insurance | | 720,830 | 757,098 |
| Newspapers and periodicals | | 15,608 | 17,111 |
| Entertainment | | 27,121 | 44,239 |
| Advertisement and business promotion | | 64,914 | 82,110 |
| Computer expenses | | 329,987 | 391,943 |
| Clearing house charges | | 1,204,291 | 1,691,647 |
| Office security | | 395,310 | 356,149 |
| Depreciation | 6 | 651,702 | 796,460 |
| Amortization | 7 | 195,595 | 195,960 |
| Repairs and maintenance | | 290,781 | 317,757 |
| Conveyance and travelling | | 83,839 | 3,880 |
| Communication | | 300,627 | 336,991 |
| Fee and subscription | | 1,085,076 | 852,497 |
| Lease rental of vehicles | | 1,996,290 | 2,008,116 |
| Office supplies | | 120,842 | 106,720 |
| Others | | 3,015 | 6,176 |
| | | 25,479,306 | 25,770,683 |

22.1 Salaries, allowances and other benefits include Company's contribution to provident fund amounting to Rs. 0.716 million (31 December 2014: Rs. 0.742 million).

| | | Six months period ended | |
|---|---|---|---|
| | | 31 December 2015 | 31 December 2014 |
| **22.2** | **Auditors' remuneration** | ---- (Rupees) ---- | |
| | Annual statutory audit fee | 100,000 | 75,000 |
| | Half yearly review/ audit fee | 75,000 | 25,000 |
| | Other certifications | 7,500 | 7,500 |
| | Out of pocket expenses | 34,281 | 54,002 |
| | | 216,781 | 161,502 |

## 23. FINANCE COST

| | | | |
|---|---|---|---|
| Mark-up on short term running finance | 18 | 127,395 | 15,821 |
| Bank charges | | 22,032 | 31,319 |
| | | 149,427 | 47,140 |

## 24. TAXATION

| | | |
|---|---|---|
| Current | 1,995,553 | 625,038 |
| Deferred | 1,521,547 | 1,780,041 |
| | 3,517,100 | 2,405,079 |

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 2014 and 2015 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.

| | | Six months period ended | |
|---|---|---|---|
| | | 31 December 2015 | 31 December 2014 |
| | | ---- (Rupees) ---- | |
| **24.3** | **Reconciliation of tax charge for the period** | 3,517,100 | 2,405,079 |
| | Accounting (loss) / profit before tax | (3,896,834) | 4,694,789 |
| | Tax at the applicable tax rate of 32% (2015: 33%) | (1,246,987) | 1,549,280 |
| | Minimum tax charged | - | 166,536 |
| | Effect of income subject to final tax regime | 751,642 | (548,505) |
| | Effect of change in rate on deferred tax and others | 4,012,445 | 1,237,768 |
| | | 3,517,100 | 2,405,079 |

## 25. (LOSS) / EARNING PER SHARE - BASIC AND DILUTED

| | Six months period ended 31 December 2015 | Six months period ended 31 December 2014 |
|---|---|---|
| | (Rupees) | |
| (Loss) / profit for the period after taxation | (7,413,934) | 2,289,710 |
| | (Number) | |
| Weighted average ordinary shares in issue during the period | 30,000,000 | 30,000,000 |
| | (Rupees) | |
| **(Loss) / earning per share - basic and diluted** | (0.247) | 0.076 |

Diluted earnings per share has not been presented as the Company does not have any convertible instruments in issue as at 31 December 2015 and 31 December 2014 which would have any effect on the earning 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:

| | 31 December 2015 | | 31 December 2014 | |
|---|---|---|---|---|
| | Chief Executive | Executives | Chief Executive | Executives |
| | (Rupees) | | | |
| Managerial remuneration | 3,500,000 | 3,024,000 | 3,200,000 | 2,790,485 |
| Housing and Utilities | 1,750,000 | 1,422,000 | 1,600,000 | 1,395,243 |
| Medical | 12,500 | 50,000 | 12,500 | 50,000 |
| Retirement benefits | 350,000 | 284,400 | 320,000 | 279,046 |
| Commission | - | 340,215 | - | 874,761 |
| | 5,612,500 | 5,120,615 | 5,132,500 | 5,389,535 |
| Number of persons | 1 | 4 | 1 | 4 |

26.1 In addition to the above, Chief Executive and Executives have been provided with free use of the Company maintained vehicles under the service contracts.

## 27. PROVIDENT FUND

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

| | 30 June 2015 (Rupees) |
|---|---|
| Size of the fund | 38,468,647 |
| Cost of investments made | 34,228,782 |
| Percentage of investments made | 89% |
| Fair value of investments | 38,026,850 |

lmmr

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

| | 30 June 2015 | | 30 June 2014 | |
|---|---|---|---|---|
| | Investments | % of investments as size of the fund | Investments | % of investments as size of the fund |
| | ---------- (Audited) ---------- | | ---------- (Audited) ---------- | |
| | (Rupees) | (Percentage) | (Rupees) | (Percentage) |
| Government securities | 23,547,604 | 62% | 22,747,729 | 64% |
| Mutual fund units | 555,579 | 1% | 1,254,344 | 3% |
| Listed securities | 13,923,667 | 26% | 10,031,583 | 28% |
| | 38,026,850 | 89% | 34,033,656 | 95% |

## 28. CASH AND CASH EQUIVALENTS

| | Six months period ended | |
|---|---|---|
| | 31 December 2015 | 31 December 2014 |
| | ---------- (Rupees) ---------- | |
| Cash and bank balances | 34,267,992 | 105,296,865 |
| | 34,267,992 | 105,296,865 |

## 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. Details of transactions and balances with related parties, other than those which have been disclosed elsewhere in these financial statements are as follows:

| | Six months period ended | |
|---|---|---|
| | 31 December 2015 | 31 December 2014 |
| **Transactions for the period** | ---------- (Rupees) ---------- | |
| **Bank AL Habib Limited (Holding company)** | | |
| - Equity brokerage commission | 499,684 | 16,963 |
| - Purchase of Pakistan Investment Bonds | - | 142,711,438 |
| - Mark-up accrued on bank balances | 330,279 | 3,107,383 |
| - Mark-up expense on running finance | 127,395 | 15,821 |
| - Office rent | 1,050,000 | 1,050,000 |
| - Bank charges | 13,250 | 19,621 |
| - Information technology services | 250,000 | 250,000 |

| | Six months period ended | |
|---|---|---|
| | 31 December 2015 | 31 December 2014 |
| | ---------- (Rupees) ---------- | |
| **Associated Companies** | | |
| Habib Insurance Company Limited | | |
| - Equity brokerage commission | 124,643 | 387,075 |
| - Insurance premium paid | 397,974 | 326,562 |
| First Habib Stock Fund | | |
| - Equity brokerage commission | 83,828 | 66,405 |
| Habib Sugar Mills Limited | | |
| - Equity brokerage commission | 5,532 | 76,049 |
| First Habib Islamic Balanced Fund | | |
| - Equity brokerage commission | 31,725 | 94,090 |
| **Key management personal** | | |
| - Contribution to provident fund | 634,400 | 599,046 |
| - Equity brokerage commission | 1,293 | 5,775 |
| - Loan and advances | 310,000 | 630,000 |
| **AL Habib Capital Markets employees Provident Fund** | | |
| - Equity brokerage commission | 3,846 | 3,980 |

| | 31 December 2015 | 30 June 2015 |
|---|---|---|
| **Balances at period end** | ---------- (Rupees) ---------- | |
| **Bank AL Habib Limited (Holding Company)** | | |
| - Bank balances | 15,630,617 | 44,609,315 |
| - Equity brokerage commission receivable | 47,571 | 460,650 |
| **Associated Companies** | | |
| First Habib Stock Fund | | |
| - Equity brokerage commission receivable | 16,872 | 11,909 |
| Habib Sugar Mills Limited | | |
| - Equity brokerage commission receivable / (payable) | 976 | 976 |
| First Habib Islamic Balanced Fund | | |
| - Equity brokerage commission receivable | 18,140 | 52,884 |
| **Key management personal** | | |
| - Loan and advances | 116,209 | - |

## 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. 366.5 million (30 June 2015: Rs. 459.99 million) the financial assets which are subject to credit risk amounted to Rs. 56.52 million (30 June 2015: Rs. 143.86 million). The carrying amount of these financial assets represents the maximum credit exposure at the reporting date.

| | 31 December 2015 | 30 June 2015 |
|---|---|---|
| | (Rupees) | |
| Long term loans | 46,042 | 74,015 |
| Long term deposits | 8,325,225 | 8,325,225 |
| Trade debts | 6,452,991 | 66,088,686 |
| Loans and advances | 254,981 | 108,261 |
| Deposits | 7,133,900 | 22,507,300 |
| Other receivables | 61,032 | 4,809 |
| Bank balances | 34,245,872 | 46,756,003 |
| | 56,520,043 | 143,864,299 |

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

| | 31 December 2015 | | | |
|---|---|---|---|---|
| | Carrying amount | | Provision held | Total |
| | Amount outstanding | Impaired | | |
| | (Rupees) | | | |
| Not yet due | 2,368,423 | - | - | 2,368,423 |
| Upto 3 months | 2,053,095 | - | - | 2,053,095 |
| 3 to 6 months | 1,735,773 | - | - | 1,735,773 |
| More than 6 months | 295,700 | - | - | 295,700 |
| | 6,452,991 | - | - | 6,452,991 |

| | 30 June 2015 | | | |
|---|---|---|---|---|
| | Carrying amount | | Provision held | Total |
| | Amount outstanding | Impaired | | |
| | (Rupees) | | | |
| Not yet due | 62,774,508 | - | - | 62,774,508 |
| Upto 3 months | 2,956,085 | - | - | 2,956,085 |
| 3 to 6 months | 358,093 | - | - | 358,093 |
| More than 6 months | - | - | - | - |
| | 66,088,686 | - | - | 66,088,686 |

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

| *Ratings of Banks** | 31 December 2015 | 30 June 2015 |
|---|---|---|
| | (Rupees) | |
| AA+ | 15,732,450 | 45,030,346 |
| AAA | 216,231 | 612,810 |
| AA | 17,722,412 | 1,072,289 |
| A+ | 19,381 | 19,373 |
| AA- | 555,399 | 21,185 |
| | 34,245,872 | 46,756,003 |

*Rating of banks performed by PACRA and 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:

| | 31 December 2015 | | | | |
|---|---|---|---|---|---|
| | On Demand | Upto three months | More than three months and upto one year | More than one year | Total |
| | (Rupees) | | | | |
| Trade payables, accrued expenses and other liabilities | 15,424,939 | - | - | - | 15,424,939 |

| | 30 June 2015 | | | | |
|---|---|---|---|---|---|
| | On Demand | Upto three months | More than three months and upto one year | More than one year | Total |
| | (Rupees) | | | | |
| Trade payables, accrued expenses and other liabilities | 99,419,917 | - | - | - | 99,419,917 |

## 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:

**31 December 2015**

| | Effective yield / interest rate percent | Interest / mark-up bearing | | | | Non interest / mark-up bearing | Total |
|---|---|---|---|---|---|---|---|
| | | Maturity not later than one month | Maturity later than one month and not later than three months | Maturity later than three months and not later than one year | Maturity later than one year and not later than five years | | |
| | | (Rupees) | | | | | |
| **Financial Assets** | | | | | | | |
| Long term investments | - | - | - | - | - | 40,378,391 | 40,378,391 |
| Long term loans, advances and deposits | 8% | - | - | - | 46,042 | 8,325,225 | 8,371,267 |
| Short term investments | 11.25% to 12.42% | - | - | 154,813,750 | - | 58,920,801 | 213,734,551 |
| Trade debts | - | - | - | - | - | 6,452,991 | 6,452,991 |
| Loans and advances | 8% | - | - | 154,986 | - | 99,995 | 254,981 |
| Deposits | - | - | - | - | - | 6,000,000 | 6,000,000 |
| Other receivables | - | - | - | - | - | 7,497,764 | 7,497,764 |
| Cash and bank balances | 4% to 6% | 19,626,705 | - | - | - | 14,641,287 | 34,267,992 |
| | | 19,626,705 | - | 154,968,736 | 46,042 | 142,316,454 | 316,957,937 |
| **Financial Liabilities** | | | | | | | |
| Trade payables, accrued expenses and other liabilities | - | - | - | - | - | 15,383,547 | 15,383,547 |
| **On Balance Sheet Gap** | | 19,626,705 | - | 154,968,736 | 46,042 | 126,932,907 | 301,574,390 |
| **Total net assets** | | | | | | | 301,574,390 |

**30 June 2015**

| | Effective yield / interest rate percent | Interest / mark-up bearing | | | | Non interest / mark-up bearing | Total |
|---|---|---|---|---|---|---|---|
| | | Maturity not later than one month | Maturity later than one month and not later than three months | Maturity later than three months and not later than one year | Maturity later than one year and not later than five years | | |
| | | (Rupees) | | | | | |
| **Financial Assets** | | | | | | | |
| Long term investments | - | - | - | - | - | 40,378,391 | 40,378,391 |
| Long term loans, advances and deposits | 10% to 12.5% | - | - | - | 74,015 | 8,325,225 | 8,399,240 |
| Short term investments | 12.38% to 12.42% | - | - | 155,801,120 | - | 63,386,181 | 219,187,301 |
| Trade debts | - | - | - | - | - | 66,088,686 | 66,088,686 |
| Loans and advances | 10% to 12.5% | - | - | 43,764 | - | 64,497 | 108,261 |
| Deposits | - | - | - | - | - | 21,373,400 | 21,373,400 |
| Other receivables | - | - | - | - | - | 7,312,056 | 7,312,056 |
| Cash and bank balances | 6% to 9% | 17,655,422 | - | - | - | 29,118,714 | 46,774,136 |
| | | 17,655,422 | - | 155,844,884 | 74,015 | 236,047,150 | 409,621,471 |
| **Financial Liabilities** | | | | | | | |
| Trade payables, accrued expenses and other liabilities | - | - | - | - | - | 99,159,218 | 99,159,218 |
| **On Balance Sheet Gap** | | 17,655,422 | - | 155,844,884 | 74,015 | 136,887,932 | 310,462,253 |
| **Total net assets** | | | | | | | 310,462,253 |

#### 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 equity securities and government securities amounted to Rs. 58.92 million and Rs. 154.81 million respectively (30 June 2015: Rs 63.39 million and 155.80 respectively) at the balance sheet date. The carrying value of investments subject to equity price risk are, in almost all instances, based on quoted market prices as of the balance sheet date. Market prices are subject to fluctuation. Fluctuation in the market price of a security may result from perceived changes in the underlying economic characteristics of the investee, the relative price of alternative investments and general market conditions.

In case of available-for-sale investments, a 10% increase / decrease in share prices and net asset value at year end would have increased / decreased the other comprehensive income of the Company by increasing / decreasing surplus on revaluation of such investment by the amounts given below.

| | 31 December 2015 | 30 June 2015 |
|---|---|---|
| | (Rupees) | |
| Effect on profit or loss (impairment loss) | - | - |
| Effect on other comprehensive income | 5,892,080 | 6,338,618 |
| Effect on investments | 5,892,080 | 6,338,618 |

#### 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).

Fair value of the financial assets that are traded in active markets are based on quoted market prices. Since investment in Karachi Stock Exchange Limited (KSEL) is not listed on any stock exchange, a quoted market price is not available and the fair value of such investment can not be determined with reasonable accuracy. The following table shows fair values of financial assets and financial liabilities, including their levels in the fair value hierarchy. It does not include fair value information for investment in KSEL and financial assets and financial liabilities not measured at fair value. These financial assets and financial liabilities are short term and their fair value approximates their carrying value.

| On balance sheet financial instruments | 31 December 2015 | | | | | | | | |
|---|---|---|---|---|---|---|---|---|---|
| | Carrying Amount | | | | | Fair value | | | |
| | Available for Sale | Cash and cash equivalent | Loans and Receivables | Other financial liabilities | Total | Level 1 | Level 2 | Level 3 | Total |
| | (Rupees) | | | | | | | | |
| **Financial assets measured at fair value** | | | | | | | | | |
| Investments | | | | | | | | | - |
| Government Securities ( PIBs ) | 154,813,750 | - | - | - | 154,813,750 | - | 154,813,750 | - | 154,813,750 |
| Equity securities - Listed shares | 58,920,801 | - | - | - | 58,920,801 | 58,920,801 | - | - | 58,920,801 |
| **Financial assets not measured at fair value** | | | | | | | | | |
| Long term loans, advances and deposits * | - | - | 8,371,267 | - | 8,371,267 | - | - | - | - |
| Trade debts * | - | - | 6,452,991 | - | 6,452,991 | - | - | - | - |
| Loans and advances * | - | - | 254,981 | - | 254,981 | - | - | - | - |
| Deposits * | - | - | 6,000,000 | - | 6,000,000 | - | - | - | - |
| Other receivables * | - | - | 7,497,764 | - | 7,497,764 | - | - | - | - |
| Cash and bank balances * | - | 34,267,992 | - | - | 34,267,992 | - | - | - | - |
| | 213,734,551 | 34,267,992 | 28,577,003 | - | 276,579,546 | 58,920,801 | 154,813,750 | - | 213,734,551 |
| **Financial liabilities not measured at fair value** | | | | | | | | | |
| Trade payables, accrued expenses and other liabilities ** | - | - | - | (15,383,547) | (15,383,547) | - | - | - | - |
| | - | - | - | (15,383,547) | (15,383,547) | - | - | - | - |
| | 213,734,551 | 34,267,992 | 28,577,003 | (15,383,547) | 261,195,999 | 58,920,801 | 154,813,750 | - | 213,734,551 |

**On balance sheet financial instruments**

| | 30 June 2015 | | | | | | | | |
|---|---|---|---|---|---|---|---|---|---|
| | Carrying Amount | | | | | Fair value | | | |
| | Available for Sale | Cash and cash equivalent | Loans and Receivables | Other financial liabilities | Total | Level 1 | Level 2 | Level 3 | Total |
| | (Rupees) | | | | | | | | |
| **Financial assets measured at fair value** | | | | | | | | | |
| Investments | | | | | | | | | |
| Government Securities ( PIBs ) | 155,801,120 | - | - | - | 155,801,120 | - | 155,801,120 | - | 155,801,120 |
| Equity securities - Listed shares | 63,386,181 | - | - | - | 63,386,181 | 63,386,181 | - | - | 63,386,181 |
| **Financial assets not measured at fair value** | | | | | | | | | |
| Long term loans, advances and deposits * | - | - | 8,399,240 | - | 8,399,240 | - | - | - | - |
| Trade debts * | - | - | 66,088,686 | - | 66,088,686 | - | - | - | - |
| Loans and advances * | - | - | 108,261 | - | 108,261 | - | - | - | - |
| Deposits * | - | - | 21,373,400 | - | 21,373,400 | - | - | - | - |
| Other receivables * | - | - | 7,312,056 | - | 7,312,056 | - | - | - | - |
| Cash and bank balances * | - | 46,774,136 | - | - | 46,774,136 | - | - | - | - |
| | 219,187,301 | 46,774,136 | 103,281,643 | - | 369,243,080 | 63,386,181 | 155,801,120 | - | 219,187,301 |
| **Financial liabilities not measured at fair value** | | | | | | | | | |
| Trade payables, accrued expenses and other liabilities ** | - | - | - | (99,159,218) | (99,159,218) | - | - | - | - |
| | - | - | - | (99,159,218) | (99,159,218) | - | - | - | - |
| | 219,187,301 | 46,774,136 | 103,281,643 | (99,159,218) | 270,083,862 | 63,386,181 | 155,801,120 | - | 219,187,301 |

* The Company has not disclosed the fair values for these financial assets, because their carrying amounts are reasonable approximation of fair value.

** All the financial liabilities of the Company are classified as trade and other payables. The Company has not disclosed the fair values for these financial liabilities, because their carrying amounts are reasonable approximation of fair value.

**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 behaviour. Operational risks arise from all of the Company's activities.

The primary responsibility for the development and implementation of controls over operational risk rests with the board of directors. This responsibility encompasses the controls in the following areas:

- requirements for appropriate segregation of duties between various functions, roles and responsibilities;
- requirements for the reconciliation and monitoring of transactions;
- compliance with regulatory and other legal requirements;
- documentation of controls and procedures;
- requirements for the periodic assessment of operational risks faced, and the adequacy of controls and procedures to address the risks identified;
- ethical and business standards;
- risk mitigation, including insurance where this is effective.

## 31. CAPITAL RISK MANAGEMENT

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

**31.1 Base Minimum Capital**

In compliance with the sub-regulation 2.1 of the Regulation Governing Risk Management (Regulations) of the Karachi Stock Exchange Limited (KSEL), every Trading Right Entitlement Certificate (TREC) holder registered as a broker under Brokers and Agents Registration Rules, 2001, is required to maintain a Base Minimum Capital (BMC) in the amount and form as prescribed in the Regulations.

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

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

| | | 31 December 2015 | 30 June 2015 |
|---|---|---|---|
| | | (Rupees) | |
| Trading Right Entitlement Certificates | 7 | **15,000,000** | 15,000,000 |
| Break up value of KSEL shares (Rs. 10.17 per share) | 8.2 | **16,302,032** | 16,173,796 |
| | | **31,302,032** | 31,173,796 |

32. **NUMBER OF EMPLOYEES**

The details of number of employees are as follows:

| | (Number) | |
|---|---|---|
| Average number of employees during the period | **23** | 22 |
| Number of employees at period / year end | **23** | 24 |

33. **DATE OF AUTHORISATION**

These financial statements were authorised by the Chief Executive Officer and Chief Financial Officer on 2 6 JAN 2016.

**Chief Executive**

**Chief Financial Officer**