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## **Independent Auditors 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 30 June 2017 (together 'the statement').

In our opinion, the financial information in the statement of the Securities Broker as at 30 June 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 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: 13 September 2017**

**Karachi**

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



# AL Habib Capital Markets (Pvt) Ltd.

(A Subsidiary of Bank AL Habib Ltd.)

## Statement of Net Capital Balance

As at 30 June 2017

(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) 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).

DESCRIPTION	VALUATION BASIS	Note	Sub Total ----- (Rupees) -----	Total
<b><u>CURRENT ASSETS</u></b>				
Cash in hand and bank balances	As per book value	2		72,065,587
Cash deposited as margin with National Clearing Company of Pakistan Limited	As per book value	3		40,500,000
Trade receivables	As per book value Less: Overdue for more than 14 days	4	25,451,196 (3,594,458)	21,856,738
Investment in listed securities in the name of broker	At market value Less: Securities not in exposure list Less: Securities pledged against Regulatory requirements  Less: Securities in exposure list marked to market less 15% discount Less: Outstanding exposure demand as on 30 June 2017	5	79,746,989 - (29,651,075) 50,095,914  (7,514,387)  (4,641,387)	37,940,140
Securities purchased for customers	As per criteria in para 4.1 of clarification/guidelines			1,099,839
Pakistan Investment Bonds	At market value Less: Pakistan Investment Bonds marked to market less 5% discount	6	145,339,133 (7,266,957)	138,072,176
<b>Total Current Assets</b>				<b>311,534,480</b>
<b><u>CURRENT LIABILITIES</u></b>				
Trade payables	As per book value Less: Overdue for more than 30 days	7	62,402,377 (11,334,348)	51,068,029
Other liabilities	As per book value	8		16,114,715
<b>Total Current Liabilities</b>				<b>67,182,744</b>
<b>Net Capital Balance as at 30 June 2017</b>				<b>244,351,736</b>

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

Chief Executive Officer

Chief Financial Officer

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# AL Habib Capital Markets (Pvt) Ltd.

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## Notes to the Statement of Net Capital Balance

For the year ended 30 June 2017

### 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 financial statements of the Company for the year ended 30 June 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.
Pakistan investment bonds	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 30 days.
Other liabilities	As classified under the generally accepted accounting principles.

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## 2. CASH IN HAND AND BANK BALANCES

These are stated at book value.

Cash in hand

Bank balances pertaining to:

- Brokerage house - current account

- profit and loss sharing account

- Clients - current account

Less: adjustment to restrict client account to client-wise / overall creditors

Note

30 June 2017  
(Rupees)

21,774

23,686,582

10,981,898

37,496,391

72,186,645

2.1 (121,058)

72,065,587

- 2.1 The client's bank account balance amounting to Rs. 37.496 million has been restricted to client wise trade payable balance on settlement base Rs. 37.375 million for the purpose of Net Capital Balance in accordance with clause 1.5A of clarification / guidelines issued by SECP on 08 September 2016.

30 June 2017  
(Rupees)

Trade payables

62,402,377

Less: Accrual of trade payables for T+2 transactions

(25,027,044)

37,375,333

## 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. 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).

## 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

Less: Outstanding for more than 14 days

Balance generated within 14 days and/or not yet due

Note

30 June 2017  
(Rupees)

4.1

25,451,196

(3,594,458)

21,856,738

- 4.1 This include balance receivable from National Clearing Company of Pakistan Limited (NCCPL) amounting to Rs. 11.496 million which was cleared subsequent to the year end.

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## 5. INVESTMENTS IN LISTED SECURITIES IN THE NAME OF BROKER

30 June 2017			30 June 2017	
Number of shares	Name of investee	Note	Carrying amount	Market value
			(Rupees)	
252,500	The Hub Power Company Limited	5.1	22,889,250	29,651,075
128,100	Pakistan Petroleum Limited		17,805,374	18,976,734
87,000	Habib Bank Limited		16,845,387	23,415,180
300,000	Pakistan Stock Exchange		8,479,238	7,704,000
			<b>66,019,249</b>	<b>79,746,989</b>

5.1 These shares are pledged against Base Minimum Capital requirement.

## 6. PAKISTAN INVESTMENT BONDS - (PIBs)

These PIBs have been valued as marked to market less 5% discount as prescribed in Rule 2 (d) of the Third Schedule of the Securities and Exchange Rules, 1971. These PIBs are lien marked over running finance facility availed from Bank AL Habib Limited (the Holding Company). The Company has not utilised running finance facility as at 30 June 2017. The outstanding balance of running finance facility is nil as at 30 June 2017.

## 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 within 30 days. Other liabilities are stated at book value.

The break up is as follows:

	Note	30 June 2017 (Rupees)
- Accrued expenses		3,353,971
- Workers' Welfare Fund		654,366
- Other liabilities		383,656
- Sales tax and FED payable		388,374
- Trade payables overdue for more than 30 days	7	11,334,348
		<b>16,114,715</b>

## 9. DATE OF ISSUANCE 13 SEP 2017

This statement was authorized for issue on \_\_\_\_\_.

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Chief Executive Officer

Chief Financial Officer

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