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## **Independent Auditor's Report on Statement of Net Capital Balance of the Brokerage House**

To the Board of Directors of **AL Habib Capital Markets (Private) Limited**

We have audited the accompanying Statement of Net Capital Balance of AL Habib Capital Markets (Private) Limited as at 31 December 2016 ("the Statement"). The statement has been prepared by management based on the requirements of the Third Schedule read with Rule 2(d) of the Securities Exchange Commission (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.

### **Management's Responsibility for the Statement**

Management is responsible for the preparation of the statement in accordance with SEC Rules, 1971, Regulations, and the Clarifications issued by SECP 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.

### **Auditor's Responsibility**

Our responsibility is to express an opinion on the statement based on our audit. We conducted our audit in accordance with International Standards on Auditing. Those standards require that we comply with ethical requirements and plan and perform the audit to obtain reasonable assurance about whether the statement is free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the statement. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the statement, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation of the statement 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 entity's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by management, as well as evaluating the overall presentation of the statement.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

### **Opinion**

In our opinion, the financial information in the statement of Net Capital Balance of AL Habib Capital Markets (Private) Limited as at 31 December 2016 is prepared, in all material respects, in accordance with SEC Rules, 1971, Regulations and the Clarifications issued by SECP.



**Basis of Accounting and Restriction on Distribution**

Without modifying our opinion, 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 to meet the requirements of SECP in accordance with the SEC Rules, 1971, Regulations and the Clarifications issued by SECP. 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 Company), the National Clearing Company of Pakistan Limited (NCCPL), the Pakistan Stock Exchange Limited (PSX) and the Securities and Exchange Commission of Pakistan (SECP) and should not be distributed or used by parties other than the Company, NCCPL, PSX and SECP.

**Date: 13 March 2017**

**Karachi**

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Chartered Accountants

**AL Habib Capital Markets (Private)  
Limited**  
**Statement of Net Capital Balance**  
**As at 31 December 2016**



# AL Habib Capital Markets (Pvt) Ltd.

(A Subsidiary of Bank AL Habib Ltd.)

## Statement of Net Capital Balance

As at 31 December 2016

(Excess of Current Assets over Current Liabilities determined in accordance with the Third Schedule of the Securities and Exchange Rules 1971, the Securities Brokers (Licensing and Operations) Regulations 2016 and the clarifications / guidelines issued by Securities and Exchange Corporation 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		49,646,610
Cash deposit		3		4,000,000
Trade receivables	As per book value Less: Overdue for more than 14 days	4	23,187,669 (2,722,160)	20,465,509
Investment in listed securities in the name of broker	At market value Less: Securities not in exposure list  Less: Securities in exposure list marked to market less 15% discount Less: Outstanding exposure demand as on 31 December 2016	5	79,057,308 - 79,057,308 (11,858,596) (13,655,662)	53,543,050
Pakistan Investment Bonds	At market value Less: Pakistan Investment Bonds marked to market less 5% discount	6	148,992,525 (7,449,626)	141,542,899
<b>Total Current Assets</b>				<b>269,198,068</b>
<b><u>CURRENT LIABILITIES</u></b>				
Trade payables	As per book value - trade base Less: Overdue for more than 30 days	7	46,379,248 (9,430,888)	36,948,360
Other liabilities	As per book value	8		14,314,181
<b>Total Current Liabilities</b>				<b>51,262,541</b>
<b>Net Capital Balance as at 31 December 2016</b>				<b>217,935,527</b>

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

  
Chief Executive Officer



  
Chief Financial Officer

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Notes to the Statement of Net Capital Balance

For the period ended 31 December 2016

1. STATEMENT OF COMPLIANCE

The statement of net capital balance ("the Statement") has been prepared in accordance with Rule 2 (d) of, and the Third Schedule to the Securities and Exchange Rules, 1971 and in accordance with the clarifications / guidelines issued by Securities and Exchange Commission of Pakistan (SECP) dated 03 July 2013, 20 December 2013, 25 June 2015 and 08 September 2016. All figures have been obtained from the audited financial statements of the Company for the period ended 31 December 2016.

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.
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.

2. CASH IN HAND AND BANK BALANCES

These are stated at book value.

	Note	31 December 2016 (Rupees)
Cash in hand		19,997
Bank balances pertaining to:		
- Brokerage house - current account		1,189,006
- Profit and loss sharing account		18,842,744
- Clients - current account		29,688,344
		<u>49,740,091</u>
Less: adjustment to restrict corresponding client wise trade creditors	2.1	(93,481)
		<u><u>49,646,610</u></u>



# AL Habib Capital Markets (Pvt) Ltd.

- 2.1 The client's bank account balance amounting to Rs. 29,688,344 has been restricted to client wise trade payable balance on settlement base Rs.29,594,863 for the purpose of Net Capital Balance in accordance with clause 1.5 A of clarification / guidelines issued by SECP on 08 September 2016.

## 3. CASH DEPOSIT

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.

	Note	31 December 2016 (Rupees)
Total receivable	4.1	23,187,669
Less: Outstanding for more than 14 days		<u>(2,722,160)</u>
Balance generated within 14 days and/or not yet due		<u><u>20,465,509</u></u>

- 4.1 This include balance receivable from National Clearing Company of Pakistan Limited (NCCPL) amounting to Rs. 6.6 million which was cleared subsequent to the year end. Amount receivable other than brokerage business is not included for the purpose of Net Capital Balance in accordance with clause 2.7 of clarification / guidelines issued by SECP dated 03 July 2013.

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

These represent investments in listed equity securities which are not on the default counter of the stock exchange. These shares are pledged against PSX exposure and have been taken in calculation of Net Capital Balance after deduction of outstanding exposure demand as on 31 December 2016 in accordance with clause 3.7A of clarification / guidelines issued by SECP on 08 September 2016 and are valued at market rates prevailing as on 31 December 2016 less 15% discount as prescribed in Rule 2 (d) of the Third Schedule to the Securities and Exchange Rules, 1971. Securities on the default counter have been excluded from the calculations.

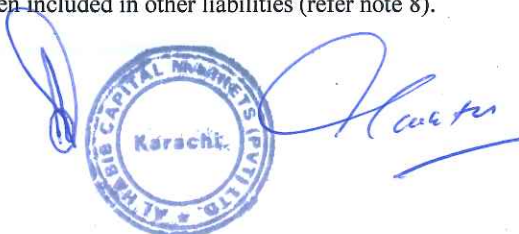
## 6. PAKISTAN INVESTMENT BONDS

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 31 December 2016. The outstanding balance of running finance facility is Nil as at 31 December 2016.

## 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).

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**8. OTHER LIABILITIES**

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

The break up is as follows:		<b>31 December 2016 (Rupees)</b>
	<i>Note</i>	
-	Accrued expenses	3,426,797
-	Workers' Welfare Fund	107,261
-	Other liabilities	997,869
-	Sales tax and FED payable	351,366
-	Trade payables overdue for more than 30 days	7 9,430,888
		<u><u>14,314,181</u></u>

**9. DATE OF ISSUANCE**

This statement was authorized for issued on 13 MAR 2017.

*Handwritten mark*

Chief Executive Officer



Chief Financial Officer