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**AL HABIB CAPITAL MARKETS
(PRIVATE) LIMITED**

**FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2020**

EY Ford Rhodes
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To the members of Al Habib Capital Markets Private Limited

Report on the Audit of the Financial Statements

Opinion

We have audited the annexed financial statements of Al Habib Capital Markets Private Limited (the Company), which comprise the statement of financial position as at 31 December 2020, and the statement of profit or loss and other comprehensive income, the statement of cash flows, the statement of changes in equity for the year then ended, and notes to the financial statements, including a summary of significant accounting policies and other explanatory information, 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 the audit.

In our opinion and to the best of our information and according to the explanations given to us, the statement of financial position, statement of profit or loss and other comprehensive income, the statement of cash flows and the statement of changes in equity together with the notes forming part thereof conform with the accounting and reporting standards as applicable in Pakistan and give the information required by the Companies Act, 2017 (XIX of 2017), 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 2020 and of the profit and other comprehensive income, the changes in cash flows and its equity for the year then ended.

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 Auditors' Responsibilities for the Audit of the Financial Statements section of our report. We are independent of the Company in accordance with the International Ethics Standards Board for Accountants' Code of Ethics for Professional Accountants as adopted by the Institute of Chartered Accountants of Pakistan (the Code) and we have fulfilled our other ethical responsibilities in accordance with the Code. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Information Other than the Financial Statements and Auditors' Report Thereon

Management is responsible for the other information. The other information comprises the information included in the Director Report, but does not include the financial statements and our auditors' report thereon.

Our opinion on the financial statements does not cover the other information and we do not express any form of assurance conclusion thereon.

In connection with our audit of the financial statements, our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the financial statements or our knowledge obtained in the audit or otherwise appears to be materially misstated. If, based on the work we have performed, we conclude that there is a material misstatement of this other information, we are required to report that fact. We have nothing to report in this regard.



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Responsibilities of Management and Board of Directors for the Financial Statements

Management is responsible for the preparation and fair presentation of the financial statements in accordance with the accounting and reporting standards as applicable in Pakistan and the requirements of Companies Act, 2017 (XIX of 2017) and for such internal control as management determines is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the financial statements, management is responsible for assessing the Company's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless management either intends to liquidate the Company or to cease operations, or has no realistic alternative but to do so.

Board of directors are responsible for overseeing the Company's financial reporting process.

Auditors' Responsibilities for the Audit of the Financial Statements

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditors' 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 as applicable in Pakistan 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 these financial statements.

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

- Identify and assess the risks of material misstatement of the financial statements, 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 Company's internal control.
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by management.
- Conclude on the appropriateness of management's use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Company's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditors' report to the related disclosures in the financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditors' report. However, future events or conditions may cause the Company to cease to continue as a going concern.

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- Evaluate the overall presentation, structure and content of the financial statements, including the disclosures, and whether the financial statements represent the underlying transactions and events in a manner that achieves fair presentation.

We communicate with the board of directors 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.

Report on Other Legal and Regulatory Requirements

Based on our audit, we further report that in our opinion:

- a) proper books of account have been kept by the Company as required by the Companies Act, 2017 (XIX of 2017);
- b) the statement of financial position, the statement of profit or loss and other comprehensive income, the statement of changes in equity and the statement of cash flows together with the notes thereon have been drawn up in conformity with the Companies Act, 2017 (XIX of 2017) and are in agreement with the books of account and returns;
- c) investments made, expenditure incurred and guarantees extended during the year were for the purpose of the Company's business; and
- d) no Zakat was deductible at source under the Zakat and Ushr Ordinance, 1980 (XVIII of 1980).
- e) the Company was in compliance with the requirements of Section 78 of Securities Act, 2015 and the relevant requirements of Securities Broker (Licensing and Operations) Regulations, 2016 as at the date on which the statement of financial position was prepared.

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

Chartered Accountants

Place: Karachi

Date: 15 March 2021

AL Habib Capital Markets (Private) Limited
Statement of Financial Position
As at 31 December 2020

	Note	2020	2019
		(Rupees)	
ASSETS			
Non-Current Assets			
Property and equipment	4.	7,882,922	9,135,823
Intangible assets	5.	2,849,072	3,411,667
Long term investments - Fair value through other comprehensive income	6.	23,755,763	20,004,853
Long term loans, advances and deposits	7.	1,499,696	1,411,500
Deferred taxation - net	8.	<u>374,474</u>	<u>2,482,482</u>
		36,361,927	36,446,325
Current Assets			
Short term investments - Fair value through other comprehensive income	9.	232,533,461	239,450,346
Trade receivables	10.	286,449,653	50,546,545
Loans and advances	11.	243,212	174,268
Deposits and prepayments	12.	100,000,000	5,003,632
Other receivable	13.	5,857,712	6,151,992
Taxation - net	25.2	29,805,091	26,137,328
Cash and bank balances	14.	<u>481,329,125</u>	<u>112,176,768</u>
		1,136,218,255	439,640,879
Total Assets		<u>1,172,580,182</u>	<u>476,087,204</u>
EQUITY AND LIABILITIES			
Share capital and reserves			
Authorised capital			
50,000,000 (31 Dec 2019: 50,000,000) ordinary shares of Rs. 10 each	15.1	<u>500,000,000</u>	<u>500,000,000</u>
Issued, subscribed and paid-up capital	15.2	<u>300,000,000</u>	<u>300,000,000</u>
Capital Reserve			
Unrealised gain on re-measurement of investments	16.	280,493	2,586,257
Revenue Reserve			
Un-appropriated profit		<u>46,536,803</u>	<u>16,432,651</u>
		346,817,296	319,018,908
Current Liabilities			
Short term financing	17.	229,231,261	16,616,866
Trade and other payables	18.	588,397,500	137,174,550
Accrued liabilities	19.	<u>8,134,125</u>	<u>3,276,880</u>
		825,762,886	157,068,296
Contingencies and commitments			
	20.		
Total equity and liabilities		<u>1,172,580,182</u>	<u>476,087,204</u>

The annexed notes from 1 to 34 form an integral part of these financial statements.


 Chairman


 Chief Executive

AL Habib Capital Markets (Private) Limited
Statement of Profit or Loss
For the year ended 31 December 2020

	Note	2020	2019
		----- (Rupees) -----	
INCOME			
Brokerage revenue - net	21.	94,012,573	41,347,063
Share subscription income		309,315	1,708,750
Dividend income from equity securities at FVOCI		2,752,214	2,987,230
Interest income from Pakistan Investment Bonds		19,590,327	13,748,110
Interest income from Market Treasury Bills		-	2,338,893
Profit on saving and deposit accounts		190,640	1,060,381
Interest income on MFS		1,626,152	14,683
Income from CBS		500,000	675,000
Other income	22.	8,967,431	3,140,139
		<u>127,948,652</u>	<u>67,020,249</u>
EXPENSES			
Administrative expenses	23.	(86,296,776)	(70,569,899)
Provision for Workers' Welfare Fund		(701,855)	-
Finance cost	24.	(4,969,226)	(1,082,633)
		<u>(91,967,857)</u>	<u>(71,652,532)</u>
PROFIT/(LOSS) BEFORE TAXATION		<u>35,980,794</u>	<u>(4,632,283)</u>
Income tax expense			
- Current		(7,882,640)	(5,614,783)
- Deferred		(2,280,436)	(959,701)
- Prior year		4,341,443	-
	25.	<u>(5,821,633)</u>	<u>(6,574,484)</u>
PROFIT/(LOSS) AFTER TAXATION		<u>30,159,161</u>	<u>(11,206,767)</u>
Earning / (Loss) per share - basic and diluted	26.	<u>1.005</u>	<u>(0.263)</u>

The annexed notes from 1 to 34 form an integral part of these financial statements.

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Chairman


Chief Executive

AL Habib Capital Markets (Private) Limited
Statement of Comprehensive Income
For the year ended 31 December 2020

	2020	2019
	(Rupees)	
Profit / (Loss) for the year	30,159,161	(11,206,767)
Other comprehensive income/(loss):		
<i>Items that will not be reclassified to statement of profit or loss</i>		
Unrealised appreciation/(diminution)- in the value of FVOCI investment	(2,305,764)	10,335,529
Realised loss upon sale of investment	(55,009)	(79,643)
	(2,360,773)	10,255,886
Total comprehensive income/(loss) for the year	27,798,388	(950,881)

The annexed notes from 1 to 34 form an integral part of these financial statements.


 Chairman



 Chief Executive

AL Habib Capital Markets (Private) Limited
Statement of Cash Flows
For the year ended 31 December 2020

	Note	2020	2019
		(Rupees)	
CASH FLOWS FROM OPERATING ACTIVITIES			
Profit/(Loss) before taxation		35,980,794	(4,632,283)
Adjustment for:			
Depreciation of property and equipment	23.	2,276,945	2,271,120
Amortisation of intangible assets	23.	875,245	771,250
Finance cost	24.	4,969,226	1,082,633
Amortisation of Pakistan Investment Bonds/T-bills		(7,493,924)	(6,831,655)
Gain on disposal of property and equipment	22.	(3,034,459)	(16,941)
		(2,406,967)	(2,723,593)
Operating loss before working capital changes		33,573,827	(7,355,876)
Working capital changes:			
(Increase) / decrease in current assets			
Trade receivables		(235,903,108)	(22,409,331)
Loans and advances		(68,944)	1,611,652
Deposits and prepayments		(94,996,368)	13,558,513
Other receivable		294,280	(6,151,992)
		(330,674,140)	(13,391,158)
		(297,100,313)	(20,747,034)
Increase / (decrease) in current liabilities			
Trade and other payables		451,222,950	43,276,669
Accrued liabilities		3,378,622	1,277,953
		454,601,572	44,554,622
Net cash inflow from operations		157,501,259	23,807,588
Long term loans, advances and deposits		(88,196)	150,000
Finance cost paid		(3,490,603)	(709,816)
Taxes paid		(7,259,373)	(3,988,237)
		(10,838,172)	(4,548,053)
Net cash inflow from operating activities		146,663,087	19,259,535
CASH FLOWS FROM INVESTING ACTIVITIES			
Investments made during the year		(177,432,947)	(349,613,437)
Investments disposed off during the year		185,560,217	358,022,874
Proceeds from disposal of property and equipment		3,163,468	63,000
Purchase of property and equipment	4.	(1,103,213)	(1,591,000)
Purchase of intangible assets	5.	(312,650)	(250,000)
Net cash inflow from investing activities		9,874,875	6,631,437
Net increase in cash and cash equivalents during the year		156,537,962	25,890,972
Cash and cash equivalents at beginning of the year		95,559,902	69,668,930
Cash and cash equivalents at end of the year	14.1	252,097,864	95,559,902

The annexed notes from 1 to 34 form an integral part of these financial statements.


Chairman


Chief Executive

AL Habib Capital Markets (Private) Limited
Statement of Changes in Equity
For the year ended 31 December 2020

	Issued, subscribed and paid-up capital	Capital Reserve	Revenue Reserve	Total
		Unrealised gain on re- measurement of Investments (Note 16)	Un-appropriated Profit	
(Rupees)				
Balance as at 1 January 2019	300,000,000	(8,651,287)	28,621,076	319,969,789
<i>Total comprehensive income for the year</i>				
Loss for the year ended 31 December 2019	-	-	(11,206,767)	(11,206,767)
Other comprehensive income	-	10,255,886	-	10,255,886
Total comprehensive income for the Year	-	10,255,886	(11,206,767)	(950,881)
Reclassification of revaluation loss on investments at FVOCI upon de-recognition	-	981,658	(981,658)	-
Balance as at 31 December 2019	300,000,000	2,586,257	16,432,651	319,018,908
<i>Total comprehensive income for the year</i>				
Profit for the year ended 31 December 2020	-	-	30,159,161	30,159,161
Unrealised loss of or remeasurement of FVOCI Investments	-	(2,360,773)	-	(2,360,773)
Total comprehensive loss for the year ended 31 December 2020	-	(2,360,773)	30,159,161	27,798,388
Reclassification of revaluation loss on investments at FVOCI upon de-recognition	-	55,009	(55,009)	-
Balance as at 31 December 2020	300,000,000	280,493	46,536,803	346,817,296

The annexed notes from 1 to 34 form an integral part of these financial statements.


 Chairman


 Chief Executive

AL Habib Capital Markets (Private) Limited
Notes to the Financial Statements
For the year ended 31 December 2020

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 Act, 2017 (previously 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 shares of the Company. The registered office of the Company is located at Technocity, Hasrat Mohani Road, Karachi, Pakistan. Also, the Company owns room no.16 at Pakistan Stock Exchange Building, Karachi. The Company holds a Trading Right Entitlement (TRE) Certificate from Pakistan Stock Exchange Limited - PSX and is principally engaged in the business of stocks broking. Other activities includes investment in a mix of listed and unlisted equity securities, economic research and

2 BASIS OF PREPARATION

2.1 Statement of compliance

These financial statements have been prepared in accordance with the accounting and reporting standards as applicable in Pakistan. The accounting and reporting standards as applicable in Pakistan comprise of:

- International Financial Reporting Standards (IFRS Standards) issued by the International Accounting Standards Board (IASB) as notified under the Companies Act, 2017;
- the Islamic Financial Accounting Standards (IFASs) issued by the Institute of Chartered Accountants of Pakistan; and
- Provisions of and directives issued under the Companies Act, 2017.

Where the provisions of and directives issued under the Companies Act, 2017 and the Islamic Financial Accounting Standards (IFASs) differ with the requirements of IFRS Standards, the provisions of and directives issued under the Companies Act, 2017 and Islamic Financial Accounting Standards (IFASs) have been

2.2 Basis of measurement

These financial statements have been prepared under the historical cost convention except for investments that are carried at fair value.

2.3 Functional and presentation currency

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

2.4 Standards, Interpretations of and amendments to published approved accounting standards that are effective in the current year

The company has adopted the following amendments to IFRS which became effective in the current year:

Amendments

- Interest Rate Benchmark Reform - Amendments to IFRS 9, IAS 39 and IFRS 7
- Definition of Material - Amendments to IAS1 and IAS 8
- The Conceptual Framwok for Financial Reporting - revised
- Definition of a Business - Amendments to IFRS 3

The Adoption of above standards / Amendments to the accounting standard did not have any effect on these financial statements.

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2.5 Standards, interpretations and amendments to published approved accounting standards that are not yet effective

The following standards amendments and interpretations with respect to the approved accounting standards as applicable in Pakistan would be effective from the dates mentioned below against the respective standards or interpretation:

	Effective date (annual periods beginning on or after)
Covid-19 Related Rent Concession - Amendment to IFRS 16	01 June 2020
Classification of Liabilities as Current or Non-current - Amendments to IAS 1	01 January 2023
Property, Plant and Equipment: Proceeds before Intended Use - Amendments to IAS 16	01 January 2022
Onerous Contracts - Cost of Fulfilling a Contract - Amendment to IAS 37	01 January 2022
Interest Rate Bench Mark Reform - Phase 2 - Amendments to IFRS 9, IAS 39, IFRS 4 and IFRS 16	01 January 2021
Reference to Conceptual Framework - Amendment to IFRS 3	01 January 2022
AIP IFRS 9 Financial Instruments - Fee in the '10 per cent' test for derecognition of financial liabilities	01 January 2022
Sale or Contribution of Assets between an Investor and its Associate or Joint Venture - Amendments to IFRS 10 and IAS 28	Not Yet Finalized

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

Further, following new standards have been issued by IASB which are yet to be notified by the SECP for the purpose of applicability in Pakistan.

Standards	IASB Effective date (annual periods beginning on or after)
IFRS 1- First time adoption of IFRSs	01 July 2009
IFRS 17- Insurance Contracts	01 January 2023

2.6 Use of estimates and judgments

The preparation of these financial statements in conformity with accounting and reporting standards, as applicable in Pakistan, requires management to make judgments, estimates and assumptions that affect the application of policies and the reported amounts of assets, liabilities, income and expenses. The estimates and associated assumptions are based on historical experience and various other factors that are believed to be reasonable under the circumstances, the results of which form the basis of making judgments about the carrying values of assets and liabilities that are not readily apparent from other sources. Actual results may differ from these estimates.

The estimates and underlying assumptions are reviewed on an ongoing basis. Revisions to accounting estimates are recognized in the period in which the estimate is revised if the revision affects only that period, or in the period of the revision and future periods if the revision affects both current and future periods.

The estimates and judgments that have a significant effect on the financial statements are in respect of the following:

- Useful lives and impairment of Property and equipment (Note 3.2 and 4)
- Useful lives and impairment of intangible assets (Note 3.4 and 5)
- Classification and valuation of investments (Note 3.1, 6, 9 and 16)
- Provision against trade receivables and other financial assets (Note 3.1)
- Staff retirement benefits (Note 3.7)
- Current and deferred taxation (Note 3.6, 8 and 25)
- Contingent liabilities (Note 3.12 and 20)

3 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

3.1 Classification and measurement of financial assets and financial liabilities

IFRS 9 contains three principal classification categories for financial assets: measured at amortised cost, fair value through other comprehensive income (FVOCI) and fair value through profit or loss (FVTPL).

A financial asset is initially measured at fair value plus, for an item not at FVTPL, transaction costs that are directly attributable to its acquisition.

The following accounting policies apply to the subsequent measurement of financial assets:

Financial assets at FVTPL	These assets are subsequently measured at fair value. Net gains and losses, including any interest or dividend income, are recognised in profit or loss.
Financial assets at amortised cost	These assets are subsequently measured at amortised cost using the effective interest method. The amortised cost is reduced by impairment losses. Interest income, foreign exchange gains and losses and impairment are recognised in profit or loss.
Debt investments at FVOCI	These assets are subsequently measured at fair value. Interest income calculated using the effective interest method, foreign exchange gains and losses and impairment are recognised in profit or loss. Other net gains and losses are recognised in OCI. On derecognition, gains and losses accumulated in OCI are reclassified to profit or loss.
Equity investments at FVOCI	These assets are subsequently measured at fair value. Dividends are recognised as income in profit or loss unless the dividend clearly represents a recovery of part of the cost of the investment. Other net gains and losses are recognised in OCI and are never reclassified to profit or loss.

Impairment

IFRS 9 replaces the 'incurred loss' model in IAS 39 with an 'expected credit loss' (ECL) model. IFRS 9 introduces a forward looking expected credit losses model, rather than the current incurred loss model, when assessing the impairment of financial assets in the scope of IFRS 9. The new impairment model applies to financial assets measured at amortised cost, contract assets and debt investments at FVOCI, but not to investments in equity instruments.

The Company applies the IFRS 9 simplified approach to measuring expected credit losses which uses a lifetime expected loss allowance for all trade receivables and contract assets. Impairment losses related to trade and other receivables, including contract assets, are presented separately in the statement of profit or loss. Trade receivables are written off when there is no reasonable expectation of recovery. Management used actual credit loss experience over five past years to base the calculation of ECL the company also takes into account the securities in their custody.

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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 loses 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 statement of profit or loss.

Off-setting of financial assets and financial liabilities

Financial assets and financial liabilities are off set 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.

3.2 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 4 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 reporting date.

Maintenance and normal repairs are charged to statement of profit or loss. 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 statement of profit or loss.

3.3 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 the statement of profit and loss on straight line basis over the Ijarah term.

3.4 Intangible assets

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

Computer software and website developed are recognized in the financial statements, if and only if, it is probable that 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 5. The amortization period and the amortization method for intangible assets with finite useful life are reviewed, and adjusted if appropriate.

Details of the basis of valuation of the Trading Right Entitlement (TRE) Certificate is given in note 5 to these financial statements.

3.5 Other income

Mark-up income on PSX exposure, return on client bank account (fee for fund management) and other miscellaneous income.

3.6 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 reporting 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.

3.7 Staff retirement benefits

3.7.1 Defined contribution plan

The Company provides provident fund benefits to all its permanent employees. Equal contributions are made, both by the Company and the employees, at the rate of 10% of basic salary and the same is charged to the statement of profit or loss.

3.7.2 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 reporting date.

3.8 Cash and cash equivalents

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

3.9 Foreign currency transactions

Monetary assets and liabilities in foreign currencies are translated into Pak rupees at the rates of exchange prevailing at the reporting date. Transactions in foreign currencies are converted into Pak rupees at the rates of exchange prevailing at the transaction date. Exchange gains or losses are taken to statement of profit or loss. 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.

3.10 Provisions

Provisions are recognised when the Company has a legal or constructive present 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.

The amount recognised as a provision is the best estimate of the consideration required to settle the present obligation at the end of the reporting period, taking into account the risks and uncertainties surrounding the obligation.

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Where the effect of the time value of money is material, the amount expected to be required to settle the obligation is recognised at present value using a pre-tax discount rate. The unwinding of the discount is recognised as finance cost in the statement of profit or loss.

When some or all of the economic benefits required to settle a provision are expected to be recovered from a third party, the receivable is recognised as an asset if it is virtually certain that reimbursement will be received and the amount of the receivable can be measured reliably.

As the actual outflows can differ from estimates made for provisions due to changes in laws, regulations, public expectations, technology, prices and conditions, and can take place many years in the future, the carrying amounts of provisions are reviewed at each reporting date and adjusted to take account of such changes. Any adjustments to the amount of previously recognised provision is recognised in the statement of profit or loss unless the provision was originally recognised as part of cost of an asset.

3.11 Trade and other payables

Trade and other payables are measured at amortised cost.

3.12 Contingent liabilities

A contingent liability is disclosed when the Company has a possible obligation as a result of past events, whose existence will be confirmed only by the occurrence or non-occurrence, of one or more uncertain future events not wholly within the control of the Company; or the Company has a present legal or constructive obligation that arises from past events, but it is not probable that an outflow of resources embodying economic benefits will be required to settle the obligation, or the amount of the obligation cannot be measured with sufficient reliability.

3.13 Revenue recognition

3.13.1 Brokerage and Fee revenue

The Company earns fee and commission income from a diverse range of financial services it provides to its customers. Fee and commission income is recognised at an amount that reflects the considerations to which the company expects to be entitled in exchange for providing the services.

The performance obligations, as well as the timing of their satisfaction, are identified, and determined, at the inception of the contract. The company's revenue contract do not typically include multiple performance obligations.

When the company provides a service to its customers, considerations is invoiced and generally due immediately upon the satisfaction of a service provided at a point in time or at the end of the contract period for a service provided over time.

The Company has generally concluded that it's the principal in its revenue arrangements because it typically controls the services before transferring them to the customer.

3.13.2 Fee and commission income from providing services where performance obligations are satisfied at a point in time:

Services provided where the Company's performance obligations are satisfied at a point in time are recognised once control of the services is transferred to the customer. This is typically on completion of the underlying transaction or service or, for fees or components of fees that are linked to a certain performance, after fulfilling the corresponding performance criteria. These include fee and commissions arising from negotiations of the acquisition of shares or other securities, or the purchase of or sale of businesses, brokerage and underwriting fees.

The Company typically has a single performance obligation with respect to these services, which is to successfully complete the transaction specified in the contract.

4. PROPERTY AND EQUIPMENT

Note	31 December 2020									
	Cost			Accumulated depreciation			Written down		Rate of depreciation per annum	
	As at 01 January 2020	Additions	Disposals	As at 31 December 2020	As at 01 January 2020	Charge for the year	Disposals	As at 31 December 2020		As at 31 December 2020
	(Rupees)									%
Room and booths	14,500,000	-	-	14,500,000	10,150,006	725,003	-	10,875,009	3,624,991	6
Motor vehicles	4,744,970	-	(404,000)	4,340,970	1,611,018	935,525	(356,869)	2,189,675	2,151,295	20
Furniture and fixtures	2,382,282	53,000	-	2,435,282	1,852,114	72,718	-	1,924,832	510,450	10
Office equipment	6,571,440	1,050,213	(358,268)	7,263,395	5,900,168	338,487	(328,224)	5,912,454	1,350,941	20
Computer equipment	5,901,195	-	-	5,901,195	5,450,738	295,212	-	5,656,950	246,245	20
	<u>34,099,887</u>	<u>1,103,213</u>	<u>(762,268)</u>	<u>34,440,842</u>	<u>24,964,084</u>	<u>2,276,945</u>	<u>(683,089)</u>	<u>26,557,920</u>	<u>7,882,922</u>	

Note	31 December 2019									
	Cost			Accumulated depreciation			Written down		Rate of depreciation per annum	
	As at 01 July 2019	Additions	Disposals	As at 31 December 2019	As at 01 July 2019	Charge for the year	Disposals	As at 31 December 2019		As at 31 December 2019
	(Rupees)									%
Room and booths	14,500,000	-	-	14,500,000	9,425,002	725,004	-	10,150,006	4,349,994	5
Motor vehicles	3,490,800	1,430,370	(176,000)	4,744,970	815,221	925,738	(129,641)	1,511,018	3,133,952	20
Furniture and fixtures	2,307,792	74,500	-	2,382,292	1,729,412	122,702	-	1,852,114	530,169	10
Office equipment	6,455,640	101,800	-	6,571,440	5,826,532	273,650	-	5,900,186	671,252	20
Computer equipment	5,901,195	-	-	5,901,195	5,226,718	224,020	-	5,450,738	450,467	20
	<u>32,655,217</u>	<u>1,506,670</u>	<u>(176,000)</u>	<u>34,099,887</u>	<u>22,922,865</u>	<u>2,271,120</u>	<u>(129,941)</u>	<u>24,904,064</u>	<u>9,135,823</u>	

4.1 The cost of fully depreciated assets as at 31 December 2020 is Rs. 11,493 million (31 Dec 2019: Rs. 11,590 million).

5. INTANGIBLE ASSETS

Note	31 December 2020									
	Cost			Accumulated amortisation / impairment			Written down		Rate of amortisation per annum	
	As at 01 January 2020	Additions	Disposal/ Write off	As at 31 December 2020	As at 01 January 2020	Charge for the year	Disposal/ Write off	As at 31 December 2020		As at 31 December 2020
	(Rupees)									%
Website	175,000	100,000	-	275,000	164,583	14,584	-	179,167	95,833	50
Computer software	4,879,849	212,650	-	5,092,499	3,978,599	860,661	-	4,839,260	253,239	50
Trading Right Entitlement (TRE) Certificate	2,500,000	-	-	2,500,000	-	-	-	-	2,500,000	-
	<u>7,554,849</u>	<u>312,650</u>	<u>-</u>	<u>7,867,499</u>	<u>4,143,182</u>	<u>875,245</u>	<u>-</u>	<u>5,018,427</u>	<u>2,849,072</u>	

Note	31 December 2019									
	Cost			Accumulated amortisation / impairment			Written down		Rate of amortisation per annum	
	As at 01 July 2019	Additions	Disposal/ Write off	As at 31 December 2019	As at 01 July 2019	Charge for the year	Disposal/ Write off	As at 31 December 2019		As at 31 December 2019
	(Rupees)									%
Website	175,000	-	-	175,000	139,583	25,000	-	164,583	10,417	50
Computer software	4,620,849	250,000	-	4,879,849	3,232,349	746,250	-	3,978,599	901,250	50
Trading Right Entitlement (TRE) Certificate	2,500,000	-	-	2,500,000	-	-	-	-	2,500,000	-
	<u>7,304,849</u>	<u>250,000</u>	<u>-</u>	<u>7,554,849</u>	<u>3,371,932</u>	<u>771,250</u>	<u>-</u>	<u>4,143,182</u>	<u>3,411,667</u>	

for

5.1 The cost of fully amortized intangible assets as at 31 December 2020 is Rs. 4,804 million (31 Dec 2019; Rs. 3,324 million).

5.2 This represents TRE Certificate acquired on surrender of Stock Exchange Membership Card.

The Company has marked lien on TRE Certificate in favour of the Pakistan Stock Exchange Limited (PSX) to fulfil the requirement of Base Minimum Capital.

6. LONG TERM INVESTMENTS - FAIR VALUE THROUGH OTHER COMPREHENSIVE INCOME

2020 ----- (Number of Shares) -----	2019	Note	2020 ----- (Rupees) -----	2019
1,602,953	1,602,953		16,151,354	16,151,354
<u>1,602,953</u>	<u>1,602,953</u>	6.1	<u>16,151,354</u>	<u>16,151,354</u>
		<i>Market value basis</i>		
		Book value as of 31 December 2020	16,151,354	
		Unrealized gain as of 31 December 2020	7,604,409	
		Market value as of 31 December 2020	<u>23,755,763</u>	

6.1 As at 31 December 2020. The Company has pledged the shares with PSX to fulfill the requirement of Base Minimum. For details, refer note 31.1.

7. LONG TERM LOANS, ADVANCES AND DEPOSITS

Loan & Advances

- Loan to employees - secured

Security deposits

- National Clearing Company of Pakistan Limited

- Others

2020 ----- (Rupees) -----	2019
88,196	
1,400,000	1,400,000
11,500	11,500
<u>1,499,696</u>	<u>1,411,500</u>

8. DEFERRED TAXATION- NET

Deferred tax (liabilities) / assets comprises of temporary differences in respect of the following:

	Balance at 01 July 2019	Recognized in profit or loss	Recognized in OCI	Balance at 31 December 2019	Recognized in profit and loss	Recognized in OCI	Balance at 31 December 2020
	(Rupees)						
Deferred tax assets arising in respect of:							
Intangible assets	440,135	186,713	-	626,848	115,144	-	741,992
Provision for compensated absences	278,240	13,418	-	291,658	191,719	-	483,377
Tax losses	4,034,665	(1,172,004)	-	2,862,661	(2,862,661)	-	-
Impairment on available for sale investments	-	-	-	-	-	-	-
Less: Deferred tax liabilities arising in respect of:							
Accelerated tax depreciation allowance	(879,971)	12,172	-	(867,799)	275,362	-	(592,437)
Surplus/ deficit on revaluation of investments - net	1,712,667	-	(2,143,553)	(430,886)	-	172,428	(258,458)
Net deferred tax asset	<u>3,873,069</u>	<u>(959,701)</u>	<u>-</u>	<u>2,482,482</u>	<u>(2,280,436)</u>	<u>172,428</u>	<u>374,474</u>

9. SHORT TERM INVESTMENTS - FAIR VALUE THROUGH OTHER COMPREHENSIVE INCOME

	Note	2020 (Rupees)	2019 (Rupees)
Listed shares			
Market Treasury Bills	9.1, 9.2 & 9.3	72,857,209	92,852,169
Pakistan Investment Bonds	9.4	159,676,252	146,588,177
		<u>232,533,461</u>	<u>239,440,346</u>

9.1 Listed shares

2020 (Number of shares)	2019	Name of investee	2020		2019	Dividend earned for the year ended 31 December 2020
			Carrying amount	Market value	Market value	
			(Rupees)			
283,609	283,609	The Hub Power Company Limited	26,450,609	22,498,702	26,474,900	1,134,436
176,778	176,778	Pakistan Petroleum Limited	21,428,557	15,968,357	24,243,335	176,778
87,000	87,000	Habib Bank Limited	14,748,629	11,508,360	13,695,540	217,500
300,000	300,000	Pakistan Stock Exchange Limited	5,784,140	4,446,000	3,744,000	-
9,000	9,000	Attock Petroleum Limited	4,617,590	3,011,670	3,328,200	81,000
35,200	35,200	Engro Corporation Limited	10,076,009	10,819,072	12,152,800	880,000
-	88,000	Engro Fertilizer Limited	-	-	6,314,980	-
-	88,000	Pioneer Cement Limited	-	-	2,883,120	-
157	157	Sapphire Fibre Limited	91,385	148,208	124,884	-
100	100	Sapphire Textile Limited	79,720	98,500	100,400	-
42,000	-	Oil & Gas Development Company	6,266,853	4,358,340	-	262,500
<u>933,844</u>	<u>1,065,844</u>		<u>89,542,492</u>	<u>72,857,209</u>	<u>92,862,169</u>	<u>2,752,214</u>
		Book Value as of 31 December 2020	89,542,492			
		Unrealized loss on re-measurement as of 31 December 2020	(16,695,283)			
		Carrying value as of 31 December 2020	<u>72,857,209</u>			

9.2 300,000 shares of Pakistan Stock Exchange Ltd (PSX), 9,000 shares of Attock Petroleum Limited (APL), 40,000 shares of Pakistan Petroleum Ltd (PPL), and 25,200 shares of ENGRO are pledged against Base Minimum Capital (BMC) refer note number 31.1.

9.3 87,000 shares of Habib Bank Limited (HBL), 283,609 shares of The Hub Power Company Limited (HUBC), 42,000 shares of Oil & Gas Development Company Limited (OGDCL), and 98,000 shares of Pakistan Petroleum Limited (PPL) are pledged with Bank Al-Falah Limited.

9.4 The Company has disposed equity securities classified as fair value through other comprehensive income during the year and recognised net loss amounting to Rs.0.055 million (31 December 2019: 0.079 million).

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9.5 Pakistan Investment Bonds

During the year company has made investment in PIBS having face value 85 Million and 75 Million respectively. These PIBS will mature on 12 July 2021 and 12 July 2023 respectively. These PIBS will carry yield of 12.20% and 13.7145% respectively.

10. TRADE RECEIVABLES

	Note	2020	2019
(Rupees)			
Due from clients against trading of securities - secured		217,529,502	50,304,879
Due from National Clearing Company of Pakistan Limited - secured	10.3	68,250,726	-
Due from clients against trading of securities - related parties	10.1	669,424	241,666
		<u>286,449,653</u>	<u>50,546,545</u>

10.1 Trade receivables from related parties

Name of related party	Gross amount due	Provision for doubtful receivables	Reversal of provision of doubtful receivables	Amount due written off	Net amount due	Maximum amount outstanding at any time during the year
(Rupees)						
Bank AL Habib Limited	115,978	-	-	-	115,978	246,481
First Habib Stock Fund	126,810	-	-	-	126,810	126,810
Habib Insurance Company Limited	-	-	-	-	-	19,776,691
Habib Asset Management Limited	-	-	-	-	-	1080
Habib Sugar Mills Limited	-	-	-	-	-	3,831,929
First Habib Income Fund	-	-	-	-	-	0
First Habib Asset Allocation Fund	74,423	-	-	-	74,423	74,423
Habib Asset Management Limited -Staff Provident Fund	-	-	-	-	-	747,575
First Habib Islamic Stock Fund	121,311	-	-	-	121,311	121,311
First Habib Income Fund	46,181	-	-	-	46,181	46,181
First Habib Islamic Income Fund	184,723	-	-	-	184,723	184,723
	<u>669,424</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>669,424</u>	

Name of related party	Not yet due	Upto 3 months	3 to 6 months	6 months to 1 year	More than 1 year	Total gross amount due
(Rupees)						
Bank AL Habib Limited	-	115,978	-	-	-	115,978
First Habib Stock Fund	-	126,810	-	-	-	126,810
Habib Insurance Company Limited	-	-	-	-	-	-
Habib Asset Management Limited	-	-	-	-	-	-
First Habib Asset Allocation Fund	-	74,423	-	-	-	74,423
Habib Asset Management Limited -Staff Provident Fund	-	-	-	-	-	-
First Habib Islamic Stock Fund	-	121,311	-	-	-	121,311
First Habib Income Fund	-	-	46,181	-	-	46,181
First Habib Islamic Income Fund	-	-	184,723	-	-	184,723
	-	<u>438,520</u>	<u>230,904</u>	-	-	<u>669,424</u>

10.2 The value of marketable securities held against trade receivables by the Company amounted to Rs. 1,655,911 million (31 Dec 2019; Rs. 4,468,845 million).

10.3 This shows trade receivables in respect of two days trading T+2 settlement and future contract trading of Rs. 48,150 million and Rs. 20,099 million, respectively (31 December 2019: NIL).

10.4 Aging analysis

The aging analysis of the trade receivables relating to purchase of shares and brokerage commission on equity shares is as follows:

	Amount	Custody value
Upto 5 days	268,573,278	383,394,170
More than 5 days	17,876,374	1,272,517,386
	<u>286,449,652</u>	<u>1,655,911,556</u>

10.4.1 Total number of clients' shares held in CDC sub account are 184,217,250 out of which 6,023,022 shares were pledged (31 December 2019: 147,767,999 out of which 2,837,515 shares were pledged).

11. LOANS AND ADVANCES

	Note	2020 ----- (Rupees) -----	2019 ----- (Rupees) -----
Loans to employees - secured	11.1	43,701	18,170
Advances to employees - unsecured	11.2	166,511	123,098
Advance for expenses to admin, contractors & suppliers		33,000	33,000
		<u>243,212</u>	<u>174,268</u>

11.1 This represents personal loans carrying mark-up rate of 8.00% (31 December 2019: 12.75%) per annum provided to employees who have completed at least one year of service with the Company. These are recoverable over a period of three years and are secured against retirement benefit payable to respective employees.

11.2 During the year, the Company provided advances salaries to Chief Executive Officer and Key Executives amounting to Rs. 165,000 and 1,320,000 respectively. All advances are recoverable within a maximum period of six months. These advances are interest free. At year end amount of advances is NIL (31 December 2019: Rs. 35,000).

12. DEPOSITS AND PREPAYMENTS

	Note	2020 ----- (Rupees) -----	2019 ----- (Rupees) -----
Deposits			
Exposure deposit with National Clearing Company of Pakistan Limit	12.1	100,000,000	3,700,000
Prepayments			
- Insurance and computer maintenance		-	537,370
- Others		-	766,262
		<u>100,000,000</u>	<u>5,003,632</u>

12.1 This represents deposits held under the National Clearing Company of Pakistan Limited exposure rules. These deposits carry interest at the rate of 4.75% to 10.75% (31 December 2018: 9.75% to 10.75%) per annum.

13. OTHER RECEIVABLE

	Note	2020 ----- (Rupees) -----	2019 ----- (Rupees) -----
Interest receivable on Pakistan Investment Bonds		5,599,575	5,665,672
Interest receivable on PLS accounts		-	5,765
Receivable from NCCPL-MTS		-	480,555
Dividend Receivable		84,000	-
Others		174,137	-
		<u>5,857,712</u>	<u>6,151,992</u>

14. CASH AND BANK BALANCES

Cash in hand		48,018	64,971
Balances with banks in:			
- Current accounts	14.2	1,154,265	454,807
- Saving accounts	14.3 & 14.4	480,126,842	111,656,990
		481,281,107	112,111,797
		<u>481,329,125</u>	<u>112,176,768</u>

14.1 Cash and cash equivalents

Cash, cash equivalents and short term financing (used for cash management purposes) include the following for the purposes of the cash flow statement:

	Note	2020 ----- (Rupees) -----	2019 ----- (Rupees) -----
Cash and bank balances		481,329,125	112,176,768
Short term financing	17	(229,231,261)	(16,616,866)
		<u>252,097,865</u>	<u>95,559,902</u>

14.2 This includes bank balances held with Bank AL Habib Limited (the Holding Company) amounting to NIL (31 December 2019: Rs. 0.105 million).

14.3 This includes bank balances held with Bank AL Habib Limited (the Holding Company) amounting to Rs. 0.225 million (31 December 2019: Rs. 0.130 million) and carry interest ranging from 5.25 % to 11.25% (31 December 2019: 11.25 % to 11.75%) per annum.

14.4 This includes Rs. 462.232 million (31 December 2019: 109.566 million) held with Bank AL Habib Limited (The Holding Company) maintained on behalf of clients. During the year this account is marked as saving account and carries interest ranging from 5.25% to 11.75%.

15. AUTHORISED, ISSUED, SUBSCRIBED AND PAID-UP CAPITAL

15.1 Authorised capital

2020 ----- (Number of shares) -----	2019 ----- (Number of shares) -----	2020 ----- (Rupees) -----	2019 ----- (Rupees) -----
<u>50,000,000</u>	<u>50,000,000</u>	Ordinary shares of Rs. 10/- each fully paid in cash	
		<u>500,000,000</u>	<u>500,000,000</u>

15.2 Issued, subscribed and paid-up capital

2020 ----- (Number of shares) -----	2019 ----- (Number of shares) -----	2020 ----- (Rupees) -----	2019 ----- (Rupees) -----
<u>30,000,000</u>	<u>30,000,000</u>	Ordinary shares of Rs. 10/- each fully paid in cash	
		<u>300,000,000</u>	<u>300,000,000</u>

15.3 Pattern of shareholding

Categories of shareholders	2020		2019	
	Number of shares held	% of shares held	Number of shares held	% of shares held
Bank AL Habib Limited (the Holding Company)	19,999,600	66.67%	19,999,600	66.67%
Others	2,499,898	8.33%	2,499,898	8.33%
Individuals	7,500,502	25%	7,500,502	25%
	<u>30,000,000</u>	<u>100.00%</u>	<u>30,000,000</u>	<u>100.00%</u>

Ejn

16. Unrealised gain/(loss) on re-measurement of investments

Listed shares	(9,080,874)	(1,008,631)
Market Treasury Bills	-	-
Pakistan Investment Bonds	9,619,825	4,025,674
Market Treasury Bills	-	-
	538,951	3,017,143
Related deferred tax asset/(liability)	(258,458)	(430,886)
	<u>280,493</u>	<u>2,586,257</u>

17. SHORT TERM FINANCING

- 17.1 Running finance facility available to the Company is Rs. 375 million (31 December 2019: Rs. 275 million). The Company has obtained from Bank AL Habib Limited (the Holding Company) Rs. 275 million and Bank Alfalah Limited Rs. 100 million having expiry on 30 June 2021 and 30 September 2021 respectively which is secured against hypothecation of amounts due from customers and lien over shares listed at Pakistan Stock Exchange Limited, units of mutual funds and government securities. The facilities obtained from Bank AL Habib Limited (the Holding company) carry mark-up rate at 3 month average KIBOR + 1% (31 December 2019: 3 month average KIBOR +1%) and Bank Alfalah Limited carry mark-up rate at 3 month average KIBOR + 1.5% (31 December 2019: 3 month average KIBOR + 1%).

18. TRADE AND OTHER PAYABLES

	Note	2020	2019
Due to clients against trading of securities	18.1	567,234,888	131,368,116
Due to National Clearing Company of Pakistan Limited	18.2	-	3,623,739
Workers' Welfare Fund payable		1,211,034	509,179
Accrued expenses		-	-
Sales tax and FED payable		1,176,707	450,162
Other liabilities		18,774,871	1,223,354
		<u>588,397,500</u>	<u>137,174,550</u>

- 18.1 This includes trade payables of Rs. 2.271 million (31 December 2019: 18.556 million) payable to related party.

- 18.2 This shows trade payable in respect of two days trading T+2 settlement.

or

19. ACCRUED LIABILITIES

	2020	2019
	----- (Rupees) -----	
Accrued salaries payable	6,338,680	1,903,708
Auditors Remuneration payable	531,111	398,911
Accrued Vehicle Running fuel & Repair	286,336	244,129
Other Payable	977,998	730,132
	<u>8,134,125</u>	<u>3,276,880</u>

20. CONTINGENCIES AND COMMITMENTS**20.1 Contingencies**

There are no contingencies as at 31 December 2020 (31 December 2019: Nil).

20.2 Future contracts against counter commitments

20.2.1 For sale of quoted securities under future contracts against counter commitments as at 31 December 2020 is Rs. 72.087 million (31 December 2019: Rs. 0.0340 million)

20.2.2 For purchase of quoted securities under future contracts against counter commitments as at 31 December 2020 is Rs. 242.621 (31 December 2019: Rs. 10.684).

21. BROKERAGE REVENUE - NET

	Note	2020	2019
		----- (Rupees) -----	
Brokerage revenue - gross		108,060,429	47,525,360
Less: Sales tax on services		<u>(14,047,856)</u>	<u>(6,178,297)</u>
Net Revenue	21.1	<u>94,012,573</u>	<u>41,347,063</u>

21.1 Disaggregation of Revenue

As required for the financial statements, the Company disaggregated revenue recognised from contracts with customers into categories that depict how the nature, amount, timing and uncertainty of revenue and cash flows are affected by economic factors. In the following table, revenue is disaggregated by type of customers:

	Note	2020	2019
		----- (Rupees) -----	
Retail customers		47,921,970	19,863,160
Institutional customers		45,627,367	21,416,037
Proprietary trade		463,236	67,866
		<u>94,012,573</u>	<u>41,347,063</u>

22. OTHER INCOME

Profit on PSX exposure		422,461	354,682
Interest on staff loans		3,132	5,726
Gain on disposal of property and equipment		3,034,459	16,941
Fee charged for clients' fund management	22.1	5,507,379	1,938,663
Miscellaneous income		-	824,127
		<u>8,967,431</u>	<u>3,140,139</u>

22.1 This represents interest income earned on clients' funds as per PSX Rulebook 4.17.1(a).

23. ADMINISTRATIVE EXPENSES	Note	2020	2019
		----- (Rupees) -----	
Salaries and other benefits	23.1	50,571,182	41,526,681
Printing and stationery		277,188	211,320
Auditors' remuneration	23.2	471,615	398,911
Rent, rates and taxes		2,181,750	2,252,500
Vehicles running		3,193,197	2,955,627
Utilities		1,703,888	228,770
Legal and professional charges		1,126,904	1,506,861
Insurance		1,282,660	1,343,159
Newspapers and periodicals		66,264	60,550
Entertainment		160,797	92,785
Advertisement and business promotion		573,020	229,794
Computer expenses		1,965,756	1,021,339
Clearing house charges		8,314,048	4,389,102
Office security		895,890	617,076
Depreciation	4.	2,276,945	2,271,120
Amortization	5.	875,245	771,250
Repairs and maintenance		227,385	190,960
Conveyance and travelling		261,813	382,432
Communication		1,236,057	972,497
Fee and subscription		7,629,721	7,932,103
Lease rental of vehicles		-	247,844
Office supplies		419,423	319,120
Donations		-	-
Others		586,028	648,098
		<u>86,296,776</u>	<u>70,569,899</u>

23.1 This includes the Company's contribution to the defined contribution plan amounting to Rs. 2.361 million (31 December 2019: Rs. 2.239 million).

3.2 Auditors' remuneration

	2020	2019
	----- (Rupees) -----	
Statutory audit fee	270,000	216,000
Other certifications	162,000	108,000
Out of pocket expenses	39,615	74,911
	<u>471,615</u>	<u>398,911</u>

23.2.1 Above audit fees and other services fees include Sales Tax @ 8%.

24. FINANCE COST

Mark-up on short term running finance	17.	4,805,991	942,749
Bank charges		163,235	139,884
		<u>4,969,226</u>	<u>1,082,633</u>

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25. INCOME TAX EXPENSE

	Note	2020 (Rupees)	2019
Current		7,882,640	5,614,783
Deferred	8.	2,280,436	959,701
Prior year		(4,341,443)	-
		<u>5,821,633</u>	<u>6,574,484</u>

25.1 The income tax returns of the Company have been filed up to tax year 2019 under the Universal Self Assessment Scheme. This scheme provides that the return filed is deemed to be an assessment order. The returns may be selected for audit within five years. The Income Tax Commissioner may amend assessment if any objection is raised during audit.

25.2 This represents adjustment to prior period tax liability based on revision on tax return filed by the company during the year.

25.3

Reconciliation of tax charge for the year

	2020 (Rupees)
Profit before taxation	<u>35,980,794</u>
Tax at the applicable tax rate of 29% (2019: 29%)	10,434,430
Tax effect of income under Presumptive Tax Regime	(271,354)
Tax effect of prior year tax charge	(4,341,443)
	<u>5,821,633</u>

25.4 The prior year tax liability was based on the minimum tax.

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

	2020 (Rupees)	2019
Profit/(Loss) for the year	<u>30,159,161</u>	<u>(11,206,767)</u>
Weighted average number of ordinary shares in issue during the year	<u>30,000,000</u>	<u>30,000,000</u>
	(Rupees)	
Earning/(Loss) per share - basic and diluted	<u>1.006</u>	<u>(0.374)</u>

26.1 Diluted earnings per share has not been presented as the Company does not have any convertible instruments in issue as at 31 December 2020 and 31 December 2019 which would have any effect on the earnings per share.

27. 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:

	2020		2019	
	Chief Executive	Executives	Chief Executive	Executives
Managerial remuneration	9,400,000	8,540,667	8,200,000	8,256,000
Housing and utilities	4,700,000	4,270,333	4,100,000	4,128,000
Medical	25,000	125,000	25,000	125,000
Company's contribution to provident fund	939,996	707,406	819,996	774,055
Bonus	1,766,667	918,666	-	-
Commission & Others	-	708,908	-	178,203
	<u>16,831,663</u>	<u>15,270,980</u>	<u>13,144,996</u>	<u>13,461,258</u>
Number of persons	<u>1</u>	<u>5</u>	<u>1</u>	<u>5</u>

ECL

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

27.2 No fee is paid to directors for meetings attended by them.

28. PROVIDENT FUND

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

	(Unaudited) 31 December 2020	(Audited) 30 June 2020
	----- (Rupees) -----	
Size of the fund	60,162,207	59,121,857
Cost of investments made	58,529,172	59,084,087
Percentage of investments made	97.30%	99.94%
Fair value of investments	56,624,237	55,973,859

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

	----- (Unaudited) ----- 31 December 2020		----- (Audited) ----- 30 June 2020	
	Investments ----- (Rupees) -----	% of Investments as size of the -----(Percentage)---	Investments ----- (Rupees) -----	% of Investments as size of the -----(Percentage)---
Government securities	43,862,289	72.92%	43,578,399	73.71%
Listed securities	10,731,289	17.84%	9,787,974	16.56%
Debt Securities	1,120,000	1.86%	1,120,000	1.89%
Bank balances	910,659	1.51%	1,487,496	2.52%
Others	-	0.00%	-	0.00%
	<u>56,624,237</u>	<u>94.13%</u>	<u>55,973,869</u>	<u>94.66%</u>

28.2 All investments in collective investment schemes, listed equity and listed debt securities out of the provident fund have been made in accordance with the provisions of the section 218 of the Companies Act, 2017 and the conditions specified thereunder.

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.

<u>Transactions for the year</u>	<u>Relationship</u>	<u>2020</u>	<u>2019</u>
		----- (Rupees) -----	
Bank AL Habib Limited	Holding		
- Equity brokerage commission	Company holds	1,431,977	769,709
- Mark-up expense on running finance	66.67%(2019:	4,345,218	931,974
- Office rent	66.67%) share	2,100,000	2,100,000
- Bank charges	capital	94,215	79,758
- Markup income on bank balances		39,074	739,724
- Information technology services		750,000	750,000
Total Mark up income on client account		11,641,870	
Less: Transferred to clients		(7,846,623)	
Balance mark up income on client account as per P&L		3,795,246	1,938,662
Habib Insurance Company Limited	Associated		
- Equity brokerage commission	company of Holding	534,540	754,843
- Insurance premium paid	Company	541,750	849,330
- Insurance premium payable	0%(2019:0%)	-	
First Habib Stock Fund	Subsidiary		
- Equity brokerage commission	company of Holding	89,775	22,046
	Company		
	0%(2019:0%)		
Habib Sugar Mills Limited	Associated		
- Equity brokerage commission	company of Holding	809,924	226,101
	Company		
	0%(2019:0%)		
First Habib Asset Allocation Fund	Subsidiary		
- Equity brokerage commission	company of Holding	51,576	12,796
	Company		
	0%(2019:0%)		
First Habib Islamic Stock Fund	Subsidiary		
- Equity brokerage commission	company of Holding	86,856	4,378
	Company		
	0%(2019:0%)		
First Habib Income Fund	Subsidiary		
- Equity brokerage commission	company of Holding	40,868	-
	Company		
	0%(2019:0%)		
First Habib Islamic Income Fund	Subsidiary		
- Equity brokerage commission	company of Holding	163,472	-
	Company		
	0%(2019:0%)		
AL Habib Capital Markets (Private) Limited			
- Employees' Provident Fund	Other		
- Equity brokerage commission	related party	13,322	100
Habib Asset Management	Other related party		
- Staff Provident Fund	Subsidiary company of		
- Equity brokerage commission	Holding Company		5,483
	0%(2019:0%)		
Key management			
- Contribution to the defined contribution plan	Key management	1,647,402	1,594,051
- Equity brokerage commission		110,076	14,211
- Advances		1,485,000	1,382,000

<u>Balances at year end</u>	Relationship	2020	2019
		(Rupees)	
Bank AL Habib Limited			
- Bank balances	Holding Company holds 66.67%	462,458,208	109,802,709
- Short term borrowing	(2019:66.67%) share capital	201,369,661	16,616,866
- Equity brokerage commission receivable		115,976	170,535
- Accrued markup payable		1,701,493	634,853
Associated Companies			
First Habib Stock Fund	Subsidiary company of		
- Equity brokerage commission receivable	Holding Company	126,810	25,365
Habib Insurance Company Limited	Associated company of		
- Equity brokerage commission receivable	Holding Company	-	5,046
- Equity payable		155,399	18,551,221
Habib Asset Management Limited	Subsidiary company of		
- CDC charges receivable	Holding Company	-	1,080
Habib Sugar Mills Limited	Associated company of		
- Equity payable	Holding Company	2,116,509	458
First Habib Asset Allocation Fund	Subsidiary company of		
- Equity brokerage commission receivable	Holding Company	74,423	16,142
Habib Asset Management Limited	Associated company of		
- Staff Provident Fund	Holding Company	-	335
- CDC charges receivable		-	
First Habib Islamic stock Fund	Subsidiary company of		
- Equity brokerage commission receivable	Holding Company	121,311	23,163
First Habib Islamic Income Fund	Subsidiary company of		
- Equity brokerage commission receivable	Holding Company	184,723	
First Habib Income Fund	Subsidiary company of		
- Equity brokerage commission receivable	Holding Company	46,181	
AL Habib Capital Markets (Private) Limited -			
Staff Provident Fund			
- Equity brokerage commission receivable		36	-
- Advances	Key Management	-	35,000

30. FINANCIAL RISK MANAGEMENT

The Company's financial risk management objective and policies are consistent with that disclosed in the financial statements as at and for the year ended December 31, 2020, except for the additional considerations due to the COVID-19.

30.1 COVID-19

The Company continue their operations to serve customers by observing Government instructions and taking necessary steps such as observing health precautions, limiting the number of working hours and implementation of remote working protocols wherever possible. The Company's management and Board is fully cognisant of the business challenges posed by the COVID-19 outbreak and closely monitoring the possible impacts on the Company's operations and liquidity positions. Whilst the management of the Company does not expect any significant impacts on the financial health of the Company in the short term, the full extent and duration of the impact of COVID-19 on the Company's operations and financial performance in the long term will depend on future developments that are uncertain and unpredictable, including the duration and spread of the pandemic, its impact on financial markets on a macro-economic level.

30.2 Risk Management Framework

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.

30.3 Credit risk

Credit risk is the risk that one party to a financial instrument will fail to discharge an obligation and cause the other party to incur a financial loss, without taking into account the fair value of any collateral. Credit risk arises from the inability of the issuers of the instruments, the relevant financial institutions or counter parties in case of placements or other arrangements to fulfil their obligations. There is a possibility of default by participants and of failure of the financial markets, the depositories, the settlements or clearing system etc.

Exposure to credit risk

Credit risk of the Company arises principally from its trade receivables, long term advances and deposits, loan and advances, other financial assets and bank balances. The carrying amount of these financial assets represents the maximum credit exposure.

Credit risk management

To reduce the exposure to credit risk, the Company has developed its own risk management policies and guidelines whereby clients are provided trading limits according to their worth and proper margins are collected from and maintained by the clients. The management continuously monitors the credit exposure towards the clients and makes provision against those balances considered doubtful for recovery.

The Company's policy is to enter into financial contracts in accordance with the internal risk management policies and investment and operational guidelines.

All transactions in listed securities are settled using National Clearing Company of Pakistan Limited, being the central clearing company of the country. The risk of default in such transactions is considered minimal, as delivery of securities is guaranteed by the stock exchange. The Company does not expect to incur material credit losses on its financial assets.

The maximum exposure to credit risk before any credit enhancements at 31 December 2020 is the carrying amount of the financial assets as set out below:

	Note	2020	2019
		----- (Rupees) -----	
Long term advances and deposits	7.	1,499,696	1,411,500
Trade receivables	10.	286,449,653	50,546,545
Loans and advances - considered good	11.	243,212	174,268
Short term deposits	12.	100,000,000	3,700,000
Bank balances	14.	481,281,107	112,111,797
		<u>869,473,668</u>	<u>167,944,110</u>

30.3.1 The aging of the trade receivables at reporting date was as follows:

	31 December 2020		
	Gross	Provision	Net
Less than or equal to 5 days	268,573,277	-	268,573,277
More than 5 days but not more than 14 days	14,174,937	-	14,174,937
More than 14 days	3,701,439	-	3,701,439
	<u>286,449,653</u>	<u>-</u>	<u>286,449,653</u>

	31 December 2019		
	Gross	Provision	Net
Less than or equal to 5 days	43,199,317	-	43,199,317
More than 5 days but not more than 14 days	3,036,910	-	3,036,910
More than 14 days	4,310,318	-	4,310,318
	<u>50,546,545</u>	<u>-</u>	<u>50,546,545</u>

Based on the past experience, consideration of financial position, past track records and recoveries, the Company believes that trade debts past due does not require any impairment.

30.3.2 Credit rating and collaterals

Bank balances are only held with reputable banks having sound credit ratings. The credit quality of the Company's bank balances can be assessed with reference of external credit ratings as follows:

	Rating Agency	Short term rating	Long term rating	31 December 2020	
				(Rupees)	(%)
Bank AL Habib Limited	PACRA	A1+	AA+	462,458,208	96.1%
United bank Limited	VIS	A1+	AAA	16,315,229	3.4%
Bank Alfalah Limited	VIS	A1+	AA+	1,359,041	0.3%
Habib Bank Limited	VIS	A1+	AAA	659,485	0.14%
Habib Metropolitan Bank Limited	PACRA	A1+	AA+	192,824	0.04%
JS Bank Limited	PACRA	A1+	AA-	228,103	0.05%
MCB Islamic Bank Limited	PACRA	A1	A	6,045	0.00%
MCB Bank Limited	PACRA	A1+	AAA	62,172	0.01%
				<u>481,281,107</u>	<u>100.00%</u>

	Rating Agency	Short term rating	Long term rating	31 December 2019	
				(Rupees)	(%)
Bank AL Habib Limited	PACRA	A-1+	AA+	109,802,709	97.94%
Bank Alfalah Limited	PACRA	A-1+	AA+	1,716,542	1.53%
Habib Bank Limited	JCR-VIS	A-1+	AAA	51,180	0.05%
Habib Metropolitan Bank Limited	PACRA	A-1+	AA+	121,389	0.11%
JS Bank Limited	PACRA	A-1+	AA-	349,548	0.31%
MCB Islamic Bank Limited	PACRA	A1	A	1,079	0.00%
MCB Bank Limited	PACRA	A-1+	AAA	69,350	0.06%
				<u>112,111,797</u>	<u>100.00%</u>

Concentration of credit risk

Concentration of credit risk exists when changes in economic or industry factors similarly affect groups of counterparties whose aggregate credit exposure is significant in relation to the Company's total credit exposure. The Company's portfolio of financial instruments is diversified and transactions are entered into with credit-worthy counterparties of diverse natures thereby mitigating any significant concentrations of credit risk.

30.4 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 2020				Total
	On demand	Upto three months	More than three months and upto one year	More than one year	
(Rupees)					
Trade and other payables	586,009,759	-	-	-	586,009,759
Accrued liabilities	8,134,125	-	-	-	8,134,125
Short term financing	229,231,261	-	-	-	229,231,261
	<u>823,375,145</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>823,375,145</u>

	31 December 2019				Total
	On demand	Upto three months	More than three months and upto one year	More than one year	
(Rupees)					
Trade and other payables	136,215,209	-	-	-	136,215,209
Accrued liabilities	3,276,880	-	-	-	3,276,880
Payable to Provident Fund	16,616,866	-	-	-	16,616,866
	<u>156,108,955</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>156,108,955</u>

30.5 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 optimizing the return. Market risk comprises of three types of risk: currency risk, interest rate risk and price risk. The market risks associated with the Company's business activities are discussed as under:

30.6 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.

30.6.1 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 interest bearing financial instruments is as follows:

	Carrying amount			
	31 December 2020	31 December 2019	31 December 2020	31 December 2019
	(Percentage)		(Rupees)	
Variable rate instruments				
<i>Financial assets</i>				
Bank balances	5.25% to 5.75%	11.25% to 11.75%	480,126,842	111,656,890
<i>Financial liabilities</i>				
Short term financing	3 Months average KIBOR + 1%	3 Months average KIBOR + 1%	229,231,261	16,618,868
Fixed rate instruments				
Deposits with National Clearing Company of Pakistan Limited	4.25% to 4.75%	9.75% to 10.75%	101,400,000	5,100,000
Staff loan	8.00%	12.75%	43,701	18,170

Fair value sensitivity analysis for fixed rate instruments

The Company does not account for any fixed rate financial assets and liabilities at fair value through profit or loss. Therefore, a change in interest rate at the reporting date would not have affected the after tax profit of the Company.

Cash flow sensitivity analysis for variable rate instruments

A change of 100 basis points in interest rates at the reporting date would have increased / (decreased) equity and profit or loss by the amounts shown below. This analysis assumes that all other variables remain constant. The analysis is performed on the same basis for December 2019.

	Profit or loss		Equity - net of tax	
	100 bps increase	100 bps decrease	100 bps increase	100 bps decrease
	(Rupees)		(Rupees)	
As at 31 December 2020 Variable rate instruments	<u>25,089,558</u>	<u>(25,089,558)</u>	<u>25,089,558</u>	<u>(25,089,558)</u>
As at 31 December 2019 Variable rate instruments	<u>9,504,012</u>	<u>(9,504,012)</u>	<u>9,504,012</u>	<u>(9,504,012)</u>

30.6.2 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 quoted equity securities amounted to Rs. 96,612 million (31 December 2019: Rs 112,867 million) at the statement of financial position date. The carrying value of investments subject to equity price risk are, in almost all instances, based on quoted market prices as of the reporting 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 quoted equity investments, a 10% increase / decrease in share prices value at period 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:

	Fair value	Hypothetical price change	Estimated fair value after hypothetical change in price	Hypothetical increase / (decrease) in OCI	Hypothetical increase / (decrease) in shareholders' equity
	(Rupees)				
31 December 2020	96,612,972	10% increase	106,274,269	9,661,297	9,661,297
		10% decrease	86,951,675	(9,661,297)	(9,661,297)
31 December 2019	112,867,022	10% increase	124,153,724	11,286,702	11,286,702
		10% decrease	101,580,320	(11,286,702)	(11,286,702)

The selected hypothetical change does not reflect what could be considered to be the best or worst case scenarios.

30.7 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 an 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).

On balance sheet
financial instruments

	31 December 2020				Fair value			
	FVOCI - equity instruments	FVOCI - debt instruments	Carrying Amount Financial assets at amortised cost	Other financial liabilities (Rupees)	Total	Level 1	Level 2	Level 3
Financial assets measured at fair value								
Short term investments - fair value through other comprehensive income								
- Listed shares	72,857,209	-	-	-	72,857,209	72,857,209	-	-
- Pakistan Investment Bonds	-	159,676,252	-	-	159,676,252	-	159,676,252	-
- Market Treasury Bills	-	-	-	-	-	-	-	-
Long term investments	23,755,783	-	-	-	23,755,783	23,755,783	-	-
	96,612,972	159,676,252	-	-	256,289,224			
Financial assets not measured at fair value								
Long term loans, advances and deposits	-	-	1,499,696	-	1,499,696			
Trade receivables	-	-	286,449,653	-	286,449,653			
Loans and advances	-	-	243,212	-	243,212			
Deposits	-	-	100,000,000	-	100,000,000			
Other receivable	-	-	5,857,712	-	5,857,712			
Cash and bank balances	-	-	481,329,125	-	481,329,125			
	-	-	875,379,399	-	875,379,399			
Financial liabilities not measured at fair value								
Trade and other payables	-	-	-	(586,009,759)	(586,009,759)			
Payable to Provident Fund	-	-	-	(229,231,261)	(229,231,261)			
Short term financing	-	-	-	(8,134,125)	(8,134,125)			
Accrued liabilities	-	-	-	(823,375,145)	(823,375,145)			
	-	-	-	(1,646,740,290)	(1,646,740,290)			
	96,612,972	159,676,252	875,379,399	(823,375,145)	308,293,477			

On balance sheet
financial instruments

	31 December 2019			Fair value			
	Available for sale	Loans and receivables	Other financial liabilities (Rupees)	Total	Level 1	Level 2	Level 3
Financial assets measured at fair value							
Short term investments - available for sale							
- Listed shares	92,862,169	-	-	92,862,169	92,862,169	-	-
- Pakistan Investment Bonds	-	146,566,177	-	146,566,177	-	146,566,177	-
- Market Treasury Bills	-	-	-	-	-	-	-
Long term investments	20,004,853	-	-	20,004,853	20,004,853	-	-
	112,867,022	146,566,177	-	259,433,199			
Financial assets not measured at fair value							
Long term loans, advances and deposits	-	1,411,500	-	1,411,500			
Trade receivables	-	50,546,545	-	50,546,545			
Loans and advances	-	174,268	-	174,268			
Deposits	-	3,700,000	-	3,700,000			
Other receivable	-	6,151,992	-	6,151,992			
Cash and bank balances	-	112,176,788	-	112,176,788			
	-	174,161,073	-	174,161,073			
Financial liabilities not measured at fair value							
Trade and other payables	-	-	(138,215,209)	(138,215,209)			
Payable to Provident Fund	-	-	(3,278,680)	(3,278,680)			
Accrued liabilities	-	-	(139,492,089)	(139,492,089)			
	-	-	(280,985,978)	(280,985,978)			
	112,867,022	320,749,250	(139,492,089)	294,124,183			

30.8 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 behavior. 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 safeguard 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, Pakistan Stock Exchange Limited also requires the Company to maintain a minimum net capital.

31.1 Capital Adequacy Level

In compliance with the CDC Regulation number 6.8 the Capital Adequacy Level (CAL) of the Company is calculated as follows.

	Note	2020 ----- (Rupees) -----	2019 ----- (Rupees) -----
Total Assets		1,172,580,182	476,087,204
Less: Total Liabilities		(825,762,886)	(157,068,296)
Less: Revaluation Reserves (created upon revaluation of fixed assets)			
		<u>346,817,296</u>	<u>319,018,908</u>

31.2 Base Minimum Capital

In compliance with the Regulation 19.2 of the Rule Book of Pakistan Stock Exchange Limited 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 Rule on the basis of Asset Under Custody (AUC).

As at 31 December 2020, the Company is required to have a BMC of Rs. 28 million. The Company's BMC is comprised of the sum of notional value of the TREC and the market value of shares of Pakistan Stock Exchange Limited (PSX) and certain other listed shares as at 31 December 2020. The market value of shares taken to meet BMC deposit requirement is after the haircut of 20.5% and 11% for PSX and PPL respectively.

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

	Note	31 December 2020 ----- (Rupees) -----	31 December 2019 ----- (Rupees) -----
Trading Right Entitlement Certificates	5.	2,500,000	2,500,000
Securitized 1,902,953 PSX shares at Rs. 14.82 per share after applying 30% haircut	6.1 & 9.2	19,741,234	18,880,338
40,000 Shares of PPL, 25,200 shares of ENGRO and 9,000 shares of APL at market rate after applying 17.5% haircut	9.2	11,855,532	12,206,460
		<u>34,096,766</u>	<u>33,585,798</u>

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31.3 Statement of Net Capital Balance as at December 31, 2020

The below mentioned disclosure is in conformity with SRO 1333(1)/2019 dated 6th November 2019 from Securities and Exchange Commission of Pakistan which states that "A company shall disclose the net capital balance in its annual audited financial statements in accordance with regulation 34."

(Excess of Current Assets over Current Liabilities determined in accordance with the third Schedule of the Securities and Exchange Rules 1971 and the clarifications/guidelines issued by SECP dated 3 July 2013, 20 December 2013 and 24 June 2015)

DESCRIPTION	VALUATION BASIS	Sub Total (Rupees)	Total
CURRENT ASSETS			
Cash in hand and bank balances	As per book value	481,329,125	
Less: adjustment to restrict corresponding clients wise trade payable (settlement base)		(286,782)	481,042,343
Cash deposited as margin with National Clearing Company of Pakistan			100,000,000
Trade receivables	As per book value	286,449,653	
Less: Overdue for more than 14 days		(3,701,439)	282,748,214
Investment in listed securities in the name of broker	At market value	72,857,209	
Less: Securities in BMC		(18,816,342)	
		54,040,867	
Less: Securities in exposure list marked to market less 15% discount		(8,106,130)	45,934,737
Securities purchased for customers			1,620,275
Pakistan Investment Bond	At market value	159,676,252	
Less: Haircut @5%		(7,983,813)	
Total current assets			<u>1,063,038,008</u>
CURRENT LIABILITIES			
Trade payables	As per book value (trade base)	567,234,888	
Less: Overdue for more than 30 days		(248,429,300)	318,805,588
Other liabilities	As per book value		506,957,297
Total current liabilities			825,762,886
Net Capital Balance as at December 31, 2020			<u><u>237,275,123</u></u>

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31.4 STATEMENT OF LIQUID CAPITAL

S. No.	Head of Account	Haircut % / Adj.	31 December 2020	
			(Rupees)	
			Balance Before Haircut / Adjustments	Balance After Haircut / Adjustments
1	<u>Assets</u>			
1.1	Property & Equipment	100	7,882,922	-
1.2	Intangible Assets	100	2,849,072	-
			<u>10,731,994</u>	-
1.3	Investment in Govt. Securities	-	159,676,252	159,676,252
1.5	<u>Investment in Equity Securities</u>			
i	If listed 15% or VaR of each securities on the cutoff date as computed by the Securities Exchange for respective securities whichever is higher.	15% or VaR which ever is higher	54,040,867	45,896,497
iv	listed securities that are Block, Freeze or Pledge status as on reporting date	100	42,572,105	-
			<u>256,289,224</u>	<u>205,572,749</u>
	<u>Deposits, Prepayments and other Receivables</u>			
1.8	Statutory or regulatory deposits / basic deposits with exchanges, clearing house or central depository or any	100	1,400,000	-
1.9	Margin deposits with exchange and clearing house.	-	100,000,000	100,000,000
1.11	Advance Tax, Other deposits and prepayments	100	29,816,591	-
1.12	Accrued interest, profit or mark-up on amounts placed with financial institutions or debt securities etc.	-	5,599,575	5,599,575
1.13	Dividends receivables.	-	84,000	84,000
1.15	i. Short Term Loan To Employees	-	210,212	210,212
	ii. Receivables other than trade receivables	100	669,807	-
			<u>137,780,186</u>	<u>105,893,787</u>
1.17	<u>Receivables from customers:</u>			
i	In case receivables are against margin financing, the aggregate if (i) value of securities held in the blocked account after applying VAR based Haircut, (ii) cash deposited as collateral by the financee (iii) market value of any securities deposited as collateral.	VaR based haircut	1,751,461	1,390,127
iv	In case of other trade receivables not more than 5 days overdue, 0% of the net balance sheet value	-	266,821,817	266,821,817
v	In case of other trade receivables are overdue, or 5 days or more, the aggregate of (i) the market value of securities purchased for customers and held in sub-accounts after applying VAR based haircuts, (ii) cash deposited as collateral by the respective customer and (iii) the market value of securities held as collateral	VAR Based Haircut	17,206,952	14,883,110
vi	100% haircut in the case of amount receivable from reli	100	669,424	-
			<u>286,449,654</u>	<u>283,095,054</u>
1.18	<u>Cash and bank balances</u>			
i	Bank Balance-proprietary accounts	-	2,733,604	2,733,604
ii	Bank balance-customer accounts	-	478,547,503	478,547,503
iii	Cash in hand	-	48,018	48,018
			<u>481,329,125</u>	<u>481,329,125</u>
1.19	Total Assets		<u><u>1,172,580,183</u></u>	<u><u>1,075,890,716</u></u>

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2	<u>Liabilities</u>		
2.1	<u>Trade payables</u>		
ii	Payable to customers	-	567,234,888
			<u>567,234,888</u>
2.2	<u>Current liabilities</u>		
ii	Accruals and other payables	-	29,296,737
iii	Short-term borrowings	-	229,231,261
			<u>258,527,997</u>
2.5	Total Liabilities		<u><u>825,762,886</u></u>
3	<u>Ranking Liabilities Relating to:</u>		
3.1	Concentration in margin financing	-	1,286,606
3.2	Concentration in securities lending and borrowing	-	-
3.3	Net underwriting commitments	-	-
3.4	Negative equity of subsidiary	-	-
3.5	Foreign exchange agreements and foreign currency	-	-
3.7	Repo adjustment	-	-
3.8	Concentrated proprietary positions	-	1,124,935
3.9	Opening positions in futures and options	-	-
3.10	Short sell position	-	-
3.11	Total Ranking Liabilities		<u><u>2,411,541</u></u>
	<u>Calculations Summary of Liquid Capital</u>		
1.19	Adjusted value of assets		1,172,580,183
2.5	Less: Adjusted value of liabilities		(825,762,886)
3.11	Less: Total ranking liabilities		(2,411,541)
			<u><u>344,405,756</u></u>
			<u><u>1,075,890,716</u></u>
			<u><u>(825,762,886)</u></u>
			<u><u>(2,411,541)</u></u>
			<u><u>247,716,289</u></u>

31.5 The above disclosure is made in accordance with the requirements of SECP letter no. SMD/SE//220/2016 to NCCPL and PSX dated 17 June 2020. It requires the Company to include the Liquid Capital Statement in the annual audited financial statements from 31 December 2020 and onwards.

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32. **Disclosure Under Regulation 5(4) of Research Analyst Regulations, 2015**

At present, the Company employs four members in its research department (including head of research, and a data administrator). All members report to Head of Research who in turn reports to the Chief Executive Officer.

Compensation structure of research analysts is flat and is subject to qualification, experience and skill set of the person. However, the compensation of anyone employed in the research department does not in any way depend on the contents / outcome of research report.

During the year, the personnel employed in the Research Department have drawn an aggregate salary and benefits amounting to Rs. 3,480 million (31 December 2019: 4,213 million) which comprise basic salary, medical allowance and other benefits as per the Company's policy.

33. **NUMBER OF EMPLOYEES**

	31 December 2020	31 December 2019
	----- (Number) -----	

The details of number of employees are as follows:

Average number of employees during the year
Number of employees at year end

	26	27
	25	28

34. **AUTHORISATION OF FINANCIAL STATEMENTS**

These financial statements were approved by the Company's Board of Directors and authorised for issue on

22 FEB 2021


Chairman


Chief Executive

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