KPMG Taseer Hadi & Co.
Chartered Accountants

AL Habib Capital Markets (Private) Limited

Financial Statements
For the six months period ended
31 December 2018

KPMG Taseer Hadi & Co.
Chartered Accountants
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INDEPENDENT AUDITOR'S REPORT

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 2018, and the statement of profit or loss, the statement of comprehensive income, the statement of changes in equity, the statement of cash flows for the six months period 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, the statement of profit or loss, the statement of comprehensive income, the statement of changes in equity and the statement of cash flows 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 2018 and of the loss, comprehensive loss, the changes in equity and its cash flows for the six months period 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 Auditor's 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.

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.

Auditor's 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 auditor's report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with ISAs 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 auditor's 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 auditor's report. However, future events or conditions may cause the Company to cease to continue as a going concern.
- 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, the statement of 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;

c) investments made, expenditure incurred and guarantees extended during the period 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).

KPMG Taseer Hadi & Co.

The engagement partner on the audit resulting in this independent auditor's report is Muhammad Taufiq.

KPMG Taseer Hadi & Co.

KPMG Taseer Hadi & Co.
Chartered Accountants

Date: 29 January 2019

Karachi

AL Habib Capital Markets (Private) Limited
Statement of Financial Position
As at 31 December 2018

	Note	31 December 2018	30 June 2018
		---------- (Rupees) ----------	
ASSETS			
Non-Current Assets			
Property and equipment	4	9,846,332	8,496,866
Intangible assets	5	3,932,917	2,722,917
Long term investments - Fair value through other comprehensive income	6	21,752,072	31,658,322
Long term loans, advances and deposits	7	1,561,500	1,561,500
Deferred taxation - net	8	5,585,736	5,712,193
		42,678,557	50,151,798
Current Assets			
Short term investments - Fair value through other comprehensive income	9	230,550,608	250,350,569
Trade receivables	10	28,137,214	30,005,906
Loans and advances	11	1,785,920	1,312,108
Deposits and prepayments	12	18,562,145	43,750,489
Other financial assets	13	-	-
Taxation - net	24.4	27,039,129	23,771,694
Cash and bank balances	14	69,668,930	54,426,518
		375,743,946	403,616,284
Total Assets		418,422,503	453,768,082
EQUITY AND LIABILITIES			
Share capital and reserves			
Authorised capital			
50,000,000 (30 June 2018: 50,000,000) ordinary shares of Rs. 10 each	15.1	500,000,000	500,000,000
Issued, subscribed and paid-up capital	15.2	300,000,000	300,000,000
Unrealised (loss) / gain on re-measurement of investments - net	16	(8,651,287)	14,972,536
Revenue Reserve			
Un-appropriated profit		28,621,076	36,515,358
		319,969,789	351,487,894
Current Liabilities			
Short term financing	17	-	-
Trade and other payables	18	93,897,881	99,522,296
Accrued liabilities		4,171,411	2,757,892
Payable to Provident Fund		383,422	-
		98,452,714	102,280,188
Contingencies and commitments	19		
Total equity and liabilities		418,422,503	453,768,082

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

Chairman

Chief Executive

AL Habib Capital Markets (Private) Limited
Statement of Profit or Loss
For the six months period ended 31 December 2018

	Note	* Six months period ended 31 December 2018	Twelve months period ended 30 June 2018
		----- (Rupees) -----	
INCOME			
Brokerage revenue - net	20	19,795,681	28,387,962
Share subscription income		-	407,241
Dividend income from equity securities at FVOCI		2,756,210	5,992,789
Interest income from Pakistan Investment Bonds		-	789,688
Interest income from Market Treasury Bills		5,928,645	7,168,972
Profit on saving and deposit accounts		317,594	2,321,839
Gain on sale of investments		-	3,738,386
Other income	21	216,193	1,379,397
		29,014,323	50,186,174
EXPENSES			
Administrative expenses	22	(34,151,398)	(60,384,782)
Finance cost	23	(403,291)	(234,941)
		(34,554,689)	(60,619,723)
Provision for impairment on investments - available for sale	9.1	-	(2,554,238)
Reversal for impairment of advance against Dubai Gold and Commodities Exchange membership (DGCX)		-	1,646,068
LOSS BEFORE TAXATION		(5,540,366)	(11,341,719)
Income tax expense			
- Current tax		(609,590)	(5,609,251)
- Deferred tax		(1,744,363)	(495,184)
- Prior year tax		37	177,625
	24	(2,353,916)	(5,926,810)
LOSS AFTER TAXATION		(7,894,282)	(17,268,529)
Loss per share - basic and diluted	25	(0.263)	(0.576)

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

* The Company has changed its accounting year from 30 June to 31 December (refer note 1.1).

Chairman | **Chief Executive**

AL Habib Capital Markets (Private) Limited

Statement of Comprehensive Income

For the six months period ended 31 December 2018

	*** Six months period ended 31 December 2018**	Twelve months period ended 30 June 2018
	---------- **(Rupees)** ----------	
Loss for the period / year	**(7,894,282)**	(17,268,529)
Other comprehensive income:		
Items that will not be reclassified to statement of profit or loss		
Unrealised dimunition - FVOCI investment	**(22,721,808)**	(22,424,684)
Realised dimunition - FVOCI investment	**(902,015)**	-
Total comprehensive income for the period / year	**(31,518,105)**	(39,693,213)

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

* The Company has changed its accounting year from 30 June to 31 December (refer note 1.1).

Chairman

Chief Executive

AL Habib Capital Markets (Private) Limited
Statement of Changes in Equity
For the six months period ended 31 December 2018

	Issued, subscribed and paid-up capital	Unrealised (loss) / gain on re-measurement of investments - net	Revenue Reserve Un-appropriated profit	Total
	----------------------	---------------------- (Rupees)	----------------------	----------------------
Balance as at 1 July 2017	300,000,000	37,397,220	53,783,887	391,181,107
Total comprehensive income for the year				
Loss for the year ended 30 June 2018	-	-	(17,268,529)	(17,268,529)
Other comprehensive income	-	(22,424,684)	-	(22,424,684)
Total comprehensive income for the year	-	(22,424,684)	(17,268,529)	(39,693,213)
Balance as at 30 June 2018	300,000,000	14,972,536	36,515,358	351,487,894
Total comprehensive income for the period				
Loss for the six months period ended 31 December 2018	-	-	(7,894,282)	(7,894,282)
Other comprehensive income	-	(23,623,823)	-	(23,623,823)
Total comprehensive income for the six months period ended December 2018	-	(23,623,823)	(7,894,282)	(31,518,105)
Balance as at 31 December 2018	**300,000,000**	**(8,651,287)**	**28,621,076**	**319,969,789**

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

* The Company has changed its accounting year from 30 June to 31 December (refer note 1.1).

Chairman

Chief Executive

AL Habib Capital Markets (Private) Limited

Statement of Cash Flows

For the six months period ended 31 December 2018

	Note	* Six months period ended 31 December 2018	Twelve months period ended 30 June 2018
		(Rupees)	
CASH FLOWS FROM OPERATING ACTIVITIES			
Loss before taxation		(5,540,366)	(11,341,719)
Adjustment for:			
Depreciation of property and equipment	22	961,634	1,624,675
Amortisation of intangible assets	22	219,998	1,116,708
(Reversal) / provision for advance against Dubai Gold and Commodities Exchange membership		-	(1,646,068)
Impairment of TREC		-	-
Provision for impairment on investments - available for sale	9.1	-	2,554,238
Finance cost	23	403,291	234,941
Amortisation of Treasury Bills / Pakistan Investment Bonds		500,845	57,136
Gain on disposal of property and equipment	21	(47,000)	(42,000)
Gain on sale of investments		-	(3,738,386)
		2,038,768	161,244
Operating loss before working capital changes		(3,501,598)	(11,180,475)
Working capital changes:			
(Increase) / decrease in current assets			
Trade receivables		1,868,692	(4,554,710)
Loans and advances		(473,812)	(1,086,825)
Deposits and prepayments		25,188,344	(3,189,552)
Other financial assets		-	13,776,437
		26,583,224	4,945,550
		23,081,626	(6,234,925)
Increase / (decrease) in current liabilities			
Trade and other payables		(5,624,415)	35,853,378
Accrued liabilities		1,796,941	(596,079)
		(3,827,474)	35,257,299
Net cash inflow from operations		19,254,152	29,022,374
Long term loans, advances and deposits		-	(451,696)
Finance cost paid		(403,291)	(249,610)
Taxes paid		(3,876,988)	(7,876,630)
		(4,280,279)	(8,577,935)
Net cash inflow from operating activities		14,973,873	20,444,439
CASH FLOWS FROM INVESTING ACTIVITIES			
Investments made during the period / year		(371,962,304)	(540,223,055)
Investments disposed off during the period / year		375,925,943	501,446,891
Proceeds from disposal of DGCX membership		-	1,646,068
Proceeds from disposal of property and equipment		47,000	42,000
Purchase of property and equipment	4	(2,311,100)	(1,087,270)
Purchase of intangible assets	5	(1,430,000)	(50,000)
Net cash inflow / (outflow) from investing activities		269,539	(38,205,566)
Net increase / (decrease) in cash and cash equivalents during the period / year		15,243,412	(17,761,127)
Cash and cash equivalents at beginning of the period / year		54,425,518	72,186,645
Cash and cash equivalents at end of the period / year	14.1	69,668,930	54,425,518

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

* The Company has changed its accounting year from 30 June to 31 December (refer note 1.1).

Chairman

Chief Executive

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 advisory services.

1.1 Significant transactions and events affecting the Company's financial position and performance

The financial year end of the Company has changed from 30 June to 31 December to coincide with the financial year of the Holding Company. Accordingly, these financial statements cover period from 1 July 2018 to 31 December 2018 while the comparative figures shown in these financial statements pertains to the year ended 30 June 2018 and therefore, are not comparable.

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 followed.

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 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.

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

- Property and equipments (Note 3.1.3 and 4)
- Useful lives and impairment of intangible assets (Note 3.1.5 and 5)
- Classification and valuation of investments (Note 3.1.2, 6, 9 and 16)
- Provision against trade receivables and other financial assets (Note 3.1.2)
- Compensated absences (Note 3.1.8)
- Current and deferred taxation (Note 3.1.7, 8 and 24)
- Contingent liabilities (Note 3.1.13 and 19)

3 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

3.1 New standards, interpretations and amendments adopted by the Company

The Company has initially adopted IFRS 15 'Revenue from Contracts with Customers' and IFRS 9 'Financial Instruments' from 1 July 2018. The impact of the adoption of these standards and the new accounting policies are disclosed in note 3.1.1 and 3.1.2 below.

3.1.1 IFRS 15 'Revenue from Contracts with Customers'

IFRS 15 replaced IAS 18 Revenue, IAS 11 Construction Contracts and related interpretations. The Company has applied the modified retrospective method upon adoption of IFRS 15 as allowed under the Standard. This method requires the recognition of the cumulative effect (without practical expedients) of initially applying IFRS 15 to retained earnings. Accordingly, the information presented for 2017 has not been restated i.e. it is presented, as previously reported under IAS 18 and related interpretations.

The Company is engaged in the business of stock brokerage and earns brokerage commission on buying and selling of shares on behalf of customers which generally include single performance obligation. Management has concluded that revenue from brokerage is to be recognised at the point in time when control of the asset is transferred to the customer, which is generally occurs on the trade date because that is when the underlying financial instrument (for a purchase) or purchaser (for a sale) is identified and the pricing is agreed upon (i.e., the broker-dealer has identified the counterparty and enters into the contract on behalf of the customer). On the trade date, the customer has obtained control of the service because it can direct the use of, and obtain substantially all of the remaining benefits from, the asset that comes from the trade execution service.

In a share purchase transaction, the customer receives the benefits from changes in value of the underlying security on the trade date. In a share sales transaction, a customer may not direct the use of the sale proceeds to purchase another security until the settlement date when the settlement occurs. However, the customer is no longer subject to the risk of movement in value of the sold security on the trade date and thus has no rights to the underlying security or related risks and rewards once sold on the trade date.

The above is generally consistent with the timing and amounts of revenue the Company recognised in accordance with the previous standard, IAS 18. Therefore, the adoption of IFRS 15 did not have an impact on the timing and amounts of revenue recognition of the Company.

Apart from providing more extensive disclosures, the application of IFRS 15 has not had a significant impact on the financial position and / or financial performance of the Company for the reasons described above. Accordingly there was no adjustment to retained earnings on application of IFRS 15 at 1 July 2018.

3.1.2 IFRS 9 Financial Instruments

IFRS 9 replaces the provisions of IAS 39 'Financial Instruments: Recognition and Measurement' that relates to the recognition, classification and measurement of financial assets and financial liabilities, derecognition of financial instruments, impairment of financial assets and hedge accounting.

The details of new significant accounting policies and the nature and effect of the changes to previous accounting policies are set out below.

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).

IFRS 9 classification is generally based on the business model in which a financial asset is managed and its contractual cash flows. The standard eliminates the previous IAS 39 categories of held to maturity, loans and receivables and available for sale.

IFRS 9 largely retains the existing requirements in IAS 39 for the classification and measurement of financial liabilities.

The adoption of IFRS 9 did not had a significant effect on the Company's accounting policies related to financial liabilities. The impact of IFRS 9 on the classification and measurement of financial assets is set out below:

The following assessments have been made on the basis of the facts and circumstances that existed at the date of initial application:

- The determination of business model within which a financial asset is held
- The designation of AFS investments as measured at FVOCI.

A financial asset is measured at amortised cost if it meets both of the following conditions and is not designated as at FVTPL:

- it is held within a business model whose objective is to hold assets to collect contractual cash flows; and
- its contractual terms give rise on specified dates to cash flows that are solely payments of principal and interest on the principal amount outstanding.

A debt investment is measured at FVOCI if it meets both of the following conditions and is not designated as at FVTPL:

- it is held within a business model whose objective is achieved by both collecting contractual cash flows and selling financial assets; and
- its contractual terms give rise on specified dates to cash flows that are solely payments of principal and interest on the principal amount outstanding.

On initial recognition of an equity investment that is not held for trading, the Company may irrevocably elect to present subsequent changes in the investment's fair value in OCI. This election is made on an investment-by-investment basis.

All financial assets not classified as measured at amortised cost or FVOCI as described above are measured at FVTPL. On initial recognition, the Company may irrevocably designate a financial asset that otherwise meets the requirements to be measured at amortised cost or at FVOCI as at FVTPL if doing so eliminates or significantly reduces an accounting mismatch that would otherwise arise.

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.

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The following table and the accompanying notes below explain the original measurement categories under IAS 39 and the new measurement categories under IFRS 9 for each class of the Company's financial assets as at 1 July 2018.

	Note	Original classification under IAS 39	New classification under IFRS 9	Original carrying amount under IAS 39	New carrying amount under IFRS 9
Financial assets					
Long term investments - available for sale	(a)	Available-for-sale	FVOCI	31,658,322	31,658,322
Long term loans, advances and deposits	(b)	Loans and receivables	Amortised cost	1,561,500	1,561,500
Short term investments - available for sale	(c)	Available-for-sale	FVOCI	250,350,589	250,350,589
Trade receivables	(b)	Loans and receivables	Amortised cost	30,005,906	30,005,906
Loans and advances	(b)	Loans and receivables	Amortised cost	1,312,108	1,312,108
Deposits and prepayments	(b)	Loans and receivables	Amortised cost	43,750,489	43,750,489
Cash and bank balances	(b)	Loans and receivables	Amortised cost	54,425,518	54,425,518

(a) Listed equity securities and debt securities classified as financial assets 'available-for-sale' have been elected by the Company to be classified to fair value through other comprehensive income category.

(b) These financial assets classified as 'loans and receivables' have been classified as amortised cost.

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 seperately 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 on adoption of IFRS 9. Given the Company's experience with customers having good collection history with no historical loss rates / bad debts and normal receivable ageing, the move from an incurred loss model to an expected loss model has not had an impact on the financial position and / or financial performance of the Company.

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.

3.1.3 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.

3.1.4 Operating leases / Ijarah agreements

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

3.1.5 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.

3.1.6 Other income

- Mark-up income, return on bank deposits and balances are recognised on accrual basis taking into account the effective yield.

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

3.1.7 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.

3.1.8 Staff retirement benefits

3.1.8.1 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.

3.1.8.2 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.

3.1.9 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.

3.1.10 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.

3.1.11 Provisions

A provision is recognised in the statement of financial position when the Company has a legal or constructive obligation as a result of a past event, and it is probable that an outflow of economic benefits will be required to settle the obligation and a reliable estimate can be made of the amount of obligation. Provisions are measured at the present value of expected expenditure, discounted at a pre-tax rate reflects current market assessment of the time value of money and the risk specific to the obligation. However, provisions are reviewed at each reporting date and adjusted to reflect current best estimate.

3.1.12 Trade and other payables

Trade and other payables are measured at amortised cost.

3.1.13 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.

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

The following International Financial Reporting Standards (IFRS Standards) as notified under the Companies Act, 2017 and the amendments and interpretations thereto will be effective for accounting periods beginning on or after 01 January 2019:

- IFRIC 23 'Uncertainty over Income Tax Treatments' (effective for annual periods beginning on or after 01 January 2019) clarifies the accounting for income tax when there is uncertainty over income tax treatments under IAS 12. The interpretation requires the uncertainty over tax treatment be reflected in the measurement of current and deferred tax. The application of interpretation is not likely to have an impact on the Company's financial statements.

- IFRS 16 'Leases' (effective for annual period beginning on or after 01 January 2019). IFRS 16 replaces existing leasing guidance, including IAS 17 'Leases', IFRIC 4 'Determining whether an Arrangement contains a Lease', SIC-15 'Operating Leases- Incentives' and SIC-27 'Evaluating the Substance of Transactions Involving the Legal Form of a Lease'. IFRS 16 introduces a single, on-balance sheet lease accounting model

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for lessees. A lessee recognizes a right-of-use asset representing its right to use the underlying asset and a lease liability representing its obligation to make lease payments. There are recognition exemptions for short-term leases and leases of low-value items. Lessor accounting remains similar to the current standard i.e. lessors continue to classify leases as finance or operating leases. The application of standard will not have an impact on the Company's financial statements.

- Amendment to IAS 28 'Investments in Associates and Joint Ventures' - Long Term Interests in Associates and Joint Ventures (effective for annual period beginning on or after 01 January 2019). The amendment will affect companies that finance such entities with preference shares or with loans for which repayment is not expected in the foreseeable future (referred to as long-term interests or 'LTI'). The amendment and accompanying example state that LTI are in the scope of both IFRS 9 and IAS 28 and explain the annual sequence in which both standards are to be applied. The amendments are not likely to have an impact on the Company's financial statements.

- Amendments to IAS 19 'Employee Benefits'- Plan Amendment, Curtailment or Settlement (effective for annual periods beginning on or after 01 January 2019). The amendments clarify that on amendment, curtailment or settlement of a defined benefit plan, a company now uses updated actuarial assumptions to determine its current service cost and net interest for the period; and the effect of the asset ceiling is disregarded when calculating the gain or loss on any settlement of the plan and is dealt with separately in other comprehensive income. The application of amendments is not likely to have an impact on the Company's financial statements.

- Amendment to IFRS 3 'Business Combinations' – Definition of a Business (effective for business combinations for which the acquisition date is on or after the beginning of annual period beginning on or after 01 January 2020). The IASB has issued amendments aiming to resolve the difficulties that arise when an entity determines whether it has acquired a business or a group of assets. The amendments clarify that to be considered a business, an acquired set of activities and assets must include, at a minimum, an input and a substantive process that together significantly contribute to the ability to create outputs. The amendments include an election to use a concentration test. The standard is effective for transactions in the future and therefore would not have an impact on past financial statements.

- Amendments to IAS 1 Presentation of Financial Statements and IAS 8 Accounting Policies, Changes in Accounting Estimates and Errors (effective for annual periods beginning on or after 01 January 2020). The amendments are intended to make the definition of material in IAS 1 easier to understand and are not intended to alter the underlying concept of materiality in IFRS Standards. In addition, the IASB has also issued guidance on how to make materiality judgements when preparing their general purpose financial statements in accordance with IFRS Standards.

- Annual Improvements to IFRS Standards 2015–2017 Cycle - the improvements address amendments to following approved accounting standards:

  - IFRS 3 Business Combinations and IFRS 11 Joint Arrangement - the amendment aims to clarify the accounting treatment when a company increases its interest in a joint operation that meets the definition of a business. A company remeasures its previously held interest in a joint operation when it obtains control of the business. A company does not remeasure its previously held interest in a joint operation when it obtains joint control of the business.

  - IAS 12 Income Taxes - the amendment clarifies that all income tax consequences of dividends (including payments on financial instruments classified as equity) are recognized consistently with the transaction that generates the distributable profits.

  - IAS 23 Borrowing Costs - the amendment clarifies that a company treats as part of general borrowings any borrowing originally made to develop an asset when the asset is ready for its intended use or sale.

The above amendments are effective from annual period beginning on or after 1 January 2019 and are not likely to have an impact on Company's financial statements.

4 PROPERTY AND EQUIPMENT

	Note	31 December 2018 Cost As at 01 July 2018	Additions	Disposals	As at 31 December 2018	Accumulated depreciation As at 01 July 2018	Charge for the period	Disposals	As at 31 December 2018	Written down As at 31 December 2018	Rate of depreciation per annum
		(Rupees)									%
Room and booths	4.2	14,500,000	-	-	14,500,000	9,062,500	362,500	-	9,425,000	5,075,000	5
Motor vehicles		1,309,900	2,180,700	-	3,490,600	591,862	224,359	-	816,221	2,674,379	20
Furniture and fixture		2,524,882	-	(217,100)	2,307,782	1,657,244	88,268	(217,100)	1,528,412	779,370	10
Office equipments		6,373,640	95,000	-	6,468,640	5,489,210	127,322	-	5,616,532	849,108	20
Computer equipment		6,305,895	34,400	(428,100)	5,911,195	5,516,035	148,183	(428,100)	5,228,718	674,477	20
		31,014,317	2,311,100	(645,200)	32,680,217	22,617,451	951,434	(645,200)	22,922,685	9,846,532	

	Note	30 June 2018 Cost As at 01 July 2017	Additions	Disposals	As at 30 June 2018	Accumulated depreciation As at 01 July 2017	Charge for the year	Disposals	As at 30 June 2018	Written down As at 30 June 2018	Rate of depreciation per annum
		(Rupees)									%
Room and booths		14,500,000	-	-	14,500,000	8,337,500	725,000	-	9,062,500	5,437,500	5
Motor vehicles		1,309,900	-	-	1,309,900	319,875	261,987	-	591,862	718,038	20
Furniture and fixture		2,231,792	293,090	-	2,524,882	1,492,345	164,899	-	1,657,244	867,638	10
Office equipments		6,623,572	208,550	(458,482)	6,373,640	5,715,578	232,114	(458,482)	5,489,210	884,430	20
Computer equipment		5,740,265	565,630	-	6,305,895	5,275,360	240,675	-	5,516,035	789,860	20
		30,405,529	1,067,270	(458,482)	31,014,317	21,351,658	1,624,675	(458,482)	22,617,451	8,396,866	

4.1 The cost of fully depreciated assets as at 31 December 2018 is Rs. 10.821 million (30 June 2018: Rs. 10.988 million).

4.2 The rights to occupy room and booth no. 16 at Pakistan Stock Exchange building were acquired through lease and license agreement for the purpose of the Company's business. The Pakistan Stock Exchange Limited, as the lessee of the building, has sub-leased the said room in favour of the Company.

5 INTANGIBLE ASSETS

	Note	31 December 2018 Cost As at 01 July 2018	Additions	Disposal/ Write off	As at 31 December 2018	Accumulated amortisation / impairment As at 01 July 2018	Charge for the period	Disposal/ Write off	As at 31 December 2018	Written down Value as at 31 December 2018	Rate of amortisation per annum
		(Rupees)									%
Website		175,000	-	-	175,000	127,083	12,500	-	139,583	35,417	50
Computer software		3,199,848	1,430,000	-	4,629,848	3,024,849	207,500	-	3,232,349	1,397,500	50
Trading Right Entitlement (TRE) Certificate	5.2	2,500,000	-	-	2,500,000	-	-	-	-	2,500,000	-
		5,874,848	1,430,000	-	7,304,848	3,151,932	220,000	-	3,371,932	3,932,917	

	30 June 2018 Cost As at 01 July 2017	Additions	Disposal/ Write off	As at 30 June 2018	Accumulated amortisation / impairment As at 01 July 2017	Charge for the year	Disposal/ Write off	As at 30 June 2018	Written down Value as at 30 June 2018	Rate of amortisation per annum
	(Rupees)									%
Website	125,000	50,000	-	175,000	125,000	2,083	-	127,083	47,917	50
Computer software	3,199,848	-	-	3,199,848	1,910,224	1,114,625	-	3,024,849	175,000	50
Trading Right Entitlement (TRE) Certificate	17,158,785	-	(14,658,785)	2,500,000	14,658,785	-	(14,658,785)	-	2,500,000	-
	20,483,633	50,000	(14,658,785)	5,874,848	16,694,009	1,116,708	(14,658,785)	3,151,932	2,722,917	

5.1 The cost of fully amortized intangible assets as at 31 December 2018 is Rs. 3.324 million (30 June 2018: Rs. 1.000 million).

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

PSX vide notice no. PSX/N- 7178, dated 10 November 2017, has revised the notional value of TRE Certificate from Rs. 5 million to Rs. 2.5 million. According to the Stock Exchange (Corporatisation, Demutualization and Integration) Act 2012, the TRE Certificate may only be transferred once to a company intending to carry out shares brokerage business in the manner to be prescribed. Upto 31 December 2019, the Stock Exchange shall offer for issuance, 16 TRE Certificates each year in the manner prescribed. After 2019, no restriction shall be placed on issuance of TRE Certificate. 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.

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6 LONG TERM INVESTMENTS - FAIR VALUE THROUGH OTHER COMPREHENSIVE INCOME

31 December 2018	30 June 2018		Note	31 December 2018	30 June 2018
------ (Number of Shares) ------				---------- (Rupees) ----------	
1,602,953	1,602,953	Shares of Pakistan Stock Exchange		**16,151,354**	16,151,354
1,602,953	1,602,953		6.1	**16,151,354**	16,151,354

** ***Market value basis***	
Book value as of 31 December 2018	**16,151,354**
Unrealized gain as of 31 December 2018	**5,600,718**
Market value as of 31 December 2018	**21,752,072**

6.1 These shares were listed on PSX in the month of June 2017. Therefore, the same were carried at the market value. As at 31 December 2018, out of 1,602,953 shares 1,081,194 shares are classified as 'Freeze' in the CDC report of the Company. The Company has pledged the Freeze shares with PSX to fulfill the requirement of Base Minimum Capital. For details, refer note 30.1.

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

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

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

The above shares and TRE Certificate were received against surrender of Stock Exchange Membership Card. Initially, the fair value of both the asset transferred and asset obtained could not be determined with reasonable accuracy, the above investment had been recorded at the carrying value of Stock Exchange Membership Card in the Company's books. The par value of shares received by the Company had been recognised as available for sale investment and the excess of value of shares over the carrying value of membership card is recognised as trading right. No gain or loss has been recorded on the exchange.

6.3 In 2016, the Securities and Exchange Commission of Pakistan (SECP) accorded its approval to Pakistan Stock Exchange Limited (PSX) for issuing letter of acceptance to a Chinese Consortium for the strategic sale of 40% of shares against a consideration of $85.6 million at an offer price of Rs. 28 per share.

PSX vide their letter dated 29 December 2016 informed the Company that 40% (1,602,953 shares), which were held in blocked form in terms of Stock Exchanges (Corporatization, Demutualization and Integration) Act 2012, have been sold to Chinese consortium by the Divestment Committee at an offer price of Rs. 28 per share. Subsequently, a formal signing ceremony was held on 20 January 2017 to mark the signing of the Share Purchase Agreement between the Chinese Consortium and the equity sale committee of PSX. The sale was completed on 10 March 2017.

6.4 After divestment of 40% equity stake of PSX in favor of Chinese Consortium, PSX vide their letter dated 06 June 2017 informed the Company for divestment of further 20% of PSX shares upon successful completion of book building process. This amount was secured by a bank guarantee taken from MCB Bank.

7 **LONG TERM LOANS, ADVANCES AND DEPOSITS**

	31 December 2018	30 June 2018
	----------- (Rupees) -----------	
Long term loans		
Staff loan	-	46,258
Less: current portion of staff loan	-	(46,258)
Long term portion of staff loan	-	-
Security deposits		
- National Clearing Company of Pakistan Limited	1,550,000	1,550,000
- Others	11,500	11,500
	1,561,500	1,561,500
	1,561,500	1,561,500

8 **DEFERRED TAXATION- NET**

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

	Balance at 01 July 2017	Recognized in profit or loss	Recognized in OCI	Balance at 30 June 2018	Recognized in profit and loss	Recognized in OCI	Balance at 31 December 2018
	(Rupees)						
Deferred tax assets arising in respect of:							
Intangible assets	269,553	203,583	-	473,136	(33,001)	-	440,135
Provision for compensated absences	224,735	49,837	-	274,572	3,668	-	278,240
Provision for impairment in DGCX	1,799,810	(1,799,810)	-	-	-	-	-
Tax losses	4,749,210	496,901	-	5,246,111	(1,211,446)	-	4,034,665
Impairment on available for sale investments	-	383,136	-	383,136	(383,136)	-	-
Surplus/ deficit on revaluation of investments - net	(1,624,996)	-	1,719,757	94,761	-	1,617,906	1,712,667
Less: Deferred tax liabilities arising in respect of:							
Accelerated tax depreciation allowance	(930,492)	170,969	-	(759,523)	(120,448)	-	(879,971)
Net deferred tax asset	4,487,620	(495,184)	1,719,757	5,712,193	(1,744,363)	1,617,906	5,585,736

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

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

	Note	31 December 2018	30 June 2018
		----------- (Rupees) -----------	
Listed shares	9.1 & 9.2	81,262,143	96,284,835
Market Treasury Bills	9.4	149,288,465	154,065,734
		230,550,608	250,350,569

9.1 **Listed shares**

31 December 2018	30 June 2018	Name of investee	31 December 2018 Carrying amount	31 December 2018 Market value	30 June 2018 Market value	Dividend earned in six months period ended 31 December 2018
(Number of shares)			(Rupees)			
253,000	253,000	The Hub Power Company Limited	24,820,159	21,704,870	23,316,480	708,400.00
147,315	128,100	Pakistan Petroleum Limited	24,709,784	22,047,160	27,528,690	192,150.00
87,000	87,000	Habib Bank Limited	14,748,820	10,479,150	14,480,280	174,000.00
310,000	300,000	Pakistan Stock Exchange Limited	5,925,000	4,206,700	5,925,000	-
9,000	7,500	Attock Petroleum Limited	4,617,590	3,883,320	4,424,925	187,500.00
32,000	32,000	Engro Corporation Limited	10,075,000	9,314,560	10,043,520	448,000.00
96,000	96,000	Engro Fertilizer Limited	6,191,750	5,938,300	6,442,260	688,000.00
88,000	88,000	Pioneer Cement Limited	4,984,574	3,688,080	4,123,680	358,160.00
1,012,315	981,600		96,163,504	81,262,143	96,284,835	2,756,210

Unrealized loss on re-measurement of investment	(14,901,361)
Carrying value	81,262,143

9.2 Out of 147,315 shares of Pakistan Petroleum Limited (PPL), 100,000 shares are pledged against Base Minimum Capital requirement (refer 30.1).

9.3 Company has disposed equity securities classified as fair value through other comprehensive income during the period to reduced average cost of investment and avail tax benefits. The fair value of such investments on date of derecognition was Rs. 67. 629 million. The company has recognized loss on derecognition of Rs. 0.802 million on such investments.

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9.4 **Market Treasury Bills**

These Market Treasury Bills will mature on 17 January 2019 and carry yield of 8.76% per annum (30 June 2018: 6.27%). These are in the IPS account maintained with Bank Alfalah Limited and Bank AL Habib Limited. The Market Treasury Bills of Rs. 55 million are pledged with NCCPL.

10 TRADE RECEIVABLES

	Note	31 December 2018	30 June 2018
		(Rupees)	
From equity securities			
Due from clients against trading of securities - secured	10.2	16,038,973	29,915,230
Due from National Clearing Company of Pakistan Limited - secured	10.3	11,947,380	-
Due from clients against trading of securities - related parties	10.1	150,861	90,676
		28,137,214	30,005,906

10.1 Trade receivables from related parties

Name of related party	Gross amount due	Past due amount	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	123,280	-	-	-	-	123,280	356,267
First Habib Stock Fund	2,901	-	-	-	-	2,901	33,168
Habib Insurance Company Limited	5,046	-	-	-	-	5,046	6,896,460
Habib Asset Management Limited	680	-	-	-	-	680	680
Habib Sugar Mills Limited	-	-	-	-	-	-	5,085,307
First Habib Income Fund	-	-	-	-	-	-	5,467
First Habib Asset Allocation Fund	1,034	-	-	-	-	1,034	1,769,484
Habib Asset Management Limited -Staff Provident Fund	-	-	-	-	-	-	-
First Habib Islamic Stock Fund	17,920	-	-	-	-	17,920	2,425,857
Key Management	-					-	-
	150,861	-	-	-	-	150,861	

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	123,280	-	-	-	-	123,280
First Habib Stock Fund	-	-	2,901	-	-	2,901
Habib Insurance Company Limited	-	-	3,796	-	1,250	5,046
Habib Asset Management Limited	-	-	-	-	680	680
Habib Sugar Mills Limited	-	-	-	-	-	-
First Habib Income Fund	-	-	-	-	-	-
First Habib Asset Allocation Fund	-	1,034	-	-	-	1,034
Habib Asset Management Limited -Staff Provident Fund	-	-	-	-	-	-
First Habib Islamic Stock Fund	-	-	17,920	-	-	17,920
First Habib Islamic stock Fund	-	-	-	-	-	-
Key Management	-		-	-	-	-
	123,280	1,034	24,617	-	1,930	150,861

10.2 The value of marketable securities held against trade receivables by the Company amounted to Rs. 5,153.8 million (30 June 2018: Rs. 1,819.3 million).

10.3 This shows trade receivables in respect of two days trading T+2 settlement.

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:

	Note	Amount	Custody value
Upto 5 days		26,877,039	324,539,906
More than 5 days	10.5	1,260,175	4,248,700,729
		28,137,214	4,573,240,635

10.5 These custody values are shown at market value of securities after applying VaR haircut.

11 LOANS AND ADVANCES

	Note	31 December 2018	30 June 2018
		(Rupees)	
Loan to employees - secured	11.1	**75,246**	46,258
Advances to employees - unsecured	11.2	**263,174**	350,850
Advance for expenses to admin, contractors & suppliers		**1,447,500**	915,000
		1,785,920	1,312,108

11.1 This represents personal loan carrying mark-up rate of 9.75% (30 June 2018: 7.50%) 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 This represents advance salaries provided to permanent employees of the Company. It also includes advance amounting to Rs. 200,000 provided to Chief Operating Officer.

During the period, the Company provided advances to Chief Operating Officer amounting to Rs. 480,000. All advances are recoverable within a maximum period of six months. These advances are interest free.

12 DEPOSITS AND PREPAYMENTS

	Note	31 December 2018	30 June 2018
		(Rupees)	
Deposits			
Exposure deposit with National Clearing Company of Pakistan Limited	12.1	**18,000,000**	43,000,000
Prepayments			
- Insurance and computer maintenance		**348,886**	676,402
- Others		**213,259**	74,087
		18,562,145	43,750,489

12.1 This represents deposits held under the National Clearing Company of Pakistan Limited exposure rules. These deposits carry interest at the rate of 4.5% to 5.5% (30 June 2018: 4.5% to 5.5%) per annum.

13 OTHER FINANCIAL ASSETS

	Note	31 December 2018	30 June 2018
		(Rupees)	
Interest receivable on Pakistan Investment Bonds		-	-
Dividend income receivable		-	-
Receivable from PSX against disposal of shares	6.3	-	-
Others		-	-
		-	-

14 CASH AND BANK BALANCES

	Note	31 December 2018	30 June 2018
Cash in hand		**12,040**	29,811
Balances with banks in:			
- Current accounts	14.2, 14.5 &14.6	**65,308,308**	50,503,135
- Saving accounts	14.3	**2,513,605**	2,227,044
- Call treasury account	14.4	**1,834,977**	1,665,528
		69,656,890	54,395,707
		69,668,930	54,425,518

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	31 December 2018	30 June 2018
		(Rupees)	
Cash and bank balances		**69,668,930**	54,425,518
Short term financing	17	-	-
		69,668,930	54,425,518

14.2 This includes bank balances held with Bank AL Habib Limited (the Holding Company) amounting to Rs. 0.105 million (30 June 2018: Rs. 0.107 million).

14.3 This includes bank balances held with Bank AL Habib Limited (the Holding Company) amounting to Rs. 0.284 million (30 June 2018: Rs. 0.402 million) and carry interest ranging from 6 % to 8.5% (30 June 2018: 3.75% to 5.25%) per annum.

14.4 This represents bank balances held with Bank AL Habib Limited (the Holding Company) and carry interest ranging from 6.5% to 8.5% (30 June 2018: 4.24% to 5.25%) per annum.

14.5 This includes Rs. 64.082 million (30 June 2018: 49.91 million) kept in designated bank accounts maintained on behalf of clients.

14.6 Total number of clients' shares held in CDC sub account are 148,482,859 out of which 6,356,740 shares were pledged (30 June 2018: 110,783,395 out of which 4,269,217 shares were pledged).

15 AUTHORISED, ISSUED, SUBSCRIBED AND PAID-UP CAPITAL

15.1 Authorised capital

31 December 2018	30 June 2018		31 December 2018	30 June 2018
(Number of shares)			(Rupees)	
50,000,000	50,000,000	Ordinary shares of Rs. 10/- each fully paid in cash	500,000,000	500,000,000

15.2 Issued, subscribed and paid-up capital

31 December 2018	30 June 2018		31 December 2018	30 June 2018
30,000,000	30,000,000	Ordinary shares of Rs. 10/- each fully paid in cash	300,000,000	300,000,000

15.3 Pattern of shareholding

Categories of Shareholders	Number of shares held	% of shares held
Bank AL Habib Limited (the Holding Company)	19,999,600	66.67%
Other companies	1,249,900	4.17%
Individuals		
- Salman H. Habib	1,874,997	6.25%
- Other Individuals	6,875,503	22.91%
	30,000,000	100.00%

16 UNREALISED (LOSS) / GAIN ON RE-MEASUREMENT OF INVESTMENTS - NET

	Note	31 December 2018	30 June 2018
		(Rupees)	
Listed shares		(9,300,643)	14,883,253
Pakistan Investment Bonds		-	-
Market Treasury Bills		(161,296)	(5,478)
		(9,461,939)	14,877,775
Related deferred tax asset		1,712,667	94,761
Loss on sale of FVOCI investments		(902,015)	-
		(8,651,287)	14,972,536

17 SHORT TERM FINANCING

	Note	31 December 2018	30 June 2018
Short Term Running Finance - secured	17.1	-	-

17.1 Running finance facility available to the Company is Rs. 275 million (30 June 2018: Rs. 275 million). The Company has obtained from Bank AL Habib Limited (the Holding Company) Rs . 175 million and Bank Alfalah Limited Rs. 100 million having expiry on 30 June 2021 and 30 September 2019 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% (30 June 2018: 3 month average KIBOR + 1%) and Bank Alfalah Limited carry mark-up rate at 3 month average KIBOR + 1% (30 June 2018: 3 month average KIBOR + 1%).

18 TRADE AND OTHER PAYABLES

	Note	31 December 2018	30 June 2018
		(Rupees)	
Due to clients against trading of securities	18.1	92,035,035	50,956,451
Due to National Clearing Company of Pakistan Limited	18.2	-	47,062,755
Workers' Welfare Fund payable		509,179	509,179
Sales tax and FED payable		381,235	186,482
Other liabilities		972,432	807,429
		93,897,881	99,522,296

18.1 This includes trade payables of Rs. Nil (30 June 2018: Rs. 0.97 million) payable to related party.

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

19 CONTINGENCIES AND COMMITMENTS

19.1 Contingencies

	Note	31 December 2018	30 June 2018
		(Rupees)	
There are no contingencies as at 31 December 2018 (30 June 2018: Nil)		-	-

19.2 Commitments

	Note	31 December 2018	30 June 2018
Commitments for rentals under Ijarah finance:			
Within one year	19.2.1	244,025	536,855
After one year but not later than five years		-	-

19.2.1 This represents Ijarah finance facility entered into with First Habib Modarba in respect of vehicles. Total Ijarah payments due under the agreement are Rs. 0.244 million (30 June 2018: Rs. 0.537 million). These commitments are secured by on-demand promissory notes of Rs. 1.773 million (30 June 2018: Rs. 1.773 million).

19.3 Future contracts against counter commitments

19.3.1 For sale of quoted securities under future contracts against counter commitments as at 31 December 2018 is Rs. 0.0340 million (30 June 2018: Rs. 2.234 million)

19.3.2 For purchase of quoted securities under future contracts against counter commitments as at 31 December 2018 is Rs. 0.0498 (30 June 2018: Rs. Nil).

20 BROKERAGE REVENUE - NET

	Note	31 December 2018	30 June 2018
		(Rupees)	
Brokerage revenue - gross		22,753,656	32,078,284
Less: Sales tax on services		(2,957,975)	(3,690,422)
	20.1	19,795,681	28,387,862

20.1 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	31 December 2018	30 June 2018
		(Rupees)	
Retail customers		7,874,198	10,499,038
Institutional customers		11,877,647	17,771,792
Proprietary trade		43,836	117,032
		19,795,681	28,387,862

21 OTHER INCOME

Profit on PSX exposure		147,364	282,764
Interest on staff loans		2,563	11,126
Gain on disposal of property and equipment		47,000	42,000
Miscellaneous Income		19,266	1,043,507
		216,193	1,379,397

22 ADMINISTRATIVE EXPENSES

Salaries and other benefits	22.1	20,676,499	36,840,226
Printing and stationery		279,830	234,272
Auditors' remuneration	22.2	241,021	577,107
Rent, rates and taxes		1,167,505	2,200,000
Vehicles running		1,243,603	1,812,407
Utilities		688,380	1,664,972
Legal and professional charges		516,095	1,068,948
Insurance		722,104	1,674,291
Newspapers and periodicals		29,667	59,610
Entertainment		21,280	68,836
Advertisement and business promotion		48,830	527,680
Computer expenses		818,170	1,542,163
Clearing house charges		2,404,203	3,558,761
Office security		320,538	617,238
Depreciation	4	961,634	1,624,675
Amortization	5	219,398	1,116,708
Repairs and maintenance		136,390	604,510
Conveyance and travelling		2,400	131,371
Communication		397,040	817,375
Fee and subscription		2,753,687	2,717,534
Lease rental of vehicles		294,768	584,971
Office supplies		113,019	280,290
Donations		3,000	3,000
Others		111,127	77,837
		34,151,398	60,394,782

22.1 This includes the Company's contribution to the defined contribution plan amounting to Rs. 1.163 million (30 June 2018: Rs. 2.175 million).

22.2 Auditors' remuneration - audit services

	Note	31 December 2018	30 June 2018
		(Rupees)	
Statutory audit fee		100,000	200,000
Half yearly audit fee		-	100,000
Other certifications		57,500	135,000
Out of pocket expenses		83,521	142,107
		241,021	577,107

23 FINANCE COST

	Note	31 December 2018	30 June 2018
Mark-up on short term running finance	17	306,765	42,884
Bank charges		96,526	192,057
		403,291	234,941

24 INCOME TAX EXPENSE

	Note	31 December 2018	30 June 2018
Current tax		609,590	5,609,251
Deferred tax	8	1,744,363	495,184
Prior year tax		(37)	(177,625)
		2,353,916	5,926,810

24.1 Relationship between income tax expense and accounting profit

	31 December 2018	30 June 2018
Income tax expense	2,353,916	5,926,810
Accounting loss before income tax expense	(5,540,366)	(11,341,719)
Tax at the applicable tax rate of 29% (30 June 2018: 30%)	(1,606,706)	(3,402,516)
Tax effect of income subject to minimum tax / final tax and separate block	3,960,659	9,656,539
Prior year tax effect	(37)	(177,625)
Tax effect of permanent differences	-	-
Tax effect of change in rate on deferred tax and others	-	(149,588)
	2,353,916	5,926,810

24.2 The Company computes tax based on the generally accepted interpretations of the tax laws to ensure that sufficient provision for the purposes of taxation is available which can be analysed as follows:

	2018	2017	2016
	(Rupees)		
Income tax provision for the year (as per accounts)	5,609,251	6,876,576	3,952,922
Income tax as per tax return / assessment	5,609,214	6,696,951	3,853,355

The difference mainly pertains to cost allocation between NTR and FTR income in the tax provisions booked in financial statements and filed in returns in respective years.

24.3 The income tax returns of the Company have been filed up to tax year 2018 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.

24.4 This represents refundable amount claimed in the income tax returns of prior years and the advance tax recognized in the books of the Company.

25 LOSS PER SHARE - BASIC AND DILUTED

	31 December 2018	30 June 2018
	(Rupees)	
Loss for the period / year	(7,894,282)	(17,268,529)
	(Number)	
Weighted average number of ordinary shares in issue during the period / year	30,000,000	30,000,000
	(Rupees)	
Loss per share - basic and diluted	(0.263)	(0.576)

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25.1 Diluted earnings per share has not been presented as the Company does not have any convertible instruments in issue as at 31 December 2018 and 30 June 2018 which would have any effect on the earnings per share.

26 REMUNERATION OF CHIEF EXECUTIVE AND EXECUTIVES

The aggregate amounts charged in the financial statements for the remuneration, including all benefits to the Chief Executive and Executives of the Company are as follows:

	31 December 2018		30 June 2018	
	Chief Executive	**Executives**	Chief Executive	Executives
	(Rupees)			
Managerial remuneration	**4,100,000**	**4,128,000**	8,200,000	7,400,436
Housing and utilities	**2,050,000**	**2,064,000**	4,100,000	3,677,718
Medical	**12,500**	**62,500**	25,000	111,891
Company's contribution to provident fund	**409,998**	**412,796**	820,000	735,541
Commission	**-**	**192,681**	-	29,057
	6,572,498	**6,859,977**	13,145,000	11,954,643
Number of persons	**1**	**5**	1	6

26.1 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.

26.2 No fees is paid to directors for meetings attended by them.

27 PROVIDENT FUND

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

	(Unaudited) 31 December 2018	(Audited) 30 June 2018
	(Rupees)	
Size of the fund	**48,649,318**	47,200,953
Cost of investments made	**47,489,052**	45,650,062
Percentage of investments made	**98.21%**	99.82%
Fair value of investments	**47,781,416**	47,015,980

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

	(Unaudited) 31 December 2018		(Audited) 30 June 2018	
	Investments	**% of investments as size of the fund**	Investments	% of investments as size of the fund
	(Rupees)	**(Percentage)**	(Rupees)	(Percentage)
Government securities	**35,788,542**	**73.56%**	32,816,156	67.55%
Mutual fund units	**-**	**0%**	-	0.00%
Listed securities	**10,265,950**	**21.10%**	11,584,358	23.81%
Debt Securities	**1,120,000**	**2.30%**	1,120,000	2.30%
Bank balances	**606,924**	**1.25%**	1,495,466	3.17%
	47,781,416	**98.21%**	47,015,980	96.83%

27.2 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.

28 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.

Transactions for the year	Relationship	31 December 2018	30 June 2018
		(Rupees)	
Bank AL Habib Limited	Holding Company holds 66.67%(2018: 66.67%) share capital		
- Equity brokerage commission		**670,454**	1,745,248
- Mark-up expense on running finance		**-**	42,684
- Office rent		**1,050,000**	2,100,000
- Bank charges		**47,428**	121,635
- Markup income on bank balances		**244,732**	1,781,678
- Information technology services		**375,000**	750,000
Habib Insurance Company Limited	Associated company of Holding Company		
- Equity brokerage commission		**622,170**	654,361
- Insurance premium paid		**223,430**	1,929,140
- Insurance premium payable		**113,067**	-
First Habib Stock Fund	Associated company of Holding Company		
- Equity brokerage commission		**8,200**	48,396
Habib Sugar Mills Limited	Associated company of Holding Company		
- Equity brokerage commission		**-**	87,626
First Habib Asset Allocation Fund	Associated company of Holding Company		
- Equity brokerage commission		**3,745**	14,280
First Habib Islamic Stock Fund	Associated company of Holding Company		
- Equity brokerage commission		**5,765**	24,570
AL Habib Capital Markets (Private) Limited - Employees' Provident Fund	Other related party		
- Equity brokerage commission		**-**	942
Habib Asset Management - Staff Provident Fund	Associated company of Holding Company		
- Equity brokerage commission		**400**	23,660
- Contribution to the defined contribution plan	Key management	**822,794**	1,555,537
- Equity brokerage commission		**14,414**	96,427
- Advances		**630,000**	390,000

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Balances at year end	Relationship	31 December 2018	30 June 2018
		------------ (Rupees) ------------	
Bank AL Habib Limited			
- Bank balances	Holding company holds 66.67% (2018:66.67%) share capital	48,658,155	37,164,652
- Equity brokerage commission receivable		123,280	-
- Accrued on Rent and IT Services		-	-
- Accrued Markup payable		262,036	-
Associated Companies			
First Habib Stock Fund	Associated company of holding company		
- Equity brokerage commission receivable		2,901	25,166
Habib Insurance Company Limited	Associated company of holding company		
- Equity brokerage commission receivable		5,046	5,046
- Equity payable			966,048
Habib Asset Management Limited	Associated company of holding company		
- CDC charges receivable		680	680
Habib Sugar Mills Limited	Associated company of holding company		
- CGT tariff receivable		-	240
First Habib Income Fund	Associated company of holding company		
-Equity brokerage commission receivable		-	5,467
First Habib Asset Allocation Fund	Associated company of holding company		
- Equity brokerage commission receivable		1,034	16,809
Habib Asset Management Limited -Staff Provident Fund	Associated company of holding company		
- Equity payable		-	-
First Habib Islamic stock Fund	Associated company of holding company		
- Equity brokerage commission receivable		17,920	37,009
- Other receivable		-	257
- Advances	Key management	200,000	150,000
- Other payable		-	-

29 FINANCIAL RISK MANAGEMENT

The Company's activities expose it to a variety of financial risks: credit risk, liquidity risk and market risk (including currency risk, interest rate risk and price risk). The Company's overall risk management policy focuses on the unpredictability of financial markets and seeks to minimize potential adverse effects on the Company's financial performance.

29.1 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.

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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.

29.2 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 2018 is the carrying amount of the financial assets as set out below:

	Note	**31 December 2018**	30 June 2018
		(Rupees)	
Long term advances and deposits	*7*	**1,561,500**	1,561,500
Trade receivables	*10*	**28,137,214**	30,005,906
Loans and advances - considered good	*11*	**1,785,920**	1,312,108
Short term deposits	*12*	**18,000,000**	43,000,000
Bank balances	*14*	**69,656,890**	54,395,707
		119,141,524	130,275,221

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29.2.1 The aging analysis of the trade receivables is as follows:

	31 December 2018			
	Carrying amount			
	Amount outstanding	Impaired	Provision held	Total
	(Rupees)			
Not yet due	26,877,039	-	-	26,877,039
Upto 3 months	844,245	-	-	844,245
3 to 6 months	162,462	-	-	162,462
6 months to 1 year	85,425	-	-	85,425
More than 1 year	168,043	-	-	168,043
	28,137,214	-	-	28,137,214

	30 June 2018			
	Carrying amount			
	Amount outstanding	Impaired	Provision held	Total
	(Rupees)			
Not yet due	28,393,498	-	-	28,393,498
Upto 3 months	1,348,807	-	-	1,348,807
3 to 6 months	59,272	-	-	59,272
More than 6 months	55,783	-	-	55,783
More than 1 year	148,546	-	-	148,546
	30,005,906	-	-	30,005,906

29.2.2 ***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 2018 (Rupees)	(%)
Bank AL Habib Limited	PACRA	A-1+	AA+	48,658,155	69.9%
Bank Alfalah Limited	PACRA	A-1+	AA+	19,141,869	27.5%
Habib Bank Limited	JCR-VIS	A-1+	AAA	125,781	0.18%
Habib Metropolitan Bank Limited	PACRA	A-1+	AA+	97,836	0.14%
JS Bank Limited	PACRA	A1+	AA-	796,429	1.14%
MCB Islamic Bank Limited	PACRA	A1	A	76,079	0.11%
MCB Bank Limited	PACRA	A-1+	AAA	760,741	1.09%
				69,656,890	100.00%

	Rating Agency	Short term rating	Long term rating	30 June 2018 (Rupees)	(%)
Bank AL Habib Limited	PACRA	A-1+	AA+	37,164,651	68.32%
Bank Alfalah Limited	PACRA	A-1+	AA+	16,249,170	29.87%
Habib Bank Limited	JCR-VIS	A-1+	AAA	75,498	0.14%
Habib Metropolitan Bank Limited	PACRA	A-1+	AA+	137,383	0.25%
JS Bank Limited	PACRA	A-1+	AA-	550,877	1.01%
MCB Islamic Bank Limited	PACRA	A1	A	91,079	0.17%
MCB Bank Limited	PACRA	A-1+	AAA	127,049	0.24%
				54,395,707	100.00%

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.

29.3 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 2018				
	On demand	**Upto three months**	**More than three months and upto one year**	**More than one year**	**Total**
	(Rupees)				
Trade and other payables	**93,007,467**	-	-	-	**93,007,467**
Accrued liabilities	**4,171,411**	-	-	-	**4,171,411**
Payable to Provident Fund	**383,422**	**383,422**	-	-	**766,844**
	97,562,300	**383,422**	-	-	**97,945,722**

	30 June 2018				
	On demand	Upto three months	More than three months and upto one	More than one year	Total
	(Rupees)				
Trade and other payables	98,826,635	-	-	-	98,826,635
Accrued liabilities	2,757,892	-			2,757,892
	101,584,527	-	-	-	101,584,527

29.4 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:

29.4.1 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.

29.4.2 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:

	Effective interest rate		Carrying amount	
	31 December 2018	30 June 2018	31 December 2018	30 June 2018
	(Percentage)		(Rupees)	
Variable rate instruments				
Financial assets				
Bank balances	**6% to 8.5%**	4.50% to 5.25%	**4,348,582**	3,892,572
Financial liabilities				
Short term financing	**KIBOR + 1%**	KIBOR + 1%	-	-
Fixed rate instruments				
Deposits with National Clearing Company of Pakistan Limited	**4.50% to 5.50%**	4.50% to 5.50%	**19,550,000**	44,550,000
Staff loan	**6.70%**	7.50%	**75,246**	46,258

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 June 2018.

	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 2018 Variable rate instruments	**434,858**	**(434,858)**	**434,858**	**(434,858)**
As at 30 June 2018 Variable rate instruments	389,257	(389,257)	389,257	(389,257)

29.4.3 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. 103.014 (30 June 2018: Rs 127.94) million at the balance sheet date. The carrying value of investments subject to equity price risk are, in almost all instances, based on quoted market prices as of the 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 2018	**103,014,215**	**10% increase**	**113,315,637**	**10,301,422**	**10,301,422**
		10% decrease	**92,712,794**	**(10,301,422)**	**(10,301,422)**
30 June 2018	127,943,157	10% increase	140,737,473	12,794,316	12,794,316
		10% decrease	115,148,841	(12,794,316)	(12,794,316)

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

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29.5 Fair value of financial assets and liabilities

Fair value is an amount for which an asset could be exchanged or a liability settled between knowledgeable willing parties in arm's length transaction. The table below analysis 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 then 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 2019							
	Carrying Amount					Fair value		
	FVOCI - equity instruments	FVOCI - debt instruments	Financial assets at amortised cost	Other financial liabilities	Total	Level 1	Level 2	Level 3
	(Rupees)							
Financial assets measured at fair value								
Short term investments - fair value through other comprehensive income								
- Listed shares	81,262,143		-	-	81,262,143	81,262,143		
- Pakistan Investment Bonds			-	-	-			
- Market Treasury Bills		149,288,465	-	-	149,288,465		149,288,465	
Long term investments	21,752,072		-	-	21,752,072	21,752,072		
	103,014,215	149,288,465	-	-	252,302,680			
Financial assets not measured at fair value								
Long term loans, advances and deposits	-	-	1,561,500	-	1,561,500			
Trade receivables	-	-	28,137,214	-	28,137,214			
Loans and advances	-	-	1,785,920	-	1,785,920			
Deposits	-	-	18,000,000	-	18,000,000			
Other financial assets	-	-	-	-	-			
Cash and bank balances	-	-	69,668,930	-	69,668,930			
	-	-	119,153,564	-	119,153,564			
Financial liabilities not measured at fair value								
Trade and other payables	-	-	-	(93,007,467)	(93,007,467)			
Payable to Provident Fund	-	-	-	(373,422)	(373,422)			
Accrued liabilities	-	-	-	(4,171,411)	(4,171,411)			
	-	-	-	(97,552,300)	(97,552,300)			
	103,014,215	149,288,465	119,153,564	(97,552,300)	273,903,944			

On balance sheet financial instruments	30 June 2018						
	Carrying Amount				Fair value		
	Available for sale	Loans and receivables	Other financial liabilities	Total	Level 1	Level 2	Level 3
	(Rupees)						
Financial assets measured at fair value							
Short term investments - available for sale							
- Listed shares	96,264,835	-	-	96,264,835	96,264,835		
- Pakistan Investment Bonds	-	-	-	-			
- Market Treasury Bills	154,085,734	-	-	154,085,734		154,085,734	
Long term investments	31,658,322	-	-	31,658,322	31,658,322		
	282,008,891	-	-	282,008,891			
Financial assets not measured at fair value							
Long term loans, advances and deposits	-	1,561,500	-	1,561,500			
Trade receivables	-	30,005,906	-	30,005,906			
Loans and advances	-	1,312,108	-	1,312,108			
Deposits	-	43,000,000	-	43,000,000			
Other financial assets	-	-	-	-			
Cash and bank balances	-	54,425,518	-	54,425,518			
	-	130,305,032	-	130,305,032			
Financial liabilities not measured at fair value							
Trade and other payables	-	-	(98,826,635)	(98,826,635)			
Accrued liabilities	-	-	(2,757,892)	(2,757,892)			
	-	-	(101,584,527)	(101,584,527)			
	282,008,891	130,305,032	(101,584,527)	310,729,396			

29.6 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.

30 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.

30.1 Base Minimum Capital

In compliance with the sub-regulation 2.1 of the Regulation Governing Risk Management (Regulations) of the Pakistan Stock Exchange Limited (PSX) (formerly Karachi 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 Regulations.

As at 31 December 2018, 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 Pakistan Petroleum Limited (PPL) as at 31 December 2018. The market value of shares taken to meet BMC deposit requirement is after the haircut of 10% and 15% 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 2018**	30 June 2018
		(Rupees)	
Trading Right Entitlement Certificates	5	**2,500,000**	2,500,000
Securitized 1,081,194 shares of PSX at Rs. 13.57 per share after applying 10% haircut	6.1	**13,204,622**	19,237,580
Shares of Pakistan Petroleum Limited	9.2	**12,721,100**	8,219,925
		28,425,722	29,957,505

31 RESEARCH ANALYST

At present, the Company employs two 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 period, the personnel employed in the Research Department have drawn an aggregate salary and benefits amounting to Rs. 1.726 million which comprise basic salary, medical allowance and other benefits as per the Company's policy.

32 NUMBER OF EMPLOYEES

	31 December 2018	30 June 2018
	(Number)	
The details of number of employees are as follows:		
Average number of employees during the period / year	**27**	26
Number of employees at period / year end	**28**	27

33 AUTHORISATION OF FINANCIAL STATEMENTS

These financial statements were approved by the Company's board of directors and authorised for issue on 29 JAN 2019

Chairman

Chief Executive