



AL HABIB CAPITAL MARKETS (PRIVATE) LIMITED

**FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2021**

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

Report on the Audit of the Financial Statements

Opinion

We have audited the annexed financial statements of Al Habib Capital Markets Private Limited (the Company), which comprise the statement of financial position as at 31 December 2021, and the statement of profit or loss and other comprehensive income, the statement of cash flows, the statement of changes in equity for the year then ended, and notes to the financial statements, including a summary of significant accounting policies and other explanatory information, and we state that we have obtained all the information and explanations which, to the best of our knowledge and belief, were necessary for the purposes of the audit.

In our opinion and to the best of our information and according to the explanations given to us, the statement of financial position, statement of profit or loss and other comprehensive income, the statement of cash flows and the statement of changes in equity together with the notes forming part thereof conform with the accounting and reporting standards as applicable in Pakistan and give the information required by the Companies Act, 2017 (XIX of 2017), in the manner so required and respectively give a true and fair view of the state of the Company's affairs as at 31 December 2021 and of the profit and other comprehensive income, the changes in cash flows and its equity for the year then ended.

Basis for Opinion

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

Information Other than the Financial Statements and Auditors' Report Thereon

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

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

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

[Signature]



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Responsibilities of Management and Board of Directors for the Financial Statements

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

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

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

Auditors' Responsibilities for the Audit of the Financial Statements

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditors' report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with ISAs as applicable in Pakistan will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these financial statements.

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

- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Company's internal control.
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by management.
- Conclude on the appropriateness of management's use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Company's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditors' report to the related disclosures in the financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditors' report. However, future events or conditions may cause the Company to cease to continue as a going concern.

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

We communicate with the board of directors regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.

Report on Other Legal and Regulatory Requirements

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

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

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

Chartered Accountants

Place: Karachi

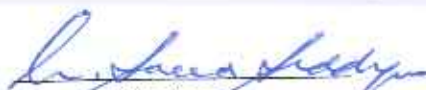
Date: 29 March 2022

UDIN Number: AR2021101917RywbCpDd

AL Habib Capital Markets (Private) Limited
Statement of Financial Position
As at 31 December 2021

| | Note | 31 December 2021 | 31 December 2020 |
|---|------|-----------------------------|-----------------------------|
| (Rupees) | | | |
| ASSETS | | | |
| Non-Current Assets | | | |
| Property and equipment | 4. | 6,974,606 | 7,882,922 |
| Intangible assets | 5. | 2,648,995 | 2,849,072 |
| Long term loans, advances and deposits | 6. | 10,236,602 | 1,499,696 |
| Deferred taxation - net | 7. | 3,926,574 | 374,474 |
| | | <u>23,786,777</u> | <u>12,606,164</u> |
| Current Assets | | | |
| Short term investments | 8. | 191,597,630 | 256,289,224 |
| Trade receivables | 9. | 505,504,809 | 286,449,653 |
| Loans and advances | 10. | 373,030 | 243,212 |
| Deposits and prepayments | 11. | 191,843,050 | 100,000,000 |
| Other receivable | 12. | 2,832,563 | 5,857,712 |
| Taxation - net | 24. | 23,913,683 | 29,805,091 |
| Cash and bank balances | 13. | 149,160,138 | 481,329,125 |
| | | <u>1,065,224,903</u> | <u>1,159,974,018</u> |
| Total Assets | | <u><u>1,089,011,680</u></u> | <u><u>1,172,580,182</u></u> |
| EQUITY AND LIABILITIES | | | |
| Share capital and reserves | | | |
| Authorised capital | | | |
| 50,000,000 (31 Dec 2020: 50,000,000) ordinary shares of Rs. 10 each | 14.1 | <u>500,000,000</u> | <u>500,000,000</u> |
| Issued, subscribed and paid-up capital | 14.2 | <u>300,000,000</u> | <u>300,000,000</u> |
| Capital Reserve | | | |
| Unrealised (loss) / gain on re-measurement of investments | 15. | (12,935,003) | 280,493 |
| Revenue Reserve | | | |
| Un-appropriated profit | | <u>85,807,308</u> | <u>46,536,803</u> |
| | | <u>372,872,305</u> | <u>346,817,296</u> |
| Current Liabilities | | | |
| Short term financing | 16. | 464,009,043 | 229,231,261 |
| Trade and other payables | 17. | 239,903,829 | 588,397,500 |
| Accrued liabilities | 18. | 12,226,502 | 8,134,125 |
| | | <u>716,139,375</u> | <u>825,762,886</u> |
| Contingencies and commitments | 19. | | |
| Total equity and liabilities | | <u><u>1,089,011,680</u></u> | <u><u>1,172,580,182</u></u> |

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

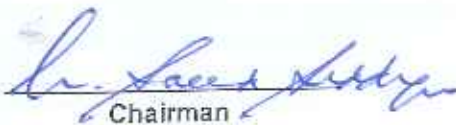

Chairman


Chief Executive

AL Habib Capital Markets (Private) Limited
Statement of Profit or Loss
For the year ended 31 December 2021

| | Note | 31 December 2021 | 31 December 2020 |
|---|------|----------------------|---------------------|
| ----- (Rupees) ----- | | | |
| INCOME | | | |
| Brokerage revenue - net | 20. | 125,336,555 | 94,012,573 |
| Share subscription income | | 1,008,822 | 309,315 |
| Dividend income from equity securities and mutual funds | | 8,134,988 | 2,752,214 |
| Capital gain on sale of investments at FVTPL | | 14,801,486 | - |
| Un-realised loss on remeasurement of equity securities at FVTPL | 8.2. | (4,708,404) | - |
| Interest income from Pakistan Investment Bonds | | 14,430,234 | 19,590,327 |
| Interest income on MFS | | 11,173,666 | 1,626,152 |
| Interest income on MTS | | 1,673,612 | - |
| Other income | 21. | 20,814,282 | 9,658,071 |
| | | <u>192,665,241</u> | <u>127,948,652</u> |
| EXPENSES | | | |
| Administrative expenses | 22. | (110,883,603) | (86,296,776) |
| Provision for Workers' Welfare Fund | | (1,133,625) | (701,856) |
| Finance cost | 23. | (23,966,792) | (4,969,226) |
| | | <u>(135,984,020)</u> | <u>(91,967,858)</u> |
| | | <u>56,681,221</u> | <u>35,980,794</u> |
| PROFIT BEFORE TAXATION | | | |
| Income tax expense | | | |
| - Current | | (17,485,964) | (7,882,640) |
| - Deferred | 24. | 851,257 | (2,280,436) |
| - Prior year | | 1,425,306 | 4,341,443 |
| | | <u>(15,209,401)</u> | <u>(5,821,633)</u> |
| | | <u>41,471,820</u> | <u>30,159,161</u> |
| PROFIT AFTER TAXATION | | | |
| Earnings per share - basic and diluted | 25. | <u>1.382</u> | <u>1.005</u> |

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 Comprehensive Income
For the year ended 31 December 2021

| | 31 December 2021 | 31 December 2020 |
|---|--------------------------|--------------------------|
| | ----- (Rupees) ----- | |
| Profit for the year | 41,471,820 | 30,159,161 |
| Other comprehensive income: | | |
| <i>Items that will not be reclassified to statement of profit or loss in subsequent periods</i> | | |
| Unrealised diminution in the value of FVOCI investments - net of tax | (13,215,496) | (2,305,764) |
| Realised loss upon sale of investment | (2,201,315) | (55,009) |
| | (15,416,811) | (2,360,773) |
| Total comprehensive income for the year | <u><u>26,055,009</u></u> | <u><u>27,798,388</u></u> |

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


 Chairman

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 Chief Executive

AL Habib Capital Markets (Private) Limited
Statement of Cash Flows
For the year ended 31 December 2021

| | 31 December 2021 | 31 December 2020 |
|--|---------------------------|----------------------|
| Note | (Rupees) | |
| CASH FLOWS FROM OPERATING ACTIVITIES | | |
| Profit before taxation | 56,681,221 | 35,980,794 |
| Adjustment for: | | |
| Depreciation of property and equipment | 22. 2,225,853 | 2,276,945 |
| Amortisation of intangible assets | 22. 275,077 | 875,245 |
| Un-realised loss on remeasurement of equity securities at FVTPL | 4,708,404 | - |
| Capital gain on sale of investments at FVTPL | (14,801,486) | - |
| Finance cost | 23. 23,966,792 | 4,969,226 |
| Amortisation of Pakistan Investment Bonds | (5,950,643) | (8,333,082) |
| Provision for WWF | 1,133,625 | 701,855 |
| Provision for employee compensated absences | 447,146 | 839,158 |
| Musharaka lease rental expense | 1,430,781 | - |
| Gain on disposal of property and equipment | 21. (6,633,245) | (3,034,459) |
| | <u>6,802,304</u> | <u>(1,705,112)</u> |
| Operating income before working capital changes | 63,483,525 | 34,275,682 |
| Working capital changes: | | |
| (Increase) / decrease in current assets | | |
| Trade receivables | (219,055,156) | (235,903,108) |
| Loans and advances | (129,818) | (88,944) |
| Deposits and prepayments | (90,843,050) | (94,996,368) |
| Other receivable | 3,025,149 | 294,280 |
| | <u>(307,002,875)</u> | <u>(330,674,140)</u> |
| | (243,519,350) | (296,368,458) |
| Increase / (decrease) in current liabilities | | |
| Trade and other payables | (353,381,852) | 450,521,095 |
| Accrued liabilities | 3,832,606 | 3,378,622 |
| | <u>(349,549,246)</u> | <u>453,899,717</u> |
| Net cash (used in) / generated from operations | (593,068,596) | 157,501,259 |
| Long term loans, advances and deposits | (8,781,645) | (88,196) |
| Payment for employee compensated absences | (187,374) | (87,945) |
| Finance cost paid | (20,197,568) | (3,422,658) |
| Taxes paid | (10,310,925) | (7,259,373) |
| | <u>(39,477,512)</u> | <u>(10,838,172)</u> |
| Net cash (used in) / generated from operating activities | (632,546,108) | 146,663,087 |
| CASH FLOWS FROM INVESTING ACTIVITIES | | |
| Investments made during the year | (811,060,255) | (177,432,947) |
| Proceeds from disposal of investments | 872,990,166 | 185,580,217 |
| Proceeds from disposal of vehicles | 6,636,787 | 3,163,468 |
| Purchase of property and equipment | 4. (1,461,578) | (1,103,213) |
| Purchase of intangible assets | 5. (75,000) | (312,650) |
| Net cash generated from investing activities | 67,030,120 | 9,874,875 |
| CASH FLOWS FROM FINANCING ACTIVITIES | | |
| Payments for musharaka lease rentals | (1,430,781) | - |
| Net cash used in financing activities | (1,430,781) | - |
| Net (decrease) / increase in cash and cash equivalents during the year | (566,946,769) | 156,537,962 |
| Cash and cash equivalents at beginning of the year | 252,097,864 | 95,559,902 |
| Cash and cash equivalents at end of the year | 13.1 <u>(314,848,905)</u> | <u>252,097,864</u> |

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

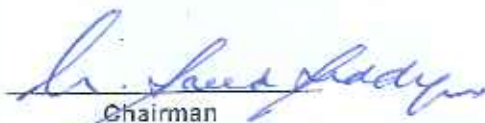

Chairman


Chief Executive

AL Habib Capital Markets (Private) Limited
Statement of Changes in Equity
For the year ended 31 December 2021

| | Issued, subscribed and paid-up capital | Capital Reserve Unrealised gain on re- measurement of investments (Nota 15) | Revenue Reserve Un-appropriated Profit | Total |
|--|---|---|--|--------------|
| | (Rupees) | | | |
| Balance as at 1 January 2020 | 300,000,000 | 2,586,257 | 16,432,851 | 319,018,908 |
| <i>Total comprehensive income for the year</i> | | | | |
| Profit for the year ended 31 December 2020 | - | - | 30,159,161 | 30,159,161 |
| Other comprehensive loss unrealised and realised | - | (2,360,773) | - | (2,360,773) |
| Total comprehensive income for the year ended 31 December 2020 | - | (2,360,773) | 30,159,161 | 27,798,388 |
| Reclassification of revaluation loss on investments at FVOCI upon de-recognition | - | 55,009 | (55,009) | - |
| Balance as at 31 December 2020 | 300,000,000 | 280,493 | 46,536,803 | 346,817,296 |
| <i>Total comprehensive income for the year</i> | | | | |
| Profit for the year ended 31 December 2021 | - | - | 41,471,820 | 41,471,820 |
| Other comprehensive loss unrealised and realised | - | (15,416,811) | - | (15,416,811) |
| Total comprehensive income for the year ended 31 December 2021 | - | (15,416,811) | 41,471,820 | 26,055,009 |
| Reclassification of revaluation loss on investments at FVOCI upon de-recognition | - | 2,201,315 | (2,201,315) | - |
| Balance as at 31 December 2021 | 300,000,000 | (12,935,003) | 85,807,308 | 372,872,305 |

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


Chairman


Chief Executive

AL Habib Capital Markets (Private) Limited
Notes to the Financial Statements
For the year ended 31 December 2021

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.

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 Pakistani Rupees, which is also the functional currency of the Company and have been rounded off to the nearest Rupee.

2.4 Standards, interpretations and amendments to published accounting and reporting standards that are not yet effective:

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

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| Standards, interpretations and amendments | Effective date |
|--|-------------------|
| Property, Plant and Equipment: Proceeds before Intended Use – - Amendments to IAS 16 | 01 January 2022 |
| Onerous Contracts – Costs of Fulfilling a Contract – Amendments to IAS 37 | 01 January 2022 |
| Classification of liabilities as current or non-current - Amendment to IAS 1 | 01 January 2023 |
| Sale or Contribution of Assets between an Investor and its Associate or Joint Venture - Amendment to IFRS 10 and IAS 28 | Not yet finalized |
| Definition of Accounting Estimates - Amendments to IAS 8 | 01 January 2023 |
| Disclosure of Accounting Policies – Amendments to IAS 1 and IFRS Practice Statement 2 | 01 January 2023 |
| Deferred Tax related to Assets and Liabilities arising from a Single Transaction – Amendments to IAS 12 | 01 January 2023 |
| IFRS 17 - Insurance Contracts | 01 January 2023 |
| IFRS 3 - Reference to the Conceptual Framework (Amendments) | 01 January 2022 |
| IFRS 9 Financial Instruments – Fees in the '10 per cent' test for derecognition of financial liabilities | 01 January 2022 |

The above standards and amendments are not expected to have any material impact on the Company's financial statements.

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

| Standards | IASB Effective date (annual periods beginning on or after) |
|---|--|
| IFRS 1 - First-time Adoption of International Financial Reporting Standards | 01 July 2009 |

2.5 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 estimates are revised if the revision affects only that period, or in the period of the revision and future periods if the revision affects both current and future periods.

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

- Useful lives and impairment of Property and equipment (Note 3.2 and 4)
- Useful lives and impairment of intangible assets (Note 3.4 and 5)
- Classification and valuation of investments (Note 3.1 and 8)
- Provision against trade receivables and other financial assets (Note 3.1)
- Staff retirement benefits (Note 3.8)
- Current and deferred taxation (Note 3.7, 7 and 24)
- Contingent liabilities (Note 3.13 and 19)

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3 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

3.1 Classification and measurement of financial assets and financial liabilities

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

Business model assessment

The Company determines its business model at the level that best reflects how it manages groups of financial assets to achieve its business objective.

The Company's business model is not assessed on an instrument-by-instrument basis, but at a higher level of aggregated portfolios and is based on observable factors such as:

- The objectives for the portfolio, in particular, whether management's strategy focuses on earning contractual revenue, maintaining a particular interest rate profile, matching the duration of the financial assets to the duration of the liabilities that are funding those assets or realizing cash flows through the sale;
- How the performance of the business model and the financial assets held within that business model are evaluated and reported to the entity's key management personnel;
- The risks that affect the performance of the business model (and the financial assets held within that business model) and, in particular, the way those risks are managed; and
- How managers of the business are compensated (for example, whether the compensation is based on the fair value of the assets managed or on the contractual cash flows collected).

The business model assessment is based on reasonably expected scenarios without taking 'worst case' or 'stress case' scenarios into account. If cash flows after initial recognition are realised in a way that is different from the Company's original expectations, the Company does not change the classification of the remaining financial assets held in that business model, but incorporates such information when assessing newly originated or newly purchased financial assets going forward.

Assessments whether contractual cash flows are solely payments of principal and interest (SPPI)

As a second step of its classification process the Company assesses the contractual terms of financial to identify whether they meet the SPPI test.

'Principal' for the purpose of this test is defined as the fair value of the financial asset at initial recognition and may change over the life of the financial asset (for example, if there are repayments of principal or amortisation of the premium/discount).

The most significant elements of interest within a lending arrangement are typically the consideration for the time value of money and credit risk. To make the SPPI assessment, the Company applies judgement and considers relevant factors such as the currency in which the financial asset is denominated, and the period for which the interest rate is set.

In contrast, contractual terms that introduce a more than the minimum exposure to risks or volatility in the contractual cash flows that are unrelated to a basic lending arrangement do not give rise to contractual cash flows that are solely payments of principal and interest on the amount outstanding. In such cases, the financial asset is required to be measured at FVTPL.

Initial measurement

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.

Subsequent measurement

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 Other Comprehensive Income (OCI). On derecognition, gains and losses accumulated in OCI are reclassified to profit or loss. |
| Equity investments at FVTPL | These assets are subsequently measured at fair value. Net gains and losses, including dividend income, are recognised in profit or loss. |
| Equity investments at FVOCI | These assets are subsequently measured at fair value. Dividends are recognised as income in profit or loss. Other net gains and losses are recognised in OCI and are never reclassified to profit or loss. On derecognition, gains and losses accumulated in capital reserves are reclassified to Un-appropriated profit. |

Impairment

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

The Company applies the IFRS 9 simplified approach to measuring expected credit losses which uses a lifetime expected loss allowance for all trade receivables and contract assets. Impairment losses related to trade and other receivables, including contract assets, are presented separately in the statement of profit or loss. Trade receivables are written off when there is no reasonable expectation of recovery. The company takes into account the net exposure for each client after considering credit loss mitigates such as market value of liquid securities held and client deposits to determine the net exposure subject to ECL.

Financial instruments - recognition and derecognition

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, unless it is equity investment classified at FVOCI.

Off-setting of financial assets and financial liabilities

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

3.2 Property and equipment

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

Depreciation is charged applying the straight line method at the rates specified in note 4 to these financial statements which are considered appropriate to write off the cost of the assets over their useful economic lives.

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

Maintenance and normal repairs are charged to statement of profit or loss. Major renewals and improvements are capitalized.

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

3.3 Musharakah agreements

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

3.4 Intangible assets

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

Computer software and website developed are recognized in the financial statements, if and only if, it is probable that future economic benefits that are attributable to the assets will flow to the Company; and the cost of the assets can be measured reliably. These are carried at cost less accumulated amortization and impairment, if any. Amortization of computer software and website developed is charged to profit and loss account for the year on a straight line basis at the rates specified in note 5. The amortization period and the amortization method for intangible assets with finite useful life are reviewed, and adjusted if appropriate.

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

3.5 Revenue recognition

3.5.1 Brokerage and Fee revenue

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

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

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

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

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

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

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

3.6 Interest income on Margin Trading System (MTS) and Margin Financing System (MFS)

- In MTS, an investor can buy MTS eligible securities having a part percentage of funds available of the total value of MTS eligible securities bought. An investor may buy a number of MTS eligible securities while having only a fixed percentage of funds available. The remaining amount is financed or leveraged by the Brokerage firm. The percentage of funds required for MTS is defined by the Brokerage firm which shall not be less than 15% of the total value of MTS eligible securities purchased or VAR (Value at Risk - A percentage number signifying the decline in the value of an asset class in a particular period of time). A mark-up rate of not more than Kibor plus 8% is charged against the leveraged securities held under MTS. Margin Trading Contracts are settled in T plus 2 days.

- In MFS, a facility is made available to all Members against net ready market purchases of their clients and proprietary positions. MFS can be obtained as per agreed Financier Participation Ratio (FPR). However, minimum of 25% of total value of MFS eligible securities or VAR whichever is higher should be contributed by Financee. Financing terms and conditions are pre-determined by Margin Financier and Margin Financier. National Clearing Company of Pakistan Limited (NCCPL) provides a system to MFS Participants for recording and settlement of MFS Transactions. Margin Financing facility is made available only in MFS eligible securities. All MFS Transactions are based on counterparty risk in a disclosed manner. NCCPL manages risk management of Financier until settlement of MFS transaction. Financier will manage RMS of Financee directly. Securities are delivered in the MFS Blocked CDS account of Financier.
- Interest income on MTS and MFS is recognized on an accrual basis.

3.7 Other income

- Other income is recognised to the extent it is probable that the economic benefits will flow to the Company and amount can be measured reliably. Other income is measured at the fair value of the consideration received or receivable and is recognised on accrual basis.

3.8 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 it 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.

3.9 Staff retirement benefits

3.9.1 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.

3.9.2 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.

3.10 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.

3.11 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.

3.12 Provisions

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

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

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

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

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

3.13 Trade and other payables

Trade and other payables are measured at amortised cost.

3.14 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.

3.15 Reclassification and Comparative Figures

Certain reclassification has been made to the prior years financial statements to enhance comparability with the current year financial statements. The reason for this reclassification arises due to management decision to reclassify long term investment in shares of Pakistan Stock Exchange Limited to short term investments. These shares had been received by the company in freeze state during demutualization process of Pakistan Stock Exchange Limited (PSX). As the status of these shares have been changed to available, therefore they have been reclassified as follows:

The items are reclassified as follows:

| | After reclassification 31 December 2020 | Previously reported 31 December 2020 |
|--------------------------------|---|--|
| | ----- (Rupees) ----- | |
| Long term Investments - FVOCI | - | 23,755,763 |
| Short term Investments - FVOCI | 23,755,763 | - |

4. PROPERTY AND EQUIPMENT

| Note | 31 December 2021 | | | | | | | | | |
|------------------------|-----------------------|------------------|------------------|--------------------------|-----------------------|-----------------------|------------------|------------------------|--------------------------------|------------------------|
| | Cost | | | Accumulated depreciation | | | Written down | | Rate of depreciation per annum | |
| | As at 01 January 2021 | Additions | Disposals | As at 31 December 2021 | As at 01 January 2021 | Charge for the period | Disposals | As at 31 December 2020 | | As at 31 December 2021 |
| | (Rupees) | | | | | | | | | % |
| Room and booths | 14,500,000 | - | - | 14,500,000 | 10,875,009 | 725,004 | - | 11,600,013 | 2,899,987 | 5 |
| Motor vehicles | 4,340,970 | 300,200 | (700,570) | 3,940,300 | 2,189,875 | 790,093 | (607,370) | 2,372,358 | 1,507,932 | 20 |
| Furniture and fixtures | 2,435,282 | - | - | 2,435,282 | 1,924,832 | 73,594 | - | 1,898,426 | 436,856 | 10 |
| Office equipment | 7,263,395 | 466,540 | (103,804) | 7,526,131 | 5,912,454 | 410,665 | (53,263) | 6,269,846 | 1,356,285 | 20 |
| Computer equipment | 5,901,195 | 694,638 | - | 6,596,033 | 5,855,950 | 226,507 | - | 5,852,467 | 713,645 | 20 |
| | <u>34,440,842</u> | <u>1,461,578</u> | <u>(804,674)</u> | <u>36,097,746</u> | <u>26,557,820</u> | <u>2,225,853</u> | <u>(600,633)</u> | <u>28,123,140</u> | <u>6,974,606</u> | |

| Note | 31 December 2020 | | | | | | | | | |
|------------------------|-----------------------|------------------|------------------|--------------------------|-----------------------|---------------------|------------------|------------------------|--------------------------------|------------------------|
| | Cost | | | Accumulated depreciation | | | Written down | | Rate of depreciation per annum | |
| | As at 01 January 2020 | Additions | Disposals | As at 31 December 2020 | As at 01 January 2020 | Charge for the year | Disposals | As at 31 December 2020 | | As at 31 December 2020 |
| | (Rupees) | | | | | | | | | % |
| Room and booths | 14,500,000 | - | - | 14,500,000 | 10,150,006 | 725,003 | - | 10,875,009 | 3,624,991 | 5 |
| Motor vehicles | 4,744,970 | - | (404,000) | 4,340,970 | 1,611,018 | 935,525 | (206,806) | 2,189,875 | 2,151,205 | 20 |
| Furniture and fixtures | 2,362,282 | 50,000 | - | 2,435,282 | 1,852,114 | 72,718 | - | 1,524,832 | 910,450 | 10 |
| Office equipment | 6,571,440 | 1,050,215 | (368,258) | 7,263,395 | 5,300,198 | 538,487 | (608,221) | 5,912,454 | 1,350,941 | 20 |
| Computer equipment | 5,901,195 | - | - | 5,901,195 | 5,452,736 | 205,212 | - | 5,055,950 | 245,256 | 20 |
| | <u>34,082,887</u> | <u>1,100,215</u> | <u>(762,258)</u> | <u>34,440,842</u> | <u>24,954,064</u> | <u>2,276,945</u> | <u>(593,029)</u> | <u>28,557,820</u> | <u>7,662,927</u> | |

4.1 The cost of fully depreciated assets as at 31 December 2021 is Rs. 12,557 million (31 Dec 2020: Rs. 11,492 million).

5. INTANGIBLE ASSETS

| Note | 31 December 2021 | | | | | | | | | |
|---|-----------------------|---------------|---------------------|---------------------------------------|-----------------------|-----------------------|---------------------|------------------------|--------------------------------|------------------------|
| | Cost | | | Accumulated amortisation / impairment | | | Written down | | Rate of amortisation per annum | |
| | As at 01 January 2021 | Additions | Disposal/ Write off | As at 31 December 2021 | As at 01 January 2021 | Charge for the period | Disposal/ Write off | As at 31 December 2020 | | As at 31 December 2021 |
| | (Rupees) | | | | | | | | | % |
| Website | 275,000 | - | - | 275,000 | 179,167 | 50,004 | - | 229,171 | 45,829 | 50 |
| Computer software | 5,092,499 | 75,000 | - | 5,167,499 | 4,839,260 | 226,073 | - | 5,064,333 | 103,166 | 50 |
| Trading Right Entitlement (TRE) Certificate | 2,500,000 | - | - | 2,500,000 | - | - | - | - | 2,500,000 | - |
| | <u>7,867,499</u> | <u>75,000</u> | <u>-</u> | <u>7,942,499</u> | <u>5,018,427</u> | <u>276,077</u> | <u>-</u> | <u>5,293,504</u> | <u>2,649,995</u> | |

| | 31 December 2020 | | | | | | | | | |
|---|-----------------------|----------------|---------------------|---------------------------------------|-----------------------|---------------------|---------------------|------------------------|--------------------------------|------------------------|
| | Cost | | | Accumulated amortisation / impairment | | | Written down | | Rate of amortisation per annum | |
| | As at 01 January 2020 | Additions | Disposal/ Write off | As at 31 December 2020 | As at 01 January 2020 | Charge for the year | Disposal/ Write off | As at 31 December 2020 | | As at 31 December 2020 |
| | (Rupees) | | | | | | | | | % |
| Website | 175,000 | 100,000 | - | 275,000 | 184,563 | 14,584 | - | 179,167 | 95,836 | 50 |
| Computer software | 4,879,849 | 212,650 | - | 5,092,499 | 3,576,569 | 680,661 | - | 4,839,260 | 252,239 | 50 |
| Trading Right Entitlement (TRE) Certificate | 2,500,000 | - | - | 2,500,000 | - | - | - | - | 2,500,000 | - |
| | <u>7,554,849</u> | <u>312,650</u> | <u>-</u> | <u>7,867,499</u> | <u>4,143,162</u> | <u>875,245</u> | <u>-</u> | <u>5,018,427</u> | <u>2,849,072</u> | |

5.1 The cost of fully amortized intangible assets as at 31 December 2021 is Rs. 5,054 million (31 Dec 2020: Rs. 4,904 million).

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

5.2.1 FSX vide notice no. PSX/N-7178, dated 10 November 2017, has revised the nominal 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.

5.3 As per the requirement of fifth schedule to the Companies Act, 2017, since the aggregate book value of assets disposed off do not exceed five hundred thousand rupees, hence disclosure of disposal for each asset is not applicable.

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Note 31 December 2021 31 December 2020
----- (Rupees) -----

6. LONG TERM LOANS, ADVANCES AND DEPOSITS

| | | | |
|--|-----|-------------------|------------------|
| Loan & Advances | | | |
| - Loan to employees - secured | 6.1 | 43,457 | 58,196 |
| Security deposits | | | |
| - National Clearing Company of Pakistan Limited | | 1,400,000 | 1,400,000 |
| - Others | | 11,500 | 11,500 |
| - Deposits in respect of Musharakah financing for vehicles | | 8,781,645 | - |
| | | <u>10,236,602</u> | <u>1,499,696</u> |

6.1 This represents personal loans carrying mark-up rate of 8% (31 December 2020: 8.0%) 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.

7. DEFERRED TAXATION - NET

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

| | Balance at 01 January 2020 | Recognized in profit or loss | Recognized in OCI | Balance at 31 December 2020 | Recognized in profit and loss | Recognized in OCI | Balance at 31 December 2021 |
|---|----------------------------|------------------------------|-------------------|-----------------------------|-------------------------------|-------------------|-----------------------------|
| (Rupees) | | | | | | | |
| Deferred tax assets arising in respect of: | | | | | | | |
| Intangible assets | 625,845 | 115,144 | - | 741,992 | (799) | - | 741,193 |
| Provision for compensated absences | 291,658 | 191,719 | - | 483,377 | 78,917 | - | 562,294 |
| Tax losses | 2,862,561 | (2,862,661) | - | - | - | - | - |
| Un-realised loss on investment - FVTPL | - | - | - | - | 540,741 | - | 540,741 |
| Un-realised loss on investment - FVOCI | (430,886) | - | 172,428 | (258,458) | - | 2,700,843 | 2,442,385 |
| Less: Deferred tax liabilities arising in respect of: | | | | | | | |
| Accelerated tax depreciation allowance | (567,759) | 275,362 | - | (562,457) | 252,998 | - | (309,459) |
| Net deferred tax asset | <u>2,462,482</u> | <u>(2,280,436)</u> | <u>172,428</u> | <u>374,474</u> | <u>651,257</u> | <u>2,700,843</u> | <u>3,926,574</u> |

7.1 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.

8. SHORT TERM INVESTMENTS

| | | | |
|--|----------------|--------------------|--------------------|
| | Note | 31 December 2021 | 31 December 2020 |
| ----- (Rupees) ----- | | | |
| Listed shares designated at fair value through OCI | 8.1, 8.3 & 8.4 | 86,669,108 | 86,612,972 |
| Listed shares designated at fair value through Profit or Loss | 8.2 | 33,393,380 | - |
| Pakistan Investment Bonds - debt instrument designated at fair value through OCI | 8.5 | 71,535,142 | 159,876,257 |
| | | <u>191,597,630</u> | <u>256,289,229</u> |

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8.1 EQUITY INSTRUMENTS DESIGNATED AT FAIR VALUE THROUGH OTHER COMPREHENSIVE INCOME

| 31 December 2021 | 31 December 2020 | Name of investee | 31 December 2021 | | 31 December 2020 | Dividend earned for the year ended 31 December 2021 |
|--------------------|--------------------|--|--------------------|-------------------|-------------------|---|
| (Number of shares) | (Number of shares) | | Carrying amount | Market value | Market value | |
| | | | (Rupees) | | | |
| 285,000 | 263,609 | The Hub Power Company Limited | 24,379,289 | 20,331,900 | 22,498,702 | 2,268,872 |
| 177,000 | 175,778 | Pakistan Petroleum Limited | 21,445,995 | 13,990,080 | 15,968,357 | 618,723 |
| 87,000 | 87,000 | Habib Bank Limited | 14,748,629 | 10,145,940 | 11,508,360 | 717,750 |
| 1,902,953 | 1,902,953 | Pakistan Stock Exchange Limited | 21,935,494 | 26,165,604 | 25,201,763 | 380,591 |
| 9,000 | 9,000 | Attock Petroleum Limited | 4,617,590 | 2,826,000 | 3,011,670 | 243,000 |
| 35,200 | 35,200 | Engro Corporation Limited | 10,075,009 | 9,589,184 | 10,819,072 | 915,200 |
| - | 157 | Sapphire Fibre Limited | - | - | 148,208 | 1,570 |
| - | 100 | Sapphire Textile Limited | - | - | 98,500 | 1,500 |
| 42,000 | 42,000 | Oil & Gas Development Company | 6,256,853 | 3,820,400 | 4,358,300 | 279,300 |
| <u>2,538,153</u> | <u>2,536,797</u> | | <u>103,468,859</u> | <u>86,569,108</u> | <u>90,512,972</u> | <u>5,426,508</u> |
| | | Book Value as of 31 December 2021 | 103,468,859 | | | |
| | | Unrealized loss on re-measurement as of 31 December 2021 | (16,799,751) | | | |
| | | Carrying value as of 31 December 2021 | <u>86,669,108</u> | | | |

8.2 EQUITY INSTRUMENTS DESIGNATED AT FAIR VALUE THROUGH PROFIT OR LOSS

| 31 December 2021 | 31 December 2020 | Name of investee | 31 December 2021 | | 31 December 2020 | Dividend earned for the year ended 31 December 2021 |
|--------------------|--------------------|--|-------------------|-------------------|------------------|---|
| (Number of shares) | (Number of shares) | | Carrying amount | Market value | Market value | |
| | | | (Rupees) | | | |
| 500,000 | - | Sui Southern Gas Company Limited | 4,505,650 | 4,645,000 | - | - |
| 306,000 | - | Samba Bank Limited | 3,459,175 | 3,809,700 | - | - |
| 5,174,000 | - | JS Bank Limited | 30,136,959 | 24,938,680 | - | 650,000 |
| - | - | Pakistan State Oil Limited | - | - | - | 596,000 |
| - | - | Nishat Mills Limited | - | - | - | 875,000 |
| - | - | Oil & Gas Development Company | - | - | - | 2,251,000 |
| <u>5,980,000</u> | <u>-</u> | | <u>38,101,784</u> | <u>33,393,380</u> | - | |
| | | Book Value as of 31 December 2021 | 38,101,784 | | | |
| | | Unrealized loss on re-measurement as of 31 December 2021 | (4,798,404) | | | |
| | | Carrying value as of 31 December 2021 | <u>33,393,380</u> | | | |

8.3 1,902,953 shares of Pakistan Stock Exchange Ltd (PSX), 9,000 shares of Attock Petroleum Limited (ATL), 75,778 shares of Pakistan Petroleum Ltd (PPL), 30,200 shares of Engro Corporation Limited and 12,000 shares of Oil & Gas Development Company Limited as disclosed in note B.1, are pledged against Base Minimum Capital (BMC). Refer note number 3C.1.

8.4 The Company has disposed of equity securities classified at fair value through other comprehensive income during the year and recognised net loss amounting to Rs. 2,201 million (31 December 2020: Rs. 0.055 million).

8.5 Pakistan Investment Bonds (PIBs)

During the year Company's PIBs having face value of Rs. 85 million has been matured. Remaining PIB having face value of Rs 75 million will mature on 12 July 2023. This PIB carry an effective yield of 13.71% per annum.

9. TRADE RECEIVABLES

| | Note | 31 December 2021 | 31 December 2020 |
|--|------|--------------------|--------------------|
| (Rupees) | | | |
| From equity securities | | 31,086,978 | 217,529,502 |
| Due from clients against trading of securities - secured | | 361,033,304 | - |
| Due from clients against margin trading system (MTS) - secured | | 90,871,732 | - |
| Due from clients against margin financing system (MFS) - secured | | 21,487,011 | 89,250,726 |
| Due from National Clearing Company of Pakistan Limited (NCCPL) - secured | 9.3 | 1,025,784 | 669,425 |
| Due from clients against trading of securities - related parties | 9.1 | <u>505,504,809</u> | <u>286,449,653</u> |

9.1 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 | 87,887 | - | - | - | - | 87,887 | 278,177 |
| First Habib Stock Fund | 416,329 | - | - | - | - | 416,329 | 416,329 |
| Habib Insurance Company Limited | - | - | - | - | - | - | 84,785,788 |
| Habib Sugar Mills Limited | - | - | - | - | - | - | 22,331,755 |
| First Habib Asset Allocation Fund | 137,406 | - | - | - | - | 137,406 | 137,406 |
| First Habib Islamic Stock Fund | 333,680 | - | - | - | - | 333,680 | 333,680 |
| First Habib Income Fund | - | - | - | - | - | - | 46,181 |
| First Habib Islamic Income Fund | 70,482 | - | - | - | - | 70,482 | 507,412 |
| | <u>1,025,784</u> | - | - | - | - | <u>1,025,784</u> | |

| Name of related party | Not yet due | Upto 3 | 3 to 6 | 6 months to | More than 1 | Total gross |
|-----------------------------------|-------------|----------------|---------------|-------------|-------------|------------------|
| (Rupees) | | | | | | |
| First Habib Stock Fund | - | 416,329 | - | - | - | 416,329 |
| First Habib Asset Allocation Fund | - | 137,406 | - | - | - | 137,406 |
| First Habib Islamic Stock Fund | - | 333,680 | - | - | - | 333,680 |
| First Habib Islamic Income Fund | - | - | 70,482 | - | - | 70,482 |
| | - | <u>887,415</u> | <u>70,482</u> | - | - | <u>1,025,784</u> |

9.2 The value of marketable securities held against trade receivables by the Company amounted to Rs. 2,338,760 million (31 December 2020: Rs. 1,655,911 million).

9.3 This shows trade receivables in respect of two days trading T+2 settlement, future contracts and MTS trading of Rs. 16,067 million, Rs. 2,975 million and Rs. 0,441 million respectively (31 December 2020: Rs. 48,150 million, Rs. 20,099 million & Nil).

9.4 Aging analysis

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

| 31 December 2021 | | | | | | |
|--|------------------------------|------------------------------|-------------------|--|--------------------|----------------------|
| | Due from clients against MTS | Due from clients against MFS | Due from NCCPL | Due from clients against trading of securities | Total amount due | Custody value |
| (Rupees) | | | | | | |
| Less than or equal to 5 days | 143,108,923 | 14,508,893 | 21,487,011 | 26,163,437 | 205,268,264 | 730,158,957 |
| More than 5 days but not more than 14 days | 137,790,967 | 10,080,479 | - | 719,497 | 148,590,843 | 72,328,139 |
| More than 14 days | 80,133,414 | 66,282,350 | - | 5,229,828 | 151,645,602 | 556,273,346 |
| | <u>361,033,304</u> | <u>90,871,732</u> | <u>21,487,011</u> | <u>32,112,762</u> | <u>505,504,809</u> | <u>2,338,760,442</u> |
| 31 December 2020 | | | | | | |
| | Due from clients against MTS | Due from clients against MFS | Due from NCCPL | Due from clients against trading of securities | Total amount due | Custody value |
| (Rupees) | | | | | | |
| Less than or equal to 5 days | - | 1,474,135 | 68,250,726 | 198,548,416 | 268,573,277 | 383,384,170 |
| More than 5 days but not more than 14 days | - | - | - | 14,174,937 | 14,174,937 | 53,847,152 |
| More than 14 days | - | - | - | 3,701,439 | 3,701,439 | 1,218,670,234 |
| | - | <u>1,474,135</u> | <u>68,250,726</u> | <u>216,724,792</u> | <u>286,449,653</u> | <u>1,655,911,558</u> |

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- 9.4.1 Total number of clients' shares held in CDC sub account are 271,268,711 out of which 6,851,561 shares were pledged (31 December 2020: 184,217,250 out of which 6,023,022 shares were pledged).
- 9.4.2 Total value of pledged shares held with financial institution amounted to Rs. Nil and on clients' behalf amounted to Rs. 555.020 million (31 December 2020: Rs. 47.217 million & Rs. 328.102 million).

| 10. | LOANS AND ADVANCES | Note | 31 December 2021 | 31 December 2020 |
|-----|--|------|----------------------|---------------------|
| | | | ----- (Rupees) ----- | |
| | Loans to employees - secured | 6.1 | 108,057 | 43,701 |
| | Advances to employees - unsecured | 10.1 | 231,973 | 186,511 |
| | Advance for expenses to admin. contractors & suppliers | | 33,000 | 33,000 |
| | | | <u>373,030</u> | <u>243,212</u> |

- 10.1 During the year, the Company provided advances to Key Executives amounting to Rs. 1,155,000. All advances are recoverable within a maximum period of six months. These advances are interest free. At year end, amount of advances to Key Executive is Nil (31 December 2020: Rs. Nil).

| 11. | DEPOSITS AND PREPAYMENTS | Note | 31 December 2021 | 31 December 2020 |
|-----|---|------|----------------------|---------------------|
| | | | ----- (Rupees) ----- | |
| | Deposits | | | |
| | Exposure deposit with National Clearing Company of Pakistan Lim | 11.1 | <u>191,843,050</u> | <u>100,000,000</u> |
| | | | <u>191,843,050</u> | <u>100,000,000</u> |

- 11.1 This represents deposits held under the National Clearing Company of Pakistan Limited exposure rules. These deposits carry interest at the rate of 5.16% to 7.50% (31 December 2020: 4.75% to 10.75%) per annum.

| 12. | OTHER RECEIVABLE | Note | 31 December 2021 | 31 December 2020 |
|-----|--|------|----------------------|---------------------|
| | | | ----- (Rupees) ----- | |
| | Interest receivable on Pakistan Investment Bonds | | 2,810,959 | 5,599,575 |
| | Dividend Receivable | | - | 84,000 |
| | Others | | 21,604 | 174,137 |
| | | | <u>2,832,563</u> | <u>5,857,712</u> |

| 13. | CASH AND BANK BALANCES | Note | 31 December 2021 | 31 December 2020 |
|-----|-------------------------|-------------|----------------------|---------------------|
| | | | ----- (Rupees) ----- | |
| | Cash in hand | | 46,740 | 48,018 |
| | Balances with banks in: | | | |
| | - Current accounts | | 2,375,678 | 1,154,265 |
| | - Saving accounts | 13.2 & 13.3 | <u>146,737,720</u> | <u>480,126,842</u> |
| | | | <u>149,113,398</u> | <u>481,281,107</u> |
| | | | <u>149,160,138</u> | <u>481,329,125</u> |

13.1 Cash and cash equivalents

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

| | Note | 31 December 2021 | 31 December 2020 |
|------------------------|------|----------------------|---------------------|
| | | ----- (Rupees) ----- | |
| Cash and bank balances | 13.3 | 149,160,138 | 481,329,125 |
| Short term financing | 16 | (464,009,043) | (229,231,261) |
| | | <u>(314,848,905)</u> | <u>252,097,864</u> |

13.2 This includes bank balances held with Bank AL Habib Limited (the Holding Company) amounting to Rs. 0.424 million (31 December 2020: Rs. 0.225 million) and carry interest ranging from 7.25% to 7.50% (31 December 2020: 5.25 % to 11.25%) per annum.

13.3 This includes Rs. 80.842 million (31 December 2020: 462.232 million) held with Bank AL Habib Limited (The Holding Company) maintained on behalf of clients and carry interest ranging from 7.25% to 7.5% (31 December: 5.25% to 11.75%). During the year the Company has opened client account marked as saving account in Islamic branch of Bank AL Habib Limited. Year end balance of this account is Rs. 4.307 million and carry interest at 4% per annum.

14.1 Authorised capital

| 31 December 2021 | 31 December 2020 | | 31 December 2021 | 31 December 2020 |
|--------------------------------|---------------------|---|----------------------|---------------------|
| ----- (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 |

14.2 Issued, subscribed and paid-up capital

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

14.3 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% |
| Others | 2,499,698 | 8.33% |
| Individuals | 7,500,502 | 25% |
| | <u>30,000,000</u> | <u>100.00%</u> |

14.4 Capital Adequacy Level

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

| | Note | 31 December ----- (Rupees) ----- | 31 December ----- (Rupees) ----- |
|---|--------|-------------------------------------|-------------------------------------|
| Total Assets | 14.4.1 | 1,089,011,680 | 1,172,580,162 |
| Less: Total Liabilities | | (716,139,375) | (825,762,886) |
| Less: Revaluation Reserves (created upon revaluation of fixed assets) | | - | - |
| | | <u>372,872,304</u> | <u>346,817,296</u> |

14.4.1 While determining the value of the total assets of the TRE Certificate Holder, notional value of the TRE certificate held by AL Habib Capital Markets (Pvt.) Limited as at 31 December, 2021 as determined by Pakistan Stock Exchange vide its notice PSX/N-7178 dated November 10, 2017 has been considered. Refer note 5.2.1.

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15. Unrealised (loss) / gain on re-measurement of investments designated at fair value through OCI

| | Note | 31 December 2021 | 31 December 2020 |
|--|------|----------------------|---------------------|
| | | ----- (Rupees) ----- | |
| Listed shares | | (16,799,752) | (9,080,874) |
| Pakistan Investment Bonds | | 1,422,364 | 9,819,825 |
| | | <u>(15,377,388)</u> | <u>538,951</u> |
| Related deferred tax asset / (liability) | | 2,442,385 | (258,458) |
| | | <u>(12,935,003)</u> | <u>280,493</u> |

16. SHORT TERM FINANCING

| | | | |
|--------------------------------------|------|--------------------|--------------------|
| Short term running finance - secured | 16.1 | <u>464,009,043</u> | <u>229,231,261</u> |
|--------------------------------------|------|--------------------|--------------------|

16.1 Running finance facility available to the Company is Rs. 950 million (31 December 2020: Rs. 375 million). The Company has obtained from Bank AL Habib Limited (the Holding Company) Rs. 750 million, Bank Alfalah Limited Rs. 100 million and Askari Bank Limited Rs. 100 million, having expiry on 30 June 2022, 30 September 2022 and 31 July 2022 respectively which is secured against hypothecation of amounts due from customers and lien over shares listed at Pakistan Stock Exchange Limited, government and other securities. The facilities obtained from Bank AL Habib Limited (the Holding company) carry mark-up rate at 3 month average KIBOR+1.0% to 2.0% (31 December 2020: 3 month average KIBOR+1%) and Bank Alfalah Limited carry mark-up rate at 3 month average KIBOR+1.5% (31 December 2020: 3 month average KIBOR+1.5%) and Askari Bank Limited carry mark up rate at 3 month average KIBOR+1.5%.

17. TRADE AND OTHER PAYABLES

| | Note | 31 December 2021 | 31 December 2020 |
|--|------|----------------------|---------------------|
| | | ----- (Rupees) ----- | |
| Due to clients against trading of securities | 17.1 | 230,416,912 | 567,234,888 |
| Workers' Welfare Fund payable | | 2,344,657 | 1,211,034 |
| Sales tax and FED payable | | 711,810 | 1,176,707 |
| Other liabilities | 17.2 | 6,430,450 | 18,774,871 |
| | | <u>239,903,829</u> | <u>588,397,500</u> |

17.1 This includes trade payables of Rs. 511 (31 December 2020: Rs. 2,271 million) payable to related party.

17.2 This includes Accrued markup of Rs. 5.86 million (31 December 2020: Rs. 1.70 million) payable to related party

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| 18. ACCRUED LIABILITIES | 31 December 2021 | 31 December 2020 |
|---------------------------------------|----------------------|---------------------|
| | ----- (Rupees) ----- | |
| Accrued salaries payable | 7,684,559 | 6,338,680 |
| Auditors Remuneration payable | 466,850 | 531,111 |
| Accrued Vehicle Running fuel & Repair | 433,280 | 286,336 |
| Other Payable | 3,641,813 | 977,998 |
| | <u>12,226,502</u> | <u>8,134,125</u> |

19. CONTINGENCIES AND COMMITMENTS

19.1 Contingencies

There are no contingencies as at 31 December 2021 (31 December 2020: Nil).

19.2 Commitments

19.2.1 Commitments for rentals under Diminishing Musharaka finance:

| | 31 December 2021 | 31 December 2020 |
|--|----------------------|---------------------|
| | ----- (Rupees) ----- | |
| Within one year | 1,850,301 | - |
| After one year but not later than five years | 9,906,201 | - |
| | <u>11,756,502</u> | <u>-</u> |

19.2.2 The above commitment represent Musharakah (Islamic lease) agreement entered into with First Habib Modaraba in respect of vehicles. Total Musharakah payments due under the agreements are Rs. 21.266 million. However advance payment of Rs. 8.506 million has already been paid and remaining dues will be paid through monthly installments latest by May 20, 2026.

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 2021 is Rs. 42.212 million (31 December 2020: Rs. 72.087 million)

19.3.2 For purchase of quoted securities under future contracts against counter commitments as at 31 December 2021 is Rs. 19.536 million (31 December 2020: Rs. 242.621 million).

20. BROKERAGE REVENUE - NET

| Note | 31 December 2021 | 31 December 2020 |
|-----------------------------------|----------------------|---------------------|
| | ----- (Rupees) ----- | |
| Brokerage revenue - gross | 141,630,307 | 108,060,429 |
| Less: Sales tax on services @ 13% | (16,293,752) | (14,047,856) |
| Net Revenue | <u>125,336,555</u> | <u>94,012,573</u> |

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 2021 | 31 December 2020 |
|-------------------------|------|----------------------|---------------------|
| | | ----- (Rupees) ----- | |
| Retail customers | | 68,725,910 | 47,921,970 |
| Institutional customers | 28 | 56,017,294 | 45,627,367 |
| Proprietary trade | 28 | 593,351 | 463,236 |
| | | <u>125,336,555</u> | <u>94,012,573</u> |

| | Note | 31 December 2021 | 31 December 2020 |
|---|------|----------------------|---------------------|
| | | ----- (Rupees) ----- | |
| 21. OTHER INCOME | | | |
| Profit on PSX exposure | | 6,161,193 | 422,461 |
| Interest on staff loans | | 12,440 | 3,132 |
| Gain on disposal of property and equipment | | 6,633,245 | 3,034,459 |
| Fee charged for clients' fund management | 21.1 | 7,285,429 | 5,507,379 |
| Income from Corporate briefing sessions (CBS) | | 550,000 | 500,000 |
| Profit on saving and deposit accounts | | 171,975 | 190,640 |
| | | <u>20,814,282</u> | <u>9,658,071</u> |

21.1 This represents interest income earned on clients' funds as per PSX Rulebook 4.18.1(a).

| | Note | 31 December 2021 | 31 December 2020 |
|--------------------------------------|------|----------------------|---------------------|
| | | ----- (Rupees) ----- | |
| 22. ADMINISTRATIVE EXPENSES | | | |
| Salaries and other benefits | 22.1 | 69,460,259 | 50,571,182 |
| Printing and stationery | | 230,381 | 277,188 |
| Auditors' remuneration | 22.2 | 566,325 | 471,615 |
| Rent, rates and taxes | | 2,676,400 | 2,181,750 |
| Vehicles running | | 4,811,180 | 3,193,197 |
| Utilities | | 2,927,238 | 1,703,888 |
| Legal and professional charges | | 1,435,999 | 1,126,904 |
| Insurance | | 1,338,697 | 1,282,660 |
| Newspapers and periodicals | | 60,631 | 66,264 |
| Entertainment | | 291,009 | 160,797 |
| Advertisement and business promotion | | 500,044 | 573,020 |
| Computer expenses | | 1,862,445 | 1,965,756 |
| Clearing house charges | | 11,416,371 | 8,314,048 |
| Office security | | 999,120 | 895,890 |
| Depreciation | 4. | 2,225,853 | 2,276,945 |
| Amortization | 5. | 275,077 | 875,245 |
| Repairs and maintenance | | 236,300 | 227,385 |
| Conveyance and travelling | | 1,950 | 261,813 |
| Communication | | 1,256,988 | 1,236,057 |
| Fee and subscription | | 5,733,728 | 7,629,721 |
| Lease rental of vehicles | | 1,430,781 | - |
| Office supplies | | 421,438 | 419,423 |
| Donations | | 3,000 | - |
| Others | | 722,390 | 586,028 |
| | | <u>110,883,603</u> | <u>86,296,776</u> |

22.1 This includes the Company's contribution to the defined contribution plan amounting to Rs. 2.982 million (31 December 2020: Rs. 2.361 million).

| | Note | 31 December 2021 | 31 December 2020 |
|--------------------------------------|------|----------------------|---------------------|
| | | ----- (Rupees) ----- | |
| 22.2 Auditors' remuneration | | | |
| Statutory audit fee | | 330,000 | 270,000 |
| Other certifications | | 150,000 | 162,000 |
| Out of pocket expenses and Sales Tax | | 86,325 | 39,615 |
| | | <u>566,325</u> | <u>471,615</u> |

| | | | |
|---------------------------------------|----|-------------------|------------------|
| 23. FINANCE COST | | | |
| Mark-up on short term running finance | 16 | 23,651,028 | 4,805,991 |
| Bank charges | | 315,764 | 163,235 |
| | | <u>23,966,792</u> | <u>4,969,226</u> |

| 24. INCOME TAX EXPENSE | Note | 31 December 2021 | 31 December 2020 |
|------------------------|------|----------------------|---------------------|
| | | ----- (Rupees) ----- | |
| Current | | 17,485,964 | 7,882,640 |
| Deferred | 7 | (851,257) | 2,280,436 |
| Prior year | 24.3 | (1,425,306) | (4,341,443) |
| | | <u>15,209,401</u> | <u>5,821,633</u> |

24.1 Relationship between income tax expense and accounting profit

| | | |
|---|-------------------|-------------------|
| Income tax expense | <u>15,209,401</u> | <u>5,821,633</u> |
| Accounting profit before income tax expense | <u>56,681,221</u> | <u>35,980,794</u> |
| Tax at the applicable tax rate of 29% (31 Dec 2020: 29%) | 16,437,554 | 10,434,430 |
| Income taxed at reduced rates on dividend and gain on disposal of investments | (3,856,025) | (1,052,614) |
| Income taxed at reduced rate on shares subscription income | (171,500) | (52,584) |
| Tax effect of inadmissible items | 4,224,678 | 833,844 |
| Tax effect of prior year tax charge | (1,425,306) | (4,341,443) |
| | <u>15,209,401</u> | <u>5,821,633</u> |

24.2 The income tax returns of the Company have been filed up to tax year 2021 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.

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

| | 31 December 2021 | 31 December 2020 |
|---|----------------------|---------------------|
| ----- (Rupees) ----- | | |
| 25. EARNINGS PER SHARE - BASIC AND DILUTED | | |
| Profit for the year | <u>41,471,820</u> | <u>30,159,161</u> |
| | ----- (Number) ----- | |
| Weighted average number of ordinary shares in issue during the year | <u>30,000,000</u> | <u>30,000,000</u> |
| | ----- (Rupees) ----- | |
| Earnings per share - basic and diluted | <u>1.382</u> | <u>1.005</u> |

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 2021 and 31 December 2020 which would have any effect on the earnings per share.

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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 2021 | | 31 December 2020 | |
|-------------------------------------|-------------------|-------------------|-------------------|-------------------|
| | Chief Executive | Executives | Chief Executive | Executives |
| | (Rupees) | | | |
| Managerial remuneration | 12,000,000 | 10,506,968 | 9,400,000 | 8,540,667 |
| Housing and utilities | 6,000,000 | 5,253,484 | 4,700,000 | 4,270,333 |
| Medical | 36,000 | 187,055 | 25,000 | 125,000 |
| Company's contribution to provident | 1,200,000 | 890,696 | 939,996 | 707,406 |
| Bonus | - | 1,958,503 | 1,766,667 | 918,666 |
| Commission & Others | - | 2,387,958 | - | 708,908 |
| | <u>19,236,000</u> | <u>21,184,674</u> | <u>16,831,663</u> | <u>15,270,980</u> |
| Number of persons | <u>1</u> | <u>5</u> | <u>1</u> | <u>5</u> |

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 fee 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 are as follows:

| | (Unaudited) | (Audited) |
|--------------------------------|------------------|--------------|
| | 31 December 2021 | 30 June 2021 |
| | (Rupees) | |
| Size of the fund | 58,791,001 | 64,074,593 |
| Cost of investments made | 58,688,807 | 63,249,211 |
| Percentage of investments made | 99.83% | 98.71% |
| Fair value of investments | 58,357,578 | 63,641,170 |

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

| | (Unaudited) | | (Audited) | |
|-----------------------|-------------------|--------------------------------------|-------------------|--------------------------------------|
| | 31 December 2021 | | 30 June 2021 | |
| | Investments | % of investments as size of the fund | Investments | % of investments as size of the fund |
| | (Rupees) | (Percentage) | (Rupees) | (Percentage) |
| Government securities | 45,392,136 | 77.21% | 44,782,217 | 69.89% |
| Listed securities | 9,820,720 | 16.70% | 10,601,575 | 16.55% |
| Debt Securities | 1,120,000 | 1.91% | 1,120,000 | 1.75% |
| Bank balances | 705,760 | 1.20% | 4,941,992 | 7.71% |
| Others | 1,318,962 | 2.24% | 2,195,386 | 3.43% |
| | <u>58,357,578</u> | <u>99.26%</u> | <u>63,641,170</u> | <u>99.32%</u> |

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.

| <u>Transactions for the year</u> | <u>Relationship</u> | 31 December 2021 | 31 December 2020 |
|---|--|----------------------|---------------------|
| | | ----- (Rupees) ----- | |
| Bank AL Habib Limited | Holding | | |
| - Equity brokerage commission | Company holds | 625,176 | 1,431,977 |
| - Mark-up expense on running finance | 66.67%(2020: | 21,879,922 | 4,345,218 |
| - Office rent | 66.67%) share | 2,640,000 | 2,100,000 |
| - Bank charges | capital | 209,479 | 94,216 |
| - Markup income on bank balances | | 67,007 | 39,074 |
| - Information technology services | | 750,000 | 750,000 |
| Total Mark up income on client account | | 15,274,429 | |
| Less: Transferred to clients | | <u>(8,852,293)</u> | |
| Balance mark up income on client account as per P&L | | 6,389,063 | 3,795,246 |
| Habib Insurance Company Limited | Associated | | |
| - Equity brokerage commission | company of Holding | 811,608 | 534,540 |
| - Insurance premium paid | Company 0%(2020:0%) | 423,553 | 541,750 |
| First Habib Stock Fund | Subsidiary | | |
| - Equity brokerage commission | company of Holding Company 0%(2020:0%) | 407,080 | 89,775 |
| Habib Sugar Mills Limited | Associated | | |
| - Equity brokerage commission | company of Holding Company 0%(2020:0%) | 488,512 | 809,924 |
| First Habib Asset Allocation Fund | Subsidiary | | |
| - Equity brokerage commission | company of Holding Company 0%(2020:0%) | 147,839 | 51,576 |
| First Habib Islamic Stock Fund | Subsidiary | | |
| - Equity brokerage commission | company of Holding Company 0%(2020:0%) | 386,284 | 86,856 |
| First Habib Income Fund | Subsidiary | | |
| - Equity brokerage commission | company of Holding Company 0%(2020:0%) | - | 40,868 |
| First Habib Islamic Income Fund | Subsidiary | | |
| - Equity brokerage commission | company of Holding Company 0%(2020:0%) | 347,938 | 163,472 |
| AL Habib Capital Markets (Private) Limited | | | |
| - Employees' Provident Fund | Other | | |
| - Equity brokerage commission | related party | 7,867 | 13,322 |
| Key management | | | |
| - Contribution to the defined contribution plan | | 2,090,696 | 1,547,402 |
| - Equity brokerage commission | Key management | 160,683 | 110,076 |
| - Advances | | 1,155,000 | 1,485,000 |

| <u>Balances at year end</u> | Relationship | 31 December 2021 | 31 December 2020 |
|--|------------------------------|----------------------|---------------------|
| | | ----- (Rupees) ----- | |
| Bank AL Habib Limited | | | |
| - Bank balances | Holding Company holds 66.87% | 85,573,925 | 462,458,208 |
| - Short term borrowing | (2020:66.87%) share capital | 464,009,043 | 201,369,661 |
| - Equity brokerage commission receivable | | 67,887 | 115,976 |
| - Accrued markup payable | | 5,861,825 | 1,701,493 |
| Associated Companies | | | |
| First Habib Stock Fund | Subsidiary company of | | |
| - Equity brokerage commission receivable | Holding Company | 416,329 | 126,810 |
| Habib Insurance Company Limited | Associated company of | | |
| - Equity brokerage commission receivable | Holding Company | - | - |
| - Equity payable | | 811 | 155,399 |
| Habib Sugar Mills Limited | Associated company of | | |
| - Equity payable | Holding Company | - | 2,116,509 |
| First Habib Asset Allocation Fund | Subsidiary company of | | |
| - Equity brokerage commission receivable | Holding Company | 137,406 | 74,423 |
| First Habib Islamic stock Fund | Subsidiary company of | | |
| - Equity brokerage commission receivable | Holding Company | 333,680 | 121,311 |
| First Habib Islamic Income Fund | Subsidiary company of | | |
| - Equity brokerage commission receivable | Holding Company | 70,482 | 184,723 |
| First Habib Income Fund | Subsidiary company of | | |
| - Equity brokerage commission receivable | Holding Company | - | 46,181 |
| AL Habib Capital Markets (Private) Limited - Staff Provident Fund | | | |
| - Equity brokerage commission receivable | | - | 36 |

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 2021 is the carrying amount of the financial assets as set out below:

| | Note | 31 December 2021 | 31 December 2020 |
|--------------------------------------|------|----------------------|---------------------|
| | | ----- (Rupees) ----- | |
| Long term advances and deposits | 6. | 10,236,602 | 1,499,696 |
| Trade receivables | 9. | 505,504,809 | 286,449,653 |
| Loans and advances - considered good | 10. | 373,030 | 243,212 |
| Short term deposits | 11. | 191,843,050 | 100,000,000 |
| Bank balances | 13. | 149,113,398 | 481,281,107 |
| | | <u>857,070,889</u> | <u>869,473,668</u> |

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

| | 31 December 2021 | | | Total |
|--|--------------------|----------|----------------|--------------------|
| | Carrying amount | | | |
| | Amount outstanding | Impaired | Provision held | |
| (Rupees) | | | | |
| Less than or equal to 5 days | 205,268,264 | - | - | 205,268,264 |
| More than 5 days but not more than 14 days | 148,590,943 | - | - | 148,590,943 |
| More than 14 days | | | | |
| - Due from clients against MTS | 80,133,414 | - | - | 80,133,414 |
| - Due from clients against MFS | 66,282,360 | - | - | 66,282,360 |
| - Due from clients against trading of securities | 5,229,828 | - | - | 5,229,828 |
| | <u>505,504,809</u> | | | <u>505,504,809</u> |
| | 31 December 2020 | | | Total |
| | Carrying amount | | | |
| | Amount outstanding | Impaired | Provision held | |
| (Rupees) | | | | |
| Less than or equal to 5 days | 268,573,277 | - | - | 268,573,277 |
| More than 5 days but not more than 14 days | 14,174,937 | - | - | 14,174,937 |
| More than 14 days | | | | |
| - Due from clients against MTS | - | - | - | - |
| - Due from clients against MFS | - | - | - | - |
| - Due from clients against trading of securities | 3,701,439 | - | - | 3,701,439 |
| | <u>286,449,653</u> | | | <u>286,449,653</u> |

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

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 2021 | |
|---------------------------------|---------------|-------------------|------------------|--------------------|----------------|
| | | | | (Rupees) | (%) |
| Bank AL Habib Limited | PACRA | A1+ | AAA | 85,573,925 | 57.4% |
| Askari Bank Limited | PACRA | A1+ | AA+ | 59,358,629 | 39.8% |
| United bank Limited | VIS | A1+ | AAA | 862,591 | 0.6% |
| Bank Alfalah Limited | PACRA | A1+ | AA+ | 1,303,605 | 0.9% |
| Habib Bank Limited | VIS | A1+ | AAA | 302,652 | 0.20% |
| Habib Metropolitan Bank Limited | PACRA | A1+ | AA+ | 814,069 | 0.55% |
| JS Bank Limited | PACRA | A1+ | AA- | 241,227 | 0.16% |
| MCB Islamic Bank Limited | PACRA | A1 | A | 6,045 | 0.00% |
| MCB Bank Limited | PACRA | A1+ | AAA | 650,654 | 0.44% |
| | | | | <u>149,113,397</u> | <u>100.00%</u> |
| | Rating Agency | Short term rating | Long term rating | 31 December 2020 | |
| | | | | (Rupees) | (%) |
| Bank AL Habib Limited | PACRA | A1+ | AA+ | 462,458,208 | 96.09% |
| United bank Limited | VIS | A1+ | AAA | 16,315,229 | 3.39% |
| Bank Alfalah Limited | VIS | A1+ | AA+ | 1,359,041 | 0.28% |
| Habib Bank Limited | VIS | A1+ | AAA | 659,485 | 0.14% |
| Habib Metropolitan Bank Limited | PACRA | A1+ | AA+ | 192,824 | 0.04% |
| JS Bank Limited | PACRA | A1+ | AA- | 228,103 | 0.05% |
| MCB Islamic Bank Limited | PACRA | A1 | A | 6,045 | 0.00% |
| MCB Bank Limited | PACRA | A1+ | AAA | 62,172 | 0.01% |
| | | | | <u>481,281,107</u> | <u>100.00%</u> |

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 2021 | | | | Total |
|--------------------------|----------------------|-------------------|--|--------------------|--------------------|
| | On demand | Upto three months | More than three months and upto one year | More than one year | |
| | ----- (Rupees) ----- | | | | |
| Trade and other payables | 239,903,829 | - | - | - | 239,903,829 |
| Accrued liabilities | 12,226,502 | - | - | - | 12,226,502 |
| Short term financing | 464,009,043 | - | - | - | 464,009,043 |
| | <u>716,139,374</u> | <u>-</u> | <u>-</u> | <u>-</u> | <u>716,139,374</u> |

| | 31 December 2020 | | | | Total |
|--------------------------|----------------------|-------------------|--|--------------------|--------------------|
| | On demand | Upto three months | More than three months and upto one year | More than one year | |
| | ----- (Rupees) ----- | | | | |
| Trade and other payables | 588,397,500 | - | - | - | 588,397,500 |
| Accrued liabilities | 8,134,125 | - | - | - | 8,134,125 |
| Short term financing | 229,231,261 | - | - | - | 229,231,261 |
| | <u>825,762,886</u> | <u>-</u> | <u>-</u> | <u>-</u> | <u>825,762,886</u> |

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.

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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:

| | 31 December | | Carrying amount | |
|---|----------------------------------|-----------------------------|------------------|------------------|
| | 2021 | 2020 | 31 December 2021 | 31 December 2020 |
| | (Percentage) | | (Rupees) | |
| Variable rate instruments | | | | |
| <i>Financial assets</i> | | | | |
| Bank balances | 7.25% to 7.50% | 5.25% to 5.75% | 146,737,720 | 460,126,842 |
| <i>Financial liabilities</i> | | | | |
| Short term financing | 3 Months average KIBOR + 1 to 2% | 3 Months average KIBOR + 1% | 464,009,043 | 229,231,264 |
| Fixed rate instruments | | | | |
| Deposits with National Clearing Company of Pakistan Limited | 5.16% to 7.50% | 4.75% to 10.75% | 193,243,050 | 101,400,000 |
| Staff loan | 9.25% | 8.00% | 151,514 | 43,701 |

Fair value sensitivity analysis for fixed rate instruments

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

Cash flow sensitivity analysis for variable rate instruments

A change of 100 basis points in interest rates at the reporting date would have increased / (decreased) equity and profit or loss by the amounts shown below. This analysis assumes that all other variables remain constant. The analysis is performed on the same basis for December 2021.

| | 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 2021 | | | | |
| Variable rate instruments | <u>(31,727,132)</u> | <u>31,727,132</u> | <u>(31,727,132)</u> | <u>31,727,132</u> |
| As at 31 December 2020 | | | | |
| Variable rate instruments | <u>25,089,558</u> | <u>(25,089,558)</u> | <u>25,089,558</u> | <u>(25,089,558)</u> |

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. 120,062 million (31 December 2020: Rs 96,612 million) at the statement of financial position date. The carrying value of investments subject to equity price risk are, in almost all instances, based on quoted market prices as of the reporting date. Market prices are subject to fluctuation. Fluctuation in the market price of a security may result from perceived changes in the underlying economic characteristics of the investee, the relative price of alternative investments and general market conditions.

In case of quoted equity investments, a 10% increase / decrease in share prices value at period end would have increased / decreased the other comprehensive income of the Company by increasing / decreasing surplus on revaluation of such investment by the amounts given below.

| | Fair value | Hypothetical price change | Estimated fair value after hypothetical change in price | Hypothetical increase / (decrease) in OCI | Hypothetical increase / (decrease) in P&L | Hypothetical increase / (decrease) in shareholders' equity |
|------------------|-------------|------------------------------|---|---|---|--|
| | (Rupees) | | | | | |
| 31 December 2021 | 120,062,488 | 10% increase 10% decrease | 132,068,737 108,056,239 | 8,666,911 (8,666,911) | 3,339,338 (3,339,338) | 12,006,249 (12,006,249) |
| 31 December 2020 | 96,612,972 | 10% increase 10% decrease | 106,274,269 86,951,675 | 9,661,297 (9,661,297) | - - | 9,661,297 (9,661,297) |

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

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 an arm's length transaction. The table below analyses financial instruments carried at fair value, by valuation method. The different levels (methods) have been defined as follows:

Level 1: Fair value measurements using quoted prices (unadjusted) in active markets for identical assets or liabilities.

Level 2: Fair value measurements using inputs other than quoted prices included within Level 1 that are observable for the asset or liability, either directly (i.e. as prices) or indirectly (i.e. derived from prices).

Level 3: Fair value measurements using inputs for the asset or liability that are not based on observable market data (i.e. unobservable inputs).

On balance sheet financial instruments

| Note | 31 December 2021 | | |
|--|--------------------|-------------------|----------|
| | Fair value | | |
| | Level 1 | Level 2 | Level 3 |
| | (Rupees) | | |
| Financial assets measured at fair value | | | |
| Short term investments - fair value through other comprehensive income | | | |
| - Listed shares | 86,669,108 | - | - |
| - Pakistan Investment Bonds | - | 71,535,142 | - |
| Short term investments - fair value through profit or loss | | | |
| - Listed shares | 33,393,380 | - | - |
| | <u>120,062,488</u> | <u>71,535,142</u> | <u>-</u> |

On balance sheet financial instruments

| | 31 December 2020 | | |
|--|-------------------|--------------------|----------|
| | Fair value | | |
| | Level 1 | Level 2 | Level 3 |
| | (Rupees) | | |
| Financial assets measured at fair value | | | |
| Short term investments - fair value through other comprehensive income | | | |
| - Listed shares | 29,5.1 96,612,972 | - | - |
| - Pakistan Investment Bonds | - | 159,676,252 | - |
| Short term investments - fair value through profit or loss | | | |
| - Listed shares | - | - | - |
| | <u>96,612,972</u> | <u>159,676,252</u> | <u>-</u> |

29.5.1 During the year these investment has been reclassified from long term to short term investment. Refer note 3.15.

29.5.2 There were no transfers amongst the levels during the year. Further, there were no changes in the valuation techniques during the year.

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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 regulation 19.2 of the Pakistan Stock Exchange Limited (PSX) rule book (the Regulations), every Trading Right Entitlement Certificate (TREC) holder registered as a broker under Securities Brokers (Licensing and Operations) Regulations, 2016 is required to maintain a Base Minimum Capital (BMC) in the amount and form as prescribed in the Regulations. As at 31 December 2021, the Company is required to maintain a BMC of Rs. 31 million plus 0.0833% of the amount exceeding Rs. 6,400 million.

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 2021 | 31 December 2020 |
|--|------|---------------------|---------------------|
| ----- (Rupees) ----- | | | |
| Trading Right Entitlement Certificates | 5 | - | 2,500,000 |
| Securitized 1,902,953 PSX shares at market rate after applying haircut | 8.3 | 18,315,923 | 19,741,234 |
| 76,778 Shares of PPL, 30,200 shares of ENGRO and 9,000 shares of APL and 12,000 shares of OGDC at market rate after applying haircut | 8.3 | 16,267,683 | 11,855,532 |
| | | <u>34,583,606</u> | <u>34,096,766</u> |

30.2 Statement of Net Capital Balance
As at December 31, 2021

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

(Excess of Current Assets over Current Liabilities determined in accordance with the third Schedule of the Securities and Exchange Rules 1971 and the clarifications/guidelines issued by Securities and Commission of Pakistan (SECP) dated 3 July 2013, 20 December 2013, 25 June 2015 and 8 September 2016.)

| DESCRIPTION | VALUATION BASIS | Sub Total | Total |
|---|--|--------------|--------------------|
| | | (Rupees) | |
| CURRENT ASSETS | | | |
| Cash in hand and bank balances | As per book value | 149,160,138 | |
| Less: adjustment to restrict corresponding clients wise trade payable (settlement base) | | (1,493,256) | 147,666,882 |
| Cash deposited as margin with National Clearing Company of Pakistan | | | 191,843,050 |
| Trade receivables | As per book value | 505,504,809 | |
| | Less: Overdue for more than 14 days | (5,229,828) | 500,274,981 |
| Investment in listed securities in the name of broker | At market value | 120,062,488 | |
| | Less: Securities in BMC | (44,321,821) | |
| | | 75,740,667 | |
| | Less: Securities in exposure list marked to market less 15% discount | (11,361,130) | 64,379,737 |
| Securities purchased for customers | Securities purchased for the client and held by the member where the payment has not been received within 14 days. | | 627,068 |
| Pakistan Investment Bond | At market value | 71,535,142 | |
| | Less: Haircut @5% | (3,576,757) | 67,958,385 |
| Total current assets | | | 972,750,103 |
| CURRENT LIABILITIES | | | |
| Trade payables | As per book value (trade base) | 230,416,912 | |
| | Less: Overdue for more than 30 days | (53,412,700) | 177,004,212 |
| Other liabilities | As per book value | | 539,135,163 |
| Total current liabilities | | | 716,139,375 |
| Net Capital Balance as at December 31, 2021 | | | <u>256,610,728</u> |
| Net Capital Balance as at December 31, 2020 | | | <u>237,275,123</u> |

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30.3 Statement of Liquid Capital Balance
As at 31 December 2021

| S. No. | Head of Account | Value in Pak Rupees | Hair Cut / Adjustments | Net Adjusted Value |
|------------------|--|---------------------|------------------------|--------------------|
| 1. Assets | | | | |
| 1.1 | Property & Equipment | 6,974,606 | 100.00% | - |
| 1.2 | Intangible Assets | 2,648,995 | 100.00% | - |
| 1.3 | Investment in Govt. Securities | 71,535,142 | - | 71,535,142 |
| 1.4 | Investment in Debt Securities | | | |
| | If listed than: | | | |
| | i. 5% of the balance sheet value in the case of tenure upto 1 year. | - | 5.00% | - |
| | ii. 7.5% of the balance sheet value, in the case of tenure from 1-3 years. | - | 7.50% | - |
| | iii. 10% of the balance sheet value, in the case of tenure of more than 3 years. | - | 10.00% | - |
| | If unlisted than: | | | |
| | i. 10% of the balance sheet value in the case of tenure upto 1 year. | - | 10.00% | - |
| | ii. 12.5% of the balance sheet value, in the case of tenure from 1-3 years. | - | 12.50% | - |
| | iii. 15% of the balance sheet value, in the case of tenure of more than 3 years. | - | 15.00% | - |
| 1.5 | Investment in Equity Securities | | | |
| | i. If listed 15% or VaR of each securities on the cutoff date as computed by the Securities Exchange for respective securities whichever is higher. | 120,062,488 | 20,242,918 | 99,819,570 |
| | ii. If unlisted, 100% of carrying value. | - | 100.00% | - |
| | iii. Subscription money against investment in IPO/offer for Sale: Amount paid as subscription money provided that shares have not been allotted or are not included in the investments of securities broker. | - | - | - |
| | iv. 100% Haircut shall be applied to Value of investment in any asset including shares of listed securities that are in Block, Freeze or Pledge status as on reporting date. (July 18, 2017) Provided that 100% haircut shall not be applied in case of investment in those securities which are Pledged in favor of Stock Exchange / Clearing House against Margin Financing requirements or pledged in favor of Banks against Short Term financing arrangements. In such cases, the haircut as provided in schedule III of the Regulations in respect of investment in securities shall be applicable (August 25, 2017) | - | 100.00% | - |
| 1.6 | Investment in subsidiaries | - | 100.00% | - |
| 1.7 | Investment in associated companies/undertaking | | | |
| | i. If listed 20% or VaR of each securities as computed by the Securities Exchange for respective securities whichever is higher. | - | - | - |
| | ii. If unlisted, 100% of net value. | - | 100.00% | - |
| 1.8 | Statutory or regulatory deposits/basic deposits with the exchanges, clearing house or central depository or any other entity. | 1,400,000 | 100.00% | - |
| 1.9 | Margin deposits with exchange and clearing house. | 191,843,050 | - | 191,843,050 |
| 1.10 | Deposit with authorized intermediary against borrowed securities under SLB. | - | - | - |
| 1.11 | Advance Tax, Other deposits and prepayments | 32,706,629 | 100.00% | - |
| 1.12 | Accrued interest, profit or mark-up on amounts placed with financial institutions or debt securities etc. | 2,810,959 | - | 2,810,959 |
| | 100% in respect of markup accrued on loans to directors, subsidiaries and other related parties | - | 100.00% | - |

| | | | | |
|------|--|---------------|------------|-------------|
| 1.13 | Dividends receivables. | - | - | - |
| 1.14 | Amounts receivable against Repo financing. Amount paid as purchaser under the REPO agreement. (<i>Securities purchased under repo arrangement shall not be included in the investments.</i>) | - | - | - |
| 1.15 | i. Short Term Loan To Employees: Loans are Secured and Due for repayment within 12 months | 151,514 | - | 151,514 |
| | i. Receivables other than trade receivables | 4,213,151 | 100.00% | - |
| 1.16 | Receivables from clearing house or securities exchange(s) 100% value of claims other than those on account of entitlements against trading of securities in all markets including MtM gains. | - | - | - |
| 1.17 | Receivables from customers | | | |
| | i. In case receivables are against margin financing, the aggregate of (i) value of securities held in the blocked account after applying VAR based Haircut, (ii) cash deposited as collateral by the financee (iii) market value of any securities deposited as collateral after applying VaR based haircut. <i>i. Lower of net balance sheet value or value determined through adjustments.</i> | 90,871,732 | 1,448,953 | 89,422,779 |
| | ii. In case receivables are against margin trading, 5% of the net balance sheet value. <i>ii. Net amount after deducting haircut</i> | 381,033,304 | 5.00% | 342,981,639 |
| | iii. In case receivables are against securities borrowings under SLB, the amount paid to NCCPL as collateral upon entering into contract. <i>iii. Net amount after deducting haircut</i> | - | - | - |
| | iv. In case of other trade receivables not more than 5 days overdue, 0% of the net balance sheet value. <i>iv. Balance sheet value</i> | 46,763,032 | - | 46,763,032 |
| | v. In case of other trade receivables are overdue, or 5 days or more, the aggregate of (i) the market value of securities purchased for customers and held in sub-accounts after applying VAR based haircuts (ii) cash deposited as collateral by the respective customer and (iii) the market value of securities held as collateral after applying VaR based haircuts. <i>v. Lower of net balance sheet value or value determined through adjustments</i> | 5,810,957 | 4,991,872 | 819,285 |
| | vi. <i>100% haircut in the case of amount receivable from related parties.</i> | 1,025,784 | 100.00% | - |
| 1.18 | Cash and Bank balances | | | |
| | i. Bank Balance-proprietary accounts | 3,291,500 | - | 3,291,500 |
| | ii. Bank balance-customer accounts | 145,821,896 | - | 145,821,896 |
| | iii. Cash in hand | 46,740 | - | 46,740 |
| 1.19 | Total Assets | 1,089,011,680 | 26,683,543 | 995,307,108 |

2. Liabilities

| | | | | |
|-----|---|-------------|---|-------------|
| 2.1 | Trade Payables | | | |
| | i. Payable to exchanges and clearing house | - | - | - |
| | ii. Payable against leveraged market products | - | - | - |
| | iii. Payable to customers | 230,416,912 | - | 230,416,912 |
| 2.2 | Current Liabilities | | | |
| | i. Statutory and regulatory dues | - | - | - |
| | ii. Accruals and other payables | 21,713,420 | - | 21,713,420 |
| | iii. Short-term borrowings | 464,009,043 | - | 464,009,043 |
| | iv. Current portion of subordinated loans | - | - | - |
| | v. Current portion of long term liabilities | - | - | - |
| | vi. Deferred Liabilities | - | - | - |
| | vii. Provision for bad debts | - | - | - |
| | viii. Provision for taxation | - | - | - |
| | ix. Other liabilities as per accounting principles and included in the financial statements | - | - | - |

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| | | | | |
|-----|--|-------------|---|-------------|
| 2.3 | Non-Current Liabilities | | | |
| | i. Long-Term financing | - | - | - |
| | a. Long-Term financing obtained from financial institution; Long term portion of financing obtained from a financial institution including amount due against finance lease | - | - | - |
| | b. Other long-term financing | - | - | - |
| | ii. Staff retirement benefits | - | - | - |
| | iii. Advance against shares for increase in Capital of Securities broker: 100% haircut may be allowed in respect of advance against shares if: a. The existing authorized share capital allows the proposed enhanced share capital b. Board of Directors of the company has approved the increase in capital c. Relevant Regulatory approvals have been obtained d. There is no unreasonable delay in issue of shares against advance and all regulatory requirements relating to the increase in paid up capital have been completed. e. Auditor is satisfied that such advance is against the increase of capital | - | - | - |
| | iv. Other liabilities as per accounting principles and included in the financial statements | - | - | - |
| 2.4 | Subordinated Loans | | | |
| | i. 100% of Subordinated loans which fulfill the conditions specified by SECP are allowed to be deducted: The Schedule III provides that 100% haircut will be allowed against subordinated Loans which fulfill the conditions specified by SECP. In this regard, following conditions are specified: a. Loan agreement must be executed on stamp paper and must clearly reflect the amount to be repaid after 12 months of reporting period b. No haircut will be allowed against short term portion which is repayable within next 12 months. c. In case of early repayment of loan, adjustment shall be made to the Liquid Capital and revised Liquid Capital statement must be submitted to exchange | - | - | - |
| | ii. Subordinated loans which do not fulfill the conditions specified by SECP | - | - | - |
| 2.5 | Total Liabilities | 716,139,375 | - | 716,139,375 |

3. Ranking Liabilities Relating to :

| | | | | |
|-----|---|---|------------|------------|
| 3.1 | Concentration in Margin Financing The amount calculated client-to-client basis, by which any amount receivable from any of the financees exceed 10% of the aggregate of amounts receivable from total financees. | - | 81,231,107 | 81,231,107 |
| 3.2 | Concentration in securities lending and borrowing The amount by which the aggregate of: (i) Amount deposited by the borrower with NCCPL (ii) Cash margins paid and (iii) The market value of securities pledged as margins exceed the 110% of the market value of shares borrowed | - | - | - |
| 3.3 | Net underwriting Commitments (a) in the case of right issue : if the market value of securities is less than or equal to the subscription price; the aggregate of (i) the 50% of Haircut multiplied by the underwriting commitments and (ii) the value by which the underwriting commitments exceeds the market price of the securities. In the case of rights issue where the market price of securities is greater than the subscription price, 5% of the Haircut multiplied by the net underwriting (b) in any other case : 12.5% of the net underwriting commitments | - | - | - |

| | | | | |
|------|---|-------------|--------------|-------------|
| 3.4 | Negative equity of subsidiary | | | |
| | The amount by which the total assets of the subsidiary (excluding any amount due from the subsidiary) exceed the total liabilities of the subsidiary | - | - | - |
| 3.5 | Foreign exchange agreements and foreign currency positions | | | |
| | 5% of the net position in foreign currency. Net position in foreign currency means the difference of total assets denominated in foreign currency less total liabilities denominated in foreign currency. | - | - | - |
| 3.6 | Amount Payable under REPO | - | - | - |
| 3.7 | Repo adjustment | | | |
| | In the case of financier/purchaser the total amount receivable under Repo less the 110% of the market value of underlying securities. In the case of financee/seller the market value of underlying securities after applying haircut less the total amount received, less value of any securities deposited as collateral by the purchaser after applying haircut less any cash deposited by the purchaser. | - | - | - |
| 3.8 | Concentrated proprietary positions | | | |
| | If the market value of any security is between 25% and 51% of the total proprietary positions then 5% of the value of such security. If the market of a security exceeds 51% of the proprietary position, then 10% of the value of such security | - | - | - |
| 3.9 | Opening Positions in futures and options | | | |
| | i. In case of customer positions, the total margin requirements in respect of open positions less the amount of cash deposited by the customer and the value of securities held as collateral/pledged with securities exchange after applying VaR haircuts | - | - | - |
| | ii. In case of proprietary positions, the total margin requirements in respect of open positions to the extent not already met | - | - | - |
| 3.10 | Short sell positions | | | |
| | i. In case of customer positions, the market value of shares sold short in ready market on behalf of customers after increasing the same with the VaR based haircuts less the cash deposited by the customer as collateral and the value of securities held as collateral after applying VAR based Haircuts | - | - | - |
| | ii. In case of proprietary positions, the market value of shares sold short in ready market and not yet settled increased by the amount of VAR based haircut less the value of securities pledged as collateral after applying haircuts. | - | - | - |
| 3.11 | Total Ranking Liabilities | - | 81,231,107 | 81,231,107 |
| | Liquid capital balance as at 31 December 2021 | 372,872,305 | (54,547,564) | 197,936,626 |
| | Liquid capital balance as at 31 December 2020 | 344,405,756 | 8,418,005 | 247,716,289 |

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30.4 Broker Management Rating and Broker Fiduciary Rating

The Pakistan Credit Rating Agency (PACRA) has granted below mention credit ratings to the Company.

| Rating Type | Rating | Outlook |
|-------------|--------|---------|
| BMR | BMR2+ | Stable |
| BFR | BFR2+ | Stable |

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

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

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

During the period, the personnel employed in the Research Department have drawn an aggregate salary and benefits amounting to Rs.5,680 million (31 December 2020: 3,480 million) which comprise basic salary, medical allowance and other benefits as per the Company's policy.

| 32. NUMBER OF EMPLOYEES | 31 December 2021 | 31 December 2020 |
|--|----------------------|---------------------|
| | ----- (Number) ----- | |
| The details of number of employees are as follows: | | |
| Average number of employees during the year | <u>27</u> | <u>26</u> |
| Number of employees as at year end | <u>28</u> | <u>25</u> |

33. AUTHORISATION OF FINANCIAL STATEMENTS

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

15 MAR 2022


Chairman


Chief Executive