KPMG

KPMG Taseer Hadi & Co.
Chartered Accountants

Habib Metropolitan Financial Services Limited

Financial Statements
For the year ended
31 December 2019

KPMG Taseer Hadi & Co.
Chartered Accountants
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INDEPENDENT AUDITORS' REPORT

To the Members of Habib Metropolitan Financial Services Limited

Report on the Audit of the Financial Statements

Opinion

We have audited the annexed financial statements of **Habib Metropolitan Financial Services Limited** ("the Company"), which comprise the statement of financial position as at 31 December 2019, and the statement of profit or loss and other comprehensive income, the statement of changes in equity, the cash flow statement 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 changes in equity and the cash flow statement 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 2019 and of the profit and other comprehensive income, the changes in equity and its cash flows 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 Auditor's Responsibilities for the Audit of the Financial Statements section of our report. We are independent of the Company in accordance with the International Ethics Standards Board for Accountants' Code of Ethics for Professional Accountants as adopted by the Institute of Chartered Accountants of Pakistan (the Code) and we have fulfilled our other ethical responsibilities in accordance with the Code. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Responsibilities of Management and Board of Directors for the Financial Statements

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

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

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

Auditor's Responsibilities for the Audit of the Financial Statements

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

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

- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.

- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Company's internal control.

- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by management.

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

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

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

Report on Other Legal and Regulatory Requirements

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

a) proper books of account have been kept by the Company as required by the Companies Act, 2017 (XIX of 2017);

b) the statement of financial position, the statement of profit or loss and other comprehensive income, the statement of changes in equity and the cash flow statement 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.

KPMG Taseer Hadi & Co.

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

KPMG Taseer Hadi & Co.

Date: 30 June 2020

Karachi

KPMG Taseer Hadi & Co.
Chartered Accountants

Habib Metropolitan Financial Services Limited
Statement of Financial Position
As at 31 December 2019

	Note	31 December 2019	31 December 2018
		(Rupees)	
ASSETS			
Non-current assets			
Property and equipment	6	**6,602,881**	1,111,166
Intangible assets	7	**69,419**	121,367
Long term investment	8	**20,004,853**	21,752,072
Deferred tax asset - net	9	**-**	709,905
		26,677,153	23,694,510
Current assets			
Receivables from customers	10	**41,819,575**	96,976,139
Loans to employees	11	**2,422,201**	1,643,918
Deposits and prepayments	12	**78,953,763**	199,902,962
Short term investments	13	**98,444,913**	98,390,363
Accrued profit	15	**1,278,170**	1,039,497
Other receivables	16	**288,438**	478,747
Advance taxation - net		**31,628,484**	19,640,274
Cash and bank balances	17	**182,534,977**	63,110,163
		437,370,521	481,182,063
Total assets		**464,047,674**	504,876,573
EQUITY AND LIABILITIES			
Share capital and reserves			
Authorised capital			
30,000,000 (31 December 2018: 30,000,000) ordinary shares of Rs. 10 each		**300,000,000**	300,000,000
Issued, subscribed and paid up share capital			
30,000,000 (31 December 2018: 30,000,000) ordinary shares of Rs. 10 each fully paid in cash	18	**300,000,000**	300,000,000
Unappropriated profit		**16,457,855**	12,499,193
Surplus on revaluation of investments - net of tax	14	**6,095,254**	7,839,630
		322,553,109	320,338,823
Non-current liabilities			
Deferred tax liability - net	9	**214,435**	-
Current liabilities			
Trade and other payables	19	**141,280,130**	152,666,218
Short term borrowing	20	**-**	31,871,532
Total equity and liabilities		**464,047,674**	504,876,573
CONTINGENCIES AND COMMITMENTS	21		

The annexed notes 1 to 36 form an integral part of these financial statements.

Manzar Mushtaq

Chief Executive Officer **Director**

Habib Metropolitan Financial Services Limited
Statement of Profit or Loss
For the year ended 31 December 2019

	Note	2019	2018
		(Rupees)	
Brokerage income	22	**29,932,870**	30,211,446
Income from investments			
- Mark-up on treasury bills		**11,288,584**	6,280,424
- Dividend income on the shares of Pakistan Stock Exchange Limited		**-**	80,148
		11,288,584	6,360,572
Administrative expenses	23	**(51,528,108)**	(55,458,582)
Finance cost	24	**(1,426,783)**	(473,149)
Provision for Workers' Welfare Fund		**(65,012)**	-
Provision against financial assets - net	10.2	**(2,742,333)**	1,478
		(55,762,236)	(55,930,253)
Other income	25	**14,739,946**	7,682,451
Profit before taxation		**199,164**	(11,675,784)
Provision for taxation			
- Current		**(1,967,084)**	(4,873,645)
- Deferred		**(921,255)**	707,709
- Prior year		**6,647,837**	-
		3,759,498	(4,165,936)
Net profit for the period		**3,958,662**	(15,841,720)
Earning / (loss) per share - basic and diluted	27	**0.13**	(0.53)

The annexed notes 1 to 36 form an integral part of these financial statements.

Manzar Mushtaq

Chief Executive Officer

Director

Habib Metropolitan Financial Services Limited
Statement of Comprehensive Income
For the year ended 31 December 2019

	Note	2019	2018
		(Rupees)	
Net profit for the period		**3,958,662**	(15,841,720)
Other comprehensive income:			
Items to be reclassified to profit or loss in subsequent periods			
- Surplus on revaluation of debt investments carried at fair value	14	**5,928**	-
- Related deferred tax	9	**(3,085)**	-
		2,843	-
- Deficit on revaluation of equity shares investments carried at fair value		-	(14,172,759)
Items not to be reclassified to profit or loss in subsequent periods			
- Deficit on revaluation of equity shares investments carried at fair value	8	**(1,747,219)**	-
Total comprehensive income for the period		**2,214,286**	(30,014,479)

The annexed notes 1 to 36 form an integral part of these financial statements.

Manzar Mushtaq
Chief Executive Officer

Director

Habib Metropolitan Financial Services Limited
Statement of Changes in Equity
For the year ended 31 December 2019

	Issued, subscribed and paid up capital	Unappropriated profit	Surplus on revaluation of investments	Total
	(Rupees)			
Balance as at 1 January 2018	300,000,000	28,340,913	22,012,389	350,353,302
Total comprehensive income for the period				
Net loss for the year ended 31 December 2018	-	(15,841,720)	-	(15,841,720)
Other Comprehensive Income - Deficit on revaluation of investments - net of tax	-	-	(14,172,759)	(14,172,759)
	-	(15,841,720)	(14,172,759)	(30,014,479)
Balance as at 31 December 2018	300,000,000	12,499,193	7,839,630	320,338,823
Total comprehensive income for the period				
Net profit for the year ended 31 December 2019	-	**3,958,662**	-	**3,958,662**
Other Comprehensive Income - Deficit on revaluation of investments - net of tax	-	-	**(1,744,376)**	**(1,744,376)**
	-	**3,958,662**	**(1,744,376)**	**2,214,286**
Balance as at 31 December 2019	**300,000,000**	**16,457,855**	**6,095,254**	**322,553,109**

The annexed notes 1 to 36 form an integral part of these financial statements.

Manzar Mushtaq

Chief Executive Officer

Director

Habib Metropolitan Financial Services Limited
Statement of Cash Flow
For the year ended 31 December 2019

	31 December 2019	31 December 2018
	(Rupees)	
Cash flows from operating activities		
Profit / (loss) for the year before taxation	199,164	(11,675,784)
Adjustments for:		
Mark-up on bank accounts	(4,777,115)	(1,559,973)
Mark-up on treasury bills	(11,288,584)	(6,280,424)
Mark-up on NCCPL exposure	(9,941,444)	(5,747,730)
Dividend income	-	(80,148)
Increase in provision against financial assets	2,742,333	-
Provision for Sindh Workers' Welfare Fund	65,012	-
Finance cost	1,426,783	473,149
Depreciation	1,350,259	389,497
Amortization	51,948	30,570
Loss before working capital changes	(20,370,808)	(12,775,059)
Decrease / (increase) in current assets		
Receivable from customers	52,414,232	17,976,797
Loans and advances	(778,283)	(289,588)
Deposits and prepayments	120,949,199	(89,295,020)
Accrued profit	(238,673)	(309,964)
Other receivables	190,309	5,008,408
	172,536,784	(66,909,367)
(Decrease) / increase in current liabilities		
Trade and other payables	(16,769,447)	30,190,512
	135,595,693	(61,169,698)
Mark-up received on bank account	4,084,899	1,713,440
Mark-up received on NCCPL exposure	9,057,654	5,747,730
Finance cost paid	(722,315)	(473,149)
Income tax paid	(7,307,139)	(8,798,615)
	5,113,099	(1,810,593)
Net cash flows from operating activities	140,708,792	(62,980,291)
Cash flows from investing activities		
Proceeds from the maturity of investments	400,000,000	300,000,000
Purchase of investments - net	(388,745,400)	(294,435,600)
Dividend received	-	80,148
Property and equipment acquired during the period	641,660	(306,804)
Intangible acquired during the year	-	(114,075)
Net cash flows from investing activities	11,896,260	5,223,669
Cash flows from financing activities		
Repayment of lease obligation against right of use assets	(1,308,706)	-
Dividend paid	-	(60,000,000)
Net cash flows from financing activities	(1,308,706)	(60,000,000)
Net increase in cash and cash equivalent	151,296,346	(117,756,623)
Cash and cash equivalent at beginning of the period	31,238,631	148,995,254
Cash and cash equivalent at end of the period	182,534,977	31,238,631
CASH AND CASH EQUIVALENTS		
Cash and bank balances	182,534,977	63,110,163
Short term borrowings	-	(31,871,532)
	182,534,977	31,238,631

The annexed notes 1 to 36 form an integral part of these financial statements.

Chief Executive Officer

Director

1 STATUS AND NATURE OF BUSINESS

Habib Metropolitan Financial Services Limited (the Company) was incorporated in Pakistan on 28 September 2007 as a public limited company under the repealed Companies Ordinance, 1984 (Now Companies Act, 2017). The Company is a wholly owned subsidiary of Habib Metropolitan Bank Limited (the Holding Company). Ultimate holding company is Habib Bank AG Zurich, based in Switzerland. The Company is engaged in the business of stock brokerage. The Company holds a Trading Rights Entitlement (TRE) Certificate from Pakistan Stock Exchange Limited (PSX). The registered office of the Company is located at 1st Floor, GPC 2, Block 5, Khekashan Clifton, Karachi. The Company commenced its operations on 06 March 2008.

2 BASIS OF PREPARATION

2.1 Statement of compliance

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

- International Financial Reporting Standards (IFRS) issued by the International Accounting Standard Board (IASB) as notified under the Companies Act, 2017; and
- Provisions of and directives issued under the Companies Act, 2017.

Wherever the requirements of Companies Act, 2017 or directives issued by the SECP differ with the requirements of IFRS, the requirements of the Companies Act, 2017 and said directives shall prevail.

2.2 Basis of measurement

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

2.3 Functional and presentation currency

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

2.4 Use of estimates and judgment

The preparation of the financial statements in conformity with approved accounting standards, as applicable in Pakistan, requires management to make judgments, estimates and assumptions that affect the application of accounting policies and the reported amounts of assets, liabilities, income and expenses. Actual results may differ from these estimates.

Estimates, assumptions and judgment are continually evaluated and are based on historical experience and other factors, including reasonable expectations of future events. Revision to accounting estimates are recognised prospectively commencing from the period of revision. Areas where judgements and estimates made by the management that may have a significant effect on the amounts recognised in the financial statements are included in the following notes.

- Useful lives of property and equipments (Note 4.1& 6)
- Useful lives of intangible assets (Note 4.2 & 7)
- Provision for impairment of receivable from customers and other receivables (Note 4.3.2 & 10)
- Valuation and impairment of investments (Note 4.3.3)
- Provision for compensated absences (Note 4.5)
- Income Tax (Note 4.8)
- Provision for impairment of financial and non-financial assets (Note 4.6)

3 CHANGES IN ACCOUNTING POLICIES

3.1 The company has initially adopted IFRS 15 'Revenue from Contracts with Customers', IFRS 16 'Leases' and IFRS 9 "Financial Assets and Liabilities' from 1 January 2019. The impact of the adoption of these standards and the new accounting policies are disclosed in notes below:

3.2 Adoption of International Financial Reporting Standards (IFRS) 15 'Revenue from Contracts with Customers'

IFRS 15 replaced IAS 18 Revenue, IAS 11 Construction Contracts and related interpretations. The Company has applied the modified retrospective method upon adoption of IFRS 15 allowed under the Standard. This method requires the recognition of the cumulative effect (without practical expedients) of initially applying IFRS 15 to retained earnings. Accordingly, the information presented for 2018 has not been restated i.e. it is presented, as previously under IAS 18 and related interpretations.

The Company is engaged in the business of brokerage and earns brokerage commission on buying and selling of securities on behalf of the customers. Management has concluded that revenue from brokerage is to be recognised at the point in time when control of the asset bought/sold for the customer is transferred to the customer which generally occurs on the trade date, because that is when the underlying financial instrument (for a purchaser or seller) is identified and the pricing is agreed upon (i.e., the Company has identified the counterparty and enters into the contract on behalf of the customer). On the trade date the customer obtains the control of service as it can direct the use of, and obtain substantially all of the remaining benefits from, the asset that comes from the trade execution service.

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

Apart from providing more extensive disclosures, the application of IFRS 15 has not had a significant impact on the financial position and / or financial performance of the Company for the reasons described above. Accordingly, there was no adjustment to retained earnings on application of IFRS 15 at 1 January 2019.

3.3 Adoption of International Financial Reporting Standards (IFRS) 16 - 'Leases'

3.3.1 On 1 January 2019, the Company adopted IFRS 16 Leases. This IFRS has introduced a single lease accounting model and requires a lessee to recognize assets and liabilities for all leases with a term of more than 12 months, unless the underlying asset is of low value. A lessee is required to recognize a right of use asset representing its right to use the underlying leased asset and a lease liability representing its obligation to make lease payments. IFRS 16 substantially carries forward the lessor accounting requirements in IAS 17 - Leases. Accordingly, a lessor continues to classify its leases as operating leases or finance leases, and to account for these two types of leases differently.

The impact of IFRS 16 on the Company is primarily where the Company is a lessee in property lease contracts. The Company has elected to adopt simplified approach on transition and has not restated comparative information. On 1 January 2019, the Company recognized a lease liability, being the remaining lease payments, including extension options where renewal is reasonably certain, discounted using the Company's incremental borrowing rate at the date of initial application. The corresponding right of use asset recognized is the amount of the lease liability adjusted by prepaid or accrued lease payments related to those leases. The balance sheet increase as a result of the recognition of lease liability and right-to-use assets as of 1 January 2019 was Rs. 6.2 million with no adjustment to retained earnings. The asset is presented in 'Property and Equipment' and the liability is presented in 'Trade and Other Payables'. Also in relation to those leases under IFRS 16, the Company has recognized depreciation and interest costs, instead of operating lease expenses.

Up to 31 December 2018, assets held under property leases, not equivalent to ownership rights, were classified as operating leases and were not recognized as asset in the statement of financial position. Payments or accruals under operating leases were recognised in statement of profit or loss on a straight line basis over term of the lease.

The effect of this change in accounting policy is as follows:	31 December 2019 (Rupees)
Impact on Statement of Financial Position	
Increase in fixed assets - right of use assets	5,314,554
Increase in other assets - taxation	-
	5,314,554
Increase in other liabilities - lease liability against right of use assets	5,596,076
Decrease in net assets	281,521
Impact on Statement of Profit or Loss	
Increase in mark-up expense - lease liability against right of use assets	704,468
Increase / (decrease) in administrative expenses:	
Depreciation on right of use assets	885,759
Rent expense	(1,308,706)
Decrease in loss before tax	281,521
Effect on income tax	-
Decrease in loss after tax	281,521

3.3.2 In view of the application of above IFRS, the Company's accounting policy for right of use assets and its related lease liability is as follow:

A contract is, or contains a lease if the contract conveys a right to control the use of an identified asset for a period of time in exchange for consideration. The Company mainly leases property for its operations. The Company recognizes a right of use asset and lease liability at the lease commencement date. The right of use asset is initially measured at cost, and subsequently at cost less any accumulated depreciation and impairment losses, and adjusted for certain remeaursements of the lease liability. The right of use asset is depreciated using the straight line method from the commencement date to the earlier of end of the useful life of right of use asset or end of the lease term. The estimated useful lives of assets are determined on the same basis as that for owned assets. In addition, the right of use asset is periodically reduced by impairment losses, if any.

The lease liability is initially measured at the present value of the lease payments that are not paid at the commencement date, discounted using the interest rate implicit in the lease or, if that rate cannot be readily determined, the Company's incremental borrowing rate. The lease liability is subsequently increased by the interest cost on the lease liability and decreased by lease payments made. It is re-measured when there is a change in future lease payments arising from a change in an index or rate, a change in assessment of whether extension option is reasonably certain to be exercised or a termination option is reasonably certain not to be exercised.

3.4 Adoption of International Financial Reporting Standards (IFRS) 9 - Financial Instruments

IFRS 9 replaces the provisions of IAS 39 'Financial Instruments: Recognition and Measurement' that relates to the recognition, classification and measurement of financial assets and financial liabilities, derecognition of financial instruments, impairment of financial assets and hedge accounting. Details of the new significant accounting policy adopted and the nature and effect of the changes to previous accounting policies are set out below:

i. Classification and measurement of financial assets and financial liabilities

IFRS 9 largely retains the existing requirements in IAS 39 for the classification and measurement of financial liabilities. However, it eliminates the previous IAS 39 categories for financial assets of held to maturity, loans and receivables, held for trading and available for sale. IFRS 9, classifies financial assets in the following three categories:

- fair value through other comprehensive income (FVOCI);
- fair value through profit or loss (FVTPL); and
- measured at amortized cost.

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

- The determination of business model within which a financial asset is held; and
- The designation and revocation of previous designation of certain financial assets as measured at FVTPL.

A financial asset is measured at amortized cost if it meets both of the following conditions and is not designated as at fair value through profit or loss:

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

At present the Company do not have any financial asset carried at fair value through profit or loss. Accordingly the accounting policy relating to financial asset at amortized cost and fair value through OCI is as follows:

Financial asset at amortized cost is initially measured at fair value plus, transaction cost that is directly attributable to its acquisition and 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. Any gain on derecognition is recognised in profit or loss.

Financial asset carried at fair value through OCI are initially recognized at fair value of consideration given, and subsequently any movement is recognised directly in equity. Gains or losses on revaluation of investments carried at FVOCI are recognised directly in equity. Subsequently the gain or loss arising from disposal is not recycled to profit and loss statement and is transfered to retained earnings.

The adoption of IFRS 9 did not have a significant effect on the Company's accounting policies related to financial liabilities.

ii Impacts of change in classification and measurement of financial assets and financial liabilities due to adoption of IFRS 9

The following table explain the original measurement categories under IAS 39 and the new measurement categories under IFRS 9 for each class of the Company's financial assets as at 1 January 2020:

	Original classification under IAS 39	New classification under IFRS 9	Original Carrying Amount	New Carrying Amount
			(Rupees)	
Financial assets				
Deposits	Loans and receivables	Amortized cost	199,640,390	199,640,390
Accrued Profit	Loans and receivables	Amortized cost	1,039,497	1,039,497
Loans to employees	Loans and receivables	Amortized cost	1,643,918	1,643,918
Trade receivables	Loans and receivables	Amortized cost	90,262,600	90,262,600
Other receivables	Loans and receivables	Amortized cost	478,747	478,747
Long term investment	Available for sale	FVOCI	21,752,072	21,752,072
Short term investments	Available for sale	FVOCI	98,390,363	98,390,363
Cash and bank balances	Loans and receivables	Amortized cost	63,110,163	63,110,163
Receivable from NCCPL	Loans and receivables	Amortized cost	6,713,539	6,713,539
			483,031,289	483,031,289

iii Impairment of financial assets

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 asset in the scope of IFRS 9. The new impairment model applies to financial assets measured at amortized cost, contract assets and debt investments at FVOCI, but not to investments in equity instruments.

The Company has applied the IFRS 9 simplified approach to measuring expected credit losses which uses a lifetime expected loss allowance for all trade and other receivables. . Trade and other receivables are written off when there is no reasonable expectation of recovery. Management has used actual credit loss experience over past years to base the calculation of ECL on the adoption of IFRS 9.Given the Company's experience of collection history and no historical loss rates/ bad debts and normal receivable aging, the move from an incurred loss model to an expected loss model has no impact on the financial position and/ or financial performance of the Company.

iv **Transition**

The change in accounting policy resulting from the adoption of IFRS 9 have been applied retrospectively except that comparative years have not generally been restated. However, there is no impact of the change in accounting policy on these statement of financial position except for the classification of assets and liabilities of the comparative year.

4 ACCOUNTING POLICIES

The significant accounting policies have been applied consistently to all periods presented in these financial statements as set out below except for the changes mentioned in note 3 to these financial statements:

4.1 Property and equipment

Owned

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

Depreciation is charged on a straight line basis over the estimated useful life of the asset at the rates specified in note 6. Depreciation on additions is charged from the date of addition. In case of disposals during the year, the depreciation is charged up till the date of disposal.

Subsequent costs are included in the asset's carrying amount only when it is probable that future economic benefits associated with the item will flow to the entity and the cost of the item can be measured reliably. All other repairs and maintenance are charged to statement of Profit or Loss.

An item of Property and Equipment is derecognised upon disposal or when no future economic benefits are expected from its use or disposal. Any gain or loss arising on derecognition of asset is recognised in the statement of Profit or Loss in the year the asset is derecognised. The residual values, useful lives and depreciation methods are reviewed and changes, if any, are treated as change in accounting estimates at each balance sheet date.

Right of Use asset

A contract is, or contains a lease if the contract conveys a right to control the use of an identified asset for a period of time in exchange for consideration. The Company mainly leases property for its operations. The Company recognizes a right of use asset and lease liability at the lease commencement date. The right of use asset is initially measured at cost, and subsequently at cost less any accumulated depreciation and impairment losses, and adjusted for certain remeaursements of the lease liability. The right of use asset is depreciated using the straight line method from the commencement date to the earlier of end of the useful life of right of use asset or end of the lease term. The estimated useful lives of assets are determined on the same basis as that for owned assets. In addition, the right of use asset is periodically reduced by impairment losses, if any.

4.2 Intangible assets

These represent computer softwares and Trading Rights Entitlement (TRE) Certificate.

Computer softwares are recognised in the financial statements, if and only if, it is probable that the future economic benefits that are attributable to the assets will flow to the Company; and the cost of the intangible asset 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 statement of Profit or Loss for the year on a straight line basis at the rates specified in note 7. The amortization period and the amortization method for intangible assets with finite useful life are reviewed, and adjusted if appropriate, at each balance sheet date.

TRE Certificate is carried at nil value.

4.3 Financial Instruments

4.3.1 Non-derivative financial assets

Financial assets are initially recognised at the time when the Company becomes a party to the contractual provision of the instrument.

Financial assets currently comprising of the assets 'measured at ammortised cost', are initially measured at fair value plus, transaction costs that are directly attributable to its acquisition. These assets are subsequently measured at amortized cost using the effective interest method. The amortized cost is reduced by impairment losses. Interest/ markup income, foreign exchange gains and losses and impairment are recognized in the statement of profit or loss.

Financial assets are derecognized when the rights to receive cash flows from the financial assets have expired or have been transferred and the Company has transferred substantially all risks and rewards of ownership.

4.3.2 Cash and cash equivalent

Cash at bank and short term borrowings that are repayable on demand and form an integral part of the Company's cash management are included as a component of cash and cash equivalents for the purpose of the statement of Cash flows.

4.3.3 Fair Value through Other Comprehensive Income (FVOCI)

Investments that are classified as FVOCI, are initially recorded at the fair value of consideration given (which is its cost).

Equity securities - available for sale

These assets are subsequently measured at fair value (determined with refernce to the rate quoted on the stock exchange). Dividends are recognised as income in the statement of profit or loss account. Revaluation gains and losses are recognised in other comprehensive income and are not reclassified to the statement of profit and loss account.

Market Treasury Bills

These assets are subsequently measured at fair value. Interest / markup income calculated using the effective interest method, and impairment are recognised in the statement of profit or loss account. Other net gains and losses are recognised in other comprehensive income. On de-recognition, gains and losses accumulated in other comprehensive income are reclassified to the statement of profit and loss account.

Regular way purchase and sales

Investments are recognised on the trade date, i.e. the date on which commitment to purchase / sale is made by the Company. Regular way purchases or sales of investment require delivery of securities within two days of transaction date as required by stock exchange regulations.

4.4 Non-derivative financial liabilities

Financial liabilities are initially recognised at the time when the Company becomes party to the contractual provisions of the instruments. All financial liabilities are recognised initially at fair value plus directly attributable transactions costs, if any, and subsequently measured at amortised cost using effective interest rate.

4.4.1 Offsetting of financial assets and financial liabilities

Financial assets and financial liabilities are set off and the net amount is reported in the Statement of Financial Position when and only when there is a legally enforceable right to set off the recognised amount and the Company intends to either settle on a net basis, or to realize the asset and settle the liability simultaneously.

4.5 Compensated Absences

Employees' entitlement to annual leave is recognised when these are due. A provision is made for estimated liability for annual leaves as a result of services rendered by the employees against unavailed leaves, as per terms of service contract, up to the balance sheet date.

4.6 Impairment

Financial assets

The Company recognises loss allowances for Expected Credit Loss (ECLs) in respect of financial assets measured at amortised cost.

The Company measures loss allowances at an amount equal to lifetime ECLs, except for the bank balance for which credit risk (i.e. the risk of default occuring over the expected life of the financial instrument) has not increased significantly since initial recognition (although in this case the measurement is at 12 month ELCs).

Loss allowances for trade receivables are always measured at an mount equal to lifetime ECLs.

When determining whether the credit risk of a financial asset has increased significantly since initial recognition and when estimating ECLs, the Company considers reasonable and supportable information that is relevant and available without undue cost or or effort. This includes both quantitative and quanlitative information and analysis, based on the Company's historical experience and informed credit assessment and including forward-looking

The Company assumes that the credit risk on a financial asset has increased significantly if it is more than past due for a reasonable period of time. Lifetime ECLs are the ECLs that result from all possible default events over the expected life of a financial instrument. 12-month ECLs are the portion of ECLs that result from default events that are possible within the 12 months after the reporting date (or a shorter period if the expected life of the instrument is less than 12 months). The maximum period considered when estimating ECLs is the maximum contractual period over which the Company is exposed to credit risk.

Loss allowances for financial assets measured at amortised cost are deducted from the Gross carrying amount of the assets.

The Gross carrying amount of a financial asset is written off when the Company has no reasonable expectations of recovering a financial asset in its entirety or a portion thereof. The Company individually makes an assessment with respect to the timing and amount of write-off based on whether there is a reasonable expectation of recovery. The Company expects no significant recovery from the amount written off. However, financial assets that are written off could still be subject to enforcement activities in order to comply with the Company's procedures for the recovery of amounts due.

Non-financial assets

The carrying amounts of non-financial assets are assessed at each reporting date to ascertain whether there is any indication of impairment. If such an indication exists, the asset's recoverable amount is estimated to determine the extent of impairment loss, if any. An impairment loss is recognised, as an expense in the statement of Profit or Loss. The recoverable amount is the higher of an asset's fair value less cost to sell and value in use. Value in use is ascertained through discounting of the estimated future cash flows using a discount rate that reflects current market assessments of the time value of money and the risk specific to the assets.

An impairment loss is reversed if there is a change in the estimates used to determine the recoverable amount. An impairment loss is reversed only to the extent that the asset's carrying amount does not exceed the carrying amount that would have been determined, net of depreciation or amortization, if no impairment loss had been recognised.

4.7 Provisions

Provisions are recognised when the Company has a legal or constructive obligation as a result of past events and it is probable that an outflow of resources will be required to settle the obligation and a reliable estimate of the amount can be made. Provisions are reviewed at each balance sheet date and are adjusted to reflect the current best estimate.

4.8 Taxation

Provision for taxation expense comprise of current and deferred tax. Current and deferred tax is recognised in Statement of profit or loss except to the extent that it relates to items recognised in equity and other comprehensive income. In making the estimates for income taxes currently payable by the Company, the management looks at the current income tax law and the decisions of appellate authorities on certain issues in the past.

Current

Provision for current taxation is the expected tax payable on taxable income for the period and is based on the tax payable under normal tax regime or the taxability of certain income streams of the Company under the final tax regime at the applicable tax rates and remaining income streams chargeable at current rate of taxation under the normal tax regime after considering the effects of minimum taxation, available tax credits and rebates.

Deferred

Deferred taxation is recognised, using the balance sheet liability method, in respect of temporary differences between the carrying amounts of assets and liabilities in the unconsolidated financial statements and their tax base. The amount of deferred tax recognised is based on expected manner of realization or 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 recognised for all deductible temporary differences, carry forward of unused tax assets and unused tax losses, to the extent that it is probable that future taxable profits will be available against which they can be utilized. Deferred tax assets are reviewed at each reporting date and are reduced to the extent that it is no longer probable that the related tax benefit will be realized.

Deferred tax is also recognised in surplus on revaluation of investments by debiting that account (recognised in equity).

4.9 Foreign currency transactions

Foreign currency transactions are translated into functional currency i.e., Pak Rupees at exchange rates prevailing on the date of transaction. Monetary assets and liabilities in foreign currencies are translated into Pak Rupees at the rates of exchange prevailing at the balance sheet date. Exchange differences, if any, are taken to statement of profit or loss.

4.10 Revenue recognition

- Brokerage commission income is recognised on the rendering of services.
- Dividend income is recognised when the Company's right to receive the dividend is established.
- Gains / (losses) on sale of debt investments are included in the Statement of Profit or Loss in the period in which they arise.
- Interest income is recognised as it accrues in the Statement of Profit or Loss, using the effective interest method.

4.11 Dividend and appropriation of reserves

Dividend and appropriation to reserves are recognised in the period in which these are approved.

4.12 Earnings per share (EPS)

EPS is calculated by dividing the profit or loss attributable to share holders of the Company by the weighted average number of ordinary shares outstanding during the period.

4.13 Liability against right of use assets

The lease liability is initially measured at the present value of the lease payments that are not paid at the commencement date, discounted using the interest rate implicit in the lease or, if that rate cannot be readily determined, the Company's incremental borrowing rate. The lease liability is subsequently increased by the interest cost on the lease liability and decreased by lease payments made. It is re-measured when there is a change in future lease payments arising from a change in an index or rate, a change in assessment of whether extension option is reasonably certain to be exercised or a termination option is reasonably certain not to be exercised.

5 NEW ACCOUNTING STANDARDS AND IFRIC INTERPRETATIONS THAT ARE NOT YET EFFECTIVE

a) Standards, interpretations and amendments to published approved accounting standards that are effective but not relevant.

There are certain new standards, amendments to the approved accounting standards and new interpretations that are mandatory for accounting periods beginning on or after 1 January 2020 (other than those which have been disclosed in note 4 to these financials). However these donot have any significant impact on the company's financial reporting and therefore have not been detailed in these financial statements.

b) The following are the new standards, amendments to existing approved accounting standards and new interpretations that will be effective for the periods beginning on or after 1 January 2020, that may have an impact on the financial statements of the Company:

- IFRIC 23 'Uncertainty over Income Tax Treatments' (effective for annual periods beginning on or after 1 January 2019) clarifies the accounting for income tax when there is uncertainty over income tax treatments under IAS 12. The interpretation requires the uncertainty over tax treatment be reflected in the measurement of current and deferred tax. The application of interpretation is not likely to have an impact on Company's financial statements.

- Amendment to IFRS 3 'Business Combinations' – Definition of a Business (effective for business combinations for which the acquisition date is on or after the beginning of annual period beginning on or after 1 January 2020). The IASB has issued amendments aiming to resolve the difficulties that arise when an entity determines whether it has acquired a business or a group of assets. The amendments clarify that to be considered a business, an acquired set of activities and assets must include, at a minimum, an input and a substantive process that together significantly contribute to the ability to create outputs. The amendments include an election to use a concentration test. The application of interpretation is not likely to have an impact on Company's financial statements.

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

- On 29 March 2018, the International Accounting Standards Board (the IASB) has issued a revised Conceptual Framework for Financial Reporting which is applicable immediately contains changes that will set a new direction for IFRS in the future. The Conceptual Framework primarily serves as a tool for the IASB to develop standards and to assist the IFRS Interpretations Committee in interpreting them. It does not override the requirements of individual IFRSs and any inconsistencies with the revised Framework will be subject to the usual due process – this means that the overall impact on standard setting may take some time to crystallise. The companies may use the Framework as a reference for selecting their accounting policies in the absence of specific IFRS requirements. In these cases, companies should review those policies and apply the new guidance retrospectively as of 1 January 2020, unless the new guidance contains specific scope outs.

The following International Financial Reporting Standards (IFRS Standards) as notified under the Companies Act, 2017 and the amendments and interpretations thereto will be effective for accounting periods beginning on or after 01 January 2020:

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

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

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

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

6 PROPERTY AND EQUIPMENT

	Note	Cost: At 1 January 2019	Cost: Additions / (disposals)	Cost: At 31 December 2019	Depreciation: At 1 January 2019	Depreciation: Charge for the period	Depreciation: At 31 December 2019	Written down value as at 31 December 2019	Rate
					(Rupees)				
Owned									
Office equipment		917,492	65,770	983,262	330,560	138,887	469,447	513,815	15%
Furniture and fixtures		131,053	-	131,053	70,948	17,167	88,115	42,938	15%
Computer equipment		1,237,220	575,890	1,813,110	784,710	304,341	1,089,051	724,059	25%
Motor vehicles		34,795	-	34,795	23,175	4,105	27,280	7,515	20%
Leased									
Right of use asset	3.3.1	-	6,200,312	6,200,312	-	885,759	885,759	5,314,554	14%
		2,320,560	6,841,972	9,162,532	1,209,393	1,350,259	2,559,652	6,602,881	

	Cost: At 1 January 2018	Cost: Additions / (disposals)	Cost: At 31 December 2018	Depreciation: At 1 January 2018	Depreciation: Charge for the year	Depreciation: At 31 December 2018	Written down value as at 31 December 2018	Rate
				(Rupees)				
Owned								
Office equipments	771,292	146,200	917,492	206,002	124,558	330,560	586,932	15%
Furniture and fixtures	95,054	35,999	131,053	56,106	14,843	70,949	60,104	15%
Computer equipments	1,112,615	124,605	1,237,220	538,720	245,990	784,710	452,510	25%
Motor vehicles	35,165	(370)	34,795	19,440	3,735	23,175	11,620	20%
	2,014,126	306,434	2,320,560	820,268	389,126	1,209,394	1,111,166	

6.1 Cost of fully depreciated assets which are still in use as at 31 December 2019 amounts to Rs. 0.37 million (31 December 2018: Rs. 0.09 million).

7 INTANGIBLE ASSETS

	Note	Cost: At 1 January 2019	Cost: Additions / (disposals)	Cost: At 31 December 2019	Amortization: At 1 January 2019	Amortization: Charge for the period	Amortization: At 31 December 2019	Written down value as at 31 2019	Rate
					(Rupees)				
Online trading software		1,070,000	-	1,070,000	1,070,000	-	1,070,000	-	30%
PSX gateway application for online trading		551,500	-	551,500	551,500	-	551,500	-	30%
TRE Certificate	7.1	-	-	-	-	-	-	-	-
Computer software		173,147	-	173,147	51,780	51,948	103,728	69,419	30%
		1,794,647	-	1,794,647	1,673,280	51,948	1,725,228	69,419	

	Note	Cost: At 1 January 2018	Cost: Additions / (disposals)	Cost: At 31 December 2018	Amortization: At 1 January 2018	Amortization: Charge for the year	Amortization: At 31 December 2018	Written down value as at 31 December 2018	Rate
					(Rupees)				
Online trading software		1,070,000	-	1,070,000	1,070,000	-	1,070,000	-	30%
PSX gateway application for online trading		551,500	-	551,500	551,500	-	551,500	-	30%
TRE Certificate	7.1	-	-	-	-	-	-	-	-
Computer software		59,072	114,075	173,147	21,210	30,570	51,780	121,367	30%
		1,680,572	114,075	1,794,647	1,642,710	30,570	1,673,280	121,367	

7.1 The TRE (trading right entitlement) Certificate acquired on surrender of stock exchange membership card is stated at nil value.

According to the Stock Exchanges (Corporatisation, Demutualization and Integration) Act 2012, the TRE Certificate may be transferred once only to a company intending to carry out shares brokerage business.

7.2 Cost of fully amortized assets which are still in use as at 31 December 2019 amounts to Rs.1.62 million (31 December 2018 Rs. 1.62 million).

8 LONG TERM INVESTMENT - at fair value through other comprehensive income (OCI)

31 December 2019 (Number of shares)	31 December 2018 (Number of shares)		Note	Fair value through OCI 31 December 2019 (Rupees)	Available for sale 31 December 2018 (Rupees)
1,602,953	1,602,953	Opening balance		21,752,072	13,900,000
-	-	(Deficit) / surplus for the period / year on revaluation of investment		(1,747,219)	7,852,072
1,602,953	1,602,953	Closing balance	8.1	20,004,853	21,752,072

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8.1 This represents ordinary shares of Pakistan Stock Exchange Limited (PSX) having face value of Rs.10 each which were listed from June 2017 and are carried at the market value. These shares are pledged in favour of PSX and are classified as "Freeze" in the Central Depository Company (CDC) report of the Company.

8.2 The shares of Pakistan Stock Exchange Limited (PSX) were acquired in pursuance of the corporatization and demutualization of PSX as a public company limited by shares. The paid-up capital of PSX was equally distributed among 200 members '(termed as initial shareholders of exchange after corporatization) of PSX by issuance of 4,007,383 shares to each initial shareholders in the following manner:

1. 40% of the total shares allotted (i.e. 1,602,953 shares) were transferred in the House Account of Central Depository Company of Pakistan Limited (CDC) to each initial shareholder.

2. 60% of the total shares (i.e. 2,404,430 shares) were deposited in a sub-account in the Company's name under PSX's participant ID with CDC which were to remain blocked until they were divested by the Company to strategic investor(s), general public and financial institution (as per the provisions of the Act). These shares were divested during the year ended 31 December 2017.

8.3 In compliance with the Chapter 19 of Rule Book of PSX Governing Risk management, Every TREC holder shall maintain Base Minimum Capital (BMC) as per the slabs with the exchange which shall be determined based on the Assets Under Custody (AUC).

Required BMC amounted to Rs. 26 million. Accordingly, the Company has complied with the said requirement in the following manner:

i) Transferable TRE Certificate lien marked with irrevocable authority in favour of the exchange;
ii) Cash deposited with the exchange amounting to Rs. 16.5 million to fulfil the BMC requirement and
iii) Shares of PSX (1,602,953 shares) pledged in favour of the exchange;

8.4 Subsequent to the year end the value of shares had declined to Rs. 10.01 per share (31 December 2019 :Rs. 12.49 per share) i.e. Rs. 15.4 million as on 29 June 2020 in total.

9. DEFERRED TAX ASSET/(LIABILITY) - net

Deferred tax asset / (liability) comprises of temporary differences in respect of the following:

	Balance as at 1 January 2018	Recognised in profit and loss	Recognised in equity	Balance as at 31 December 2018	Recognised in profit and loss	Recognised in equity	Balance as at 31 December 2019
	(Rupees)						
Taxable Temporary difference:							
Property and equipment	-	(159,069)	-	(159,069)	(52,209)	-	**(211,278)**
Intangible assets	-	(1,668)	-	(1,668)	(599)	-	**(2,267)**
(Surplus) / deficit on revaluation of investments - net	(1,102)	-	3,298	2,196	-	(3,085)	**(889)**
	-	(160,737)	-	(160,737)	(52,809)	-	**(213,546)**
Deductible Temporary difference:							
Provision for leave encashment	-	671,708	-	671,708	(671,708)	-	-
Provision against Receivable from Customer	-	196,738	-	196,738	(196,738)	-	-
	(1,102)	707,709	3,298	709,905	(921,255)	(3,085)	(214,435)

9.1 Deferred tax asset on temporary difference arising on lease related liability - net , losses carried forward, provision for leave encashment and balances receivable from the customers and others amounting to Rs 5.29 million (31 December 2018: Rs 5.29 million),Rs. 1.25 million (31 December 2018: Rs 2.7 million) and Rs 3.71 million (31 December 2018: Rs 0.02 million) respectively, have not been recorded by the management in these financial statements being abundantly cautious.

10. RECEIVABLES FROM CUSTOMERS

	Note	31 December 2019	31 December 2018
		(Rupees)	
Trade receivables from the customers	10.1	20,964,019	90,941,006
Less: Provision against receivable from customers	10.2	(3,420,739)	(678,406)
		17,543,280	90,262,600
Receivable from NCCPL			
- ready market		23,683,180	-
- future market		593,114	6,713,539
		41,819,575	96,976,139

10.1 Details of the maximum aggregate amount due from the related parties outstanding at any time during the period (month-end balances) are as under:

Habib Bank AG Zurich Switzerland	-	45,532,911
Habib Bank AG Zurich, Deira Dubai	4,096,409	58,083,448
Habib Metropolitan Bank Limited	349	2,240,807
First Habib Modarba	3,471,995	-

10.2 Provision against the balance receivable from the customers

Balance as on 1 January	678,406	678,406
Charge during the year	2,742,333	-
Balance as on 31 December	3,420,739	678,406

11. LOANS TO EMPLOYEES

Unsecured, considered good

	Note	31 December	31 December
		(Rupees)	
Loans to Key Management Personnel	11.2	**979,500**	715,000
Loans to other employees		**1,442,701**	928,918
		2,422,201	1,643,918

11.1 Above are unsecured interest free balances and are adjustable against the monthly salaries in six monthly

11.2 Loan to a Key Management Person

Opening balance	**715,000**	595,995
Loan granted during the period	**1,547,000**	1,687,735
Repayment of loan during the period	**(1,282,500)**	(1,568,730)
Closing balance	**979,500**	715,000

12. DEPOSITS AND PREPAYMENTS

Deposits with:			
- NCCPL against the exposure	12.1	**60,500,000**	185,500,000
- PSX under BMC requirement	12.2	**16,500,000**	12,500,000
- NCCPL for deliverable future contracts, ready contracts and initial deposit	12.3	**1,400,000**	1,400,000
- NCCPL for provisional trading deposit	12.4	**100,000**	100,000
- Central Depository Company of Pakistan Limited	12.5	**100,000**	100,000
- K-Electric Company Limited		**34,390**	34,390
- Pakistan Beverage Limited		**6,000**	6,000
		78,640,390	199,640,390
Prepayments		**313,373**	262,572
		78,953,763	199,902,962

12.1 This represents margin deposit with NCCPL in accordance with the provisions of the Securities Act, 2015. These deposits carry mark-up at the rate of 10.18% (31 December 2018: 7.10%) per annum.

12.2 Following is the breakup of Deposit of Cash with PSX under BMC requirement

Opening balance as at (1 January)	12.2.1	**12,500,000**	3,000,000
Further deposits during the year			
16 August 2019		**1,000,000**	-
29 August 2019		**3,000,000**	-
20 June 2018		-	3,000,000
25 June 2018		-	5,000,000
12 October 2018		-	1,000,000
14 December 2018		-	500,000
		16,500,000	12,500,000

12.2.1 This represents deposit with PSX to fulfil the base minimum capital requirement. Further deposits of Rs. 4 million were made during the year ended 31 December 2019.

12.3 This represents amount of Rs. 1 million (31 December 2018: Rs. 1 million) on account of basic deposit for deliverable future contracts market, Rs. 0.2 million (31 December 2018: Rs. 0.2 million) for ready market and Rs. 0.2 million (31 December 2018: Rs. 0.2 million) as initial deposit.

12.4 This represents amount deposited with NCCPL for trading of Initial Public Offer (IPO).

12.5 This represent amount of Rs.100,000 (31 December 2018: Rs.100,000) on account of deposit with CDC at the commencement of brokerage business.

13. SHORT TERM INVESTMENTS

	Fair value through OCI 31 December 2019	Available for sale 31 December 2018
	(Rupees)	
At fair value		
- Market treasury bills	**98,438,985**	98,405,001
	5,928	(14,638)
	98,444,913	98,390,363

13.1 **Government securities**

Name of security	Maturity Date	Yield (IRR) %	As at 01 January 2019	Purchased during the year	Matured during the year	As at 31 December 2019	Carrying value as at 31 December 2019 (before revaluation)	Market value as at 31 December 2019
			(Units)				(Rupees)	
Treasury Bills - 3 months (face value of Rs 5,000)	13-Feb-20	13.13%	**20,000**	40,000	40,000	**20,000**	98,438,985	98,444,913

13.2 Market treasury bills are held as collateral with the NCCPL on account of ready market exposure.

13.3 Total face value of the above instruments is Rs.100 million.

14. SURPLUS ON REVALUATION OF INVESTMENTS - net of tax

	Note	31 December 2019	31 December 2018
		(Rupees)	
Short Term Investments			
Balance as at 1 January		(14,638)	7,344
Surplus / (deficit) arising on revaluation		5,928	(21,982)
Balance as at 31 December		(8,710)	(14,638)
Long term investments			
Balance as at 1 January		7,852,072	22,006,147
Deficit arising on revaluation		(1,747,219)	(14,154,075)
Balance as at 31 December		6,104,853	7,852,072
Related Deferred Tax:			
Balance as at 1 January		2,196	(1,102)
On revaluation during the year		(3,085)	3,298
Balance as at 31 December		(889)	2,196
Surplus - net of deferred tax		6,095,254	7,839,630

15. ACCRUED PROFIT

Accrued profit on bank balance		692,079	164,047
Accrued profit on deposits against NCCPL exposure		586,091	875,450
		1,278,170	1,039,497

16. OTHER RECEIVABLES

Receivable from the customers against CDC and NCCPL charges		288,438	478,747

17. CASH AND BANK BALANCES

Profit and loss sharing accounts:			
- Habib Metropolitan Bank Limited - The Holding Company	17.1	86,288,757	5,000
- Meezan Bank Limited		6,357	5,080
		86,295,114	10,080
Current accounts:			
- Habib Metropolitan Bank Limited - The Holding Company	17.2	96,083,625	62,802,817
- MCB Bank Limited		156,239	297,266
		96,239,863	63,100,083
		182,534,977	63,110,163

17.1 These represent balances maintained in the profit and loss sharing accounts, carrying mark-up at 11.25% per annum (31 December 2018: 6.50%) per annum.

17.2 This includes Rs. 100.93 million pertaining to client fund balance included in trade payables. Trade liability balance is more than the clients' current account balance as the transactions under T+2 basis were settled subsequent to the period end.

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17.3 Details of customer assets held in designated bank accounts and Central Depository Company (CDC) are as follows:

	Note	31 December 2019	31 December 2018
		(Rupees)	
Customer assets held in the designated bank accounts		**100,926,976**	62,934,384
Customer assets held in the CDC		**4,248,284,870**	5,141,315,217

18. ISSUED, SUBSCRIBED AND PAID UP CAPITAL

As of the balance sheet date, 29,999,997 (31 December 2018: 29,999,997) shares were held by the Holding company and 3 (31 December 2018: 3) shares were held by directors of the Company, as the nominees of the Holding Company.

19. TRADE AND OTHER PAYABLES

	Note	31 December 2019	31 December 2018
Due to customers in respect of securities transactions		**124,880,367**	120,584,308
Payable to NCCPL		-	21,176,492
Payable to Workers' Welfare Fund	*19.1*	**2,078,130**	3,136,566
Accrued expenses		**8,081,876**	7,538,796
Sindh Sales Tax payable		**643,681**	230,056
Liability against right of use assets	*3.3.1*	**5,596,076**	-
		141,280,130	152,666,218

19.1 The Finance Act 2008 introduced amendments to the Workers' Welfare Fund (WWF) Ordinance, 1971 whereby the definition of industrial establishment was extended. The amendments were challenged at various levels and conflicting judgments were rendered by the Lahore High Court, Sindh High Court and Peshawar High Court. The Company is of the view that it is not liable to pay this liability. However, the management has made provision for WWF for the years from 2008 to 2017 amounting to Rs. 1.79 million as a matter of abundant caution.

The Honourable Supreme Court of Pakistan vide its judgment dated 10 November 2016, has upheld the view of Lahore High Court and decided that WWF is not a tax and hence the amendments introduced through Finance Act 2008 are ultra-vires to the Constitution. The Federal Board of Revenue has filed Civil Review Petitions in respect of above judgment with the prayer that the judgment dated 10 November 2016 passed in the Civil Appeal may kindly be reviewed in the interest of justice.

The management, as a matter of abundant caution, has decided to maintain the provision of WWF till the decision of Supreme Court in respect of Civil Review Petition.

Further, as a consequence of the 18th amendment to the Constitution, levy for the WWF was also introduced by the Government of Sindh through the Sindh Workers Welfare Fund (SWWF) Act 2014. SWWF Act 2014, enacted on 21 May 2015, requires every Industrial Establishment located in the province of Sindh and having total income of Rs. 0.5 million or more in any year of account commencing on or after the date of closing of account on or after 31 December 2013, to pay two percent of so much of its total income declared to SWWF. The said Act includes any concern engaged in the Banking or Financial Institution in the definition of "Industrial Undertaking" but does not define Financial Institution. From 2015 Company created provision of SWWF amounting to Rs.1.411 million out of which Company has paid SWWF of Rs, 1.123 million during the period.

20. SHORT TERM BORROWING

	Note	31 December 2019	31 December 2018
Habib Metropolitan Bank Limited - The Holding Company	*20.1*	-	31,871,532

20.1 This represents running finance facility obtained from the Holding Company having credit limit up to Rs.350 million (31 December 2018: Rs. 500 million). This carries mark up at the rate of 3 months KIBOR plus 2% per annum (31 December 2018: 3 months KIBOR plus 2% per annum) payable quarterly. This facility will mature on 30 June 2020 and is renewable. It is secured by first hypothecation charge on the receivables of the Company registered with Securities and Exchange Commission of Pakistan duly insured in the Holding Company's favour amounting to Rs. 667 million.

21. CONTINGENCIES AND COMMITMENTS

21.1 The Company has received Orders-in-Original (ONO) from Federal Board of Revenue (FBR), whereby the demand of Federal Excise Duty (FED) of Rs. 6.02 million was raised for the non-payment of FED against which appeal was filed with Commissioner on 22 March 2016, whereby the demand of FED of Rs. 6.02 million was established against the company.

Currently the case is pending with the Tribunal. The Company, based on the legal advice of the tax advisor, anticipates a favourable outcome of the aforesaid appeal hence no provision has been made in the financial statements.

21.2 The Company has also received a notice from Sindh Revenue Board (SRB) to the Company alleging Company's failure to withhold and deposit with-holding tax from certain expenses for the years 2012-2017 amounting to Rs. 58.16 million. In response thereto, the Company filed a Constitutional Petition (CP No. 3042 of 2018) in the Honourable High Court of Sindh against the notice and obtained interim stay order against the same.

The Company, based on the opinion of legal advisor, is confident about favourable outcome of the case and therefore no provision is required to be made in the financial statements.

21.3 **Commitments**

There were no commitments as at 31 December 2019.

22. BROKERAGE INCOME

	Note	2019	2018
		(Rupees)	
Brokerage income	*22.1 & 22.2*	**29,932,870**	30,211,446

22.1 **Disaggregation revenue**

In the following table, revenue is disaggregated by type of customers:

	2019	2018
- Corporate customers	**16,392,369**	16,541,425
- Individual customers	**13,540,501**	13,670,021
	29,932,870	30,211,446

22.2 This includes brokerage from related parties amounting to Rs. 4.77 million for 2019 (2018: Rs. 4.39 million).

22.3 Brokerage revenue includes Rs. 4.50 million (2018: Rs. 3.66 million) from customers outside the country.

23. ADMINISTRATIVE EXPENSES

	Note	2019	2018
Salaries and benefits	*23.1*	**37,569,339**	39,613,459
Rent	*3.3.1*	-	1,308,705
Repairs and maintenance		**2,297,170**	1,906,959
Pakistan Stock Exchange (PSX) clearing house, CDC and NCCPL charges		**3,422,365**	3,680,379
Communication		**2,412,381**	2,159,626
Utilities		**832,790**	775,504
Professional tax		**107,800**	103,450
Direct and indirect tax consultancy fees		**345,200**	721,750
Printing and stationery		**154,969**	293,501
Auditors' remuneration	*23.2*	**780,000**	936,826
Legal and professional charges		**340,017**	450,000
Insurance		**186,425**	211,312
Travelling and conveyance		**212,968**	183,139
Entertainment and business promotions		**246,653**	532,881
Fees and subscription		**363,176**	84,586
Depreciation	*6*	**1,350,259**	389,497
Amortization of intangible assets	*7*	**51,948**	30,570
Others		**854,649**	2,076,438
		51,528,108	55,458,582

23.1 **Remunerative of the Chief Executive and Executives:**

	Chief Executive (CEO) For the year ended 31 December		Executive For the year ended 31 December	
	2019	2018	2019	2018
	(Rupees)		(Rupees)	
Managerial remuneration	**13,537,000**	13,453,140	**2,830,630**	7,145,390
Bonus	-	-	**348,359**	926,241
Leave encashment	-	193,548	-	62,564
	13,537,000	13,646,688	**3,178,989**	8,134,195
Number of persons	**1**	1	**1**	5

In addition to the above, the Chief Executive is entitled to company maintained car in accordance with company's HR policy.

23.2 Auditors' remuneration

	Note	31 December 2019	31 December 2018
		(Rupees)	
Annual audit		200,000	200,000
Half yearly		150,000	100,000
Certifications		200,000	400,000
Out of pocket expenses		230,000	236,826
		780,000	936,826

For the year ended

24. FINANCE COST

	Note	31 December 2019	31 December 2018
Mark-up on finance facility	24.1	599,112	443,389
Bank charges	24.2	123,203	29,760
Interest on lease liability	24.3	704,468	-
		1,426,783	473,149

24.1 This represents mark-up charged on running finance facility availed by the Company from the holding company.

24.2 This represents bank charges from holding company amounting to Rs. 0.121 million.

24.3 This represents interest on lease liability due to application of International Financial Reporting Standard 16, details of which are given in note 3.3.1 to these financial statements.

25. OTHER INCOME

	31 December 2019	31 December 2018
Income from financial assets		
Mark-up on bank balances	4,777,115	1,559,973
Return on NCCPL exposure margin	9,941,444	5,747,730
Commission on book building and initial public offering	-	890
Others	21,386	370,858
	14,739,946	7,679,451
Income from non-financial assets		
Gain on sale of fixed assets	-	3,000
	14,739,946	7,682,451

26. TRANSACTIONS AND BALANCES WITH RELATED PARTIES

Related parties comprises of the Holding Company including the ultimate holding company, Companies with common directorship, associated Companies, directors of the Company and key management personnel Remuneration of key management personnel are in accordance with their terms of employment. Other transactions with related parties are at agreed terms.

26.1 Details of transactions during the period are other than those who have been disclosed else where in these financial statements as follows:

	31 December 2019	31 December 2018
Habib Metropolitan Bank Limited - the Holding Company		
- Mark-up on bank balance	4,776,983	1,559,772
- Equity brokerage commission	14,440	126,120
- Rent expense	-	1,200,000
- Repayment of lease obligation against right of use assets	1,200,000	-
- Finance Cost	1,366,684	468,544
Key Management Personnel		
- Salaries and benefits	16,715,989	21,780,883
- Equity brokerage commission	141,400	311,225
NCCPL for deliverable future contracs, ready contracts deposit		
Habib Bank AG Zurich (Switzerland) - Equity brokerage commission	251,397	292,975
Habib Bank AG Zurich (UAE) - Equity brokerage commission	4,276,657	3,239,373
First Habib Modaraba - Equity brokerage commission	36,725	167,544
Habib Insurance Company Limited - Equity brokerage commission	55,377	257,363

26.2 Details of the balances with the related parties are as follows:

	Note	31 December 2019	31 December 2018
		(Rupees)	
Habib Metropolitan Bank Limited - The Holding Company			
- Bank balances	17	182,372,383	62,807,817
- Short term borrowing		-	31,871,532
- Accrued profit on a bank balance		692,079	164,047
Key Management Personnel			
- Advances		979,500	715,000
- Receivable/(payable) against sale of securities		-	(229,362)
Associated Companies			
Habib Bank AG Zurich (Switzerland)			
- (Payable) / receivable against sale / purchase of securities		-	29,675,602
Habib Bank AG Zurich (UAE)			
- Payable against sale of securities		(15,386,257)	(20,500,671)
First Habib Modaraba			
- Payable against sale of securities		(1,033)	(12,114,066)
Others			
Director (Holding Company)			
- Payable against sale of securities		(464,251)	(394,297)

26.3 Number of employees

	2019	2018
	(Number of employees)	
Number of Employees as at the period / year end	21	24
Average Number of Employees as at the period / year end	23	24

26.4 Taxation

The Company has filed returns of total income for the tax years up to 2019 (up to financial year ended 31 December 2018) which are deemed to have been assessed under the Income Tax Ordinance, 2001 unless selected by the taxation authorities for audit purposes.

Reconciliation of the tax charge for the period

	Note	For the year ended 31 December 2019	31 December 2018
		(Rupees)	
Profit / (loss) before tax		199,164	(11,675,784)
Tax at the applicable tax rate of 29% (2018: 29%)		57,758	(3,385,977.39)
Effect of minimum tax		(1,967,084)	(956,625)
Deffered tax asset balance write off		(906,340)	-
Prior year tax	26.4.1	6,647,837	-
Others		(72,672)	176,666
		3,759,498	(4,165,936)

26.4.1 The provision previously held has been reversed due to the expiry of the time limits.

27. EARNING / (LOSS) PER SHARE BASIC AND DILUTED

	2019	2018
Net Profit / loss for the period	3,958,662	(15,841,720)
	(Number)	
Weighted average ordinary shares during the period	30,000,000	30,000,000
	(Rupees)	
Earning / (loss) per share - basic and diluted	0.13	(0.53)

28. DISCLOSURE OF THE RESEARCH DEPARTMENT

At present the Company employs seven members in its Research Department (including Head of Research, one senior analysts, four junior analyst and one data administrator). All members report to Head of Research who in turn reports to CEO.

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 anyway depend on the contents/outcome of research report.

During the year ended 31 December 2019, the personnel employed in the Research Department have drawn an aggregate salary and benefits amounting to Rs. 4.65 million which comprises basic salary, medical allowance and other benefits as per the Company's policy.

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29. RECONCILAITION OF MOVEMENT OF LIABILITIES TO CASH FLOWS ARISING FROM FINANCING ACTIVITIES

	Liabilities	Equity			
	Trade and other payables (includes the lease related liability refer note 19)	Issued, subscribed and paid up capital	Unappropriated profit	Unrealised gain on revaluation of investments	Total
	(Rupees)				
Balance as at 1 January 2019	152,666,218	300,000,000	12,499,193	7,839,630	473,005,041
Changes from financing cash flows					
Liability-related					
Changes in trade and other payables	(11,386,088)	-	-	-	(11,386,088)
Profit for the year	-	-	3,958,663	-	3,958,663
Deficit on revaluation of investments - net of deferred tax	-	-	-	(1,744,376)	(1,744,376)
	(11,386,088)	-	3,958,663	(1,744,376)	(9,171,801)
Balance as at 31 December 2019	141,280,130	300,000,000	16,457,855	6,095,254	463,833,240

30. FINANCIAL INSTRUMENTS AND RELATED DISCLOSURES

Financial risk management

The Board of Directors of the Company has overall responsibility for the establishment and oversight of the Company's risk management framework. The Company has exposure to the following risks from its use of financial instruments:

- Credit risk
- Liquidity risk
- Market risk
- Operational risk

The Board meet frequently throughout the year for developing and monitoring the Company's risk management policies. The Company's risk management policies are established to identify and analyse the risk 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 the market conditions and the Company's activities. The Company, through its training and management standards and procedures, aims to develop a disciplined and constructive control environment in which all employees understand their roles and obligations.

30.1 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. Concentration of credit risk arises when a number of counter parties are engaged in similar business activities or have similar economic features that would cause their ability to meet contractual obligations to be similarly effected by changes in economic, political or other conditions. Concentration of the credit rick indicate the relative sensitivity of the Company's performance to developments effecting a particular industry.

Exposure to credit risk

Credit risk arises when changes in economic or industry factors similarly affect Company's or counter parties whose aggregate credit exposure is significant in relation to the Company's total credit exposure. Credit risk of the Company arises principally from the receivable from customers, long and short term deposits, loans and advances, short term investments, accrued markup, other.

The carrying amount of financial assets represents the maximum credit exposure. The maximum exposure to credit risk at the reporting date is as follows:

	31 December 2019	31 December 2018
	(Rupees)	
Receivable from customers	41,819,575	96,976,139
Loans to employees	2,422,201	1,643,918
Deposits - long and short term	78,640,390	199,640,390
Other receivables	288,438	478,747
Accrued Profit	1,278,170	1,039,497
Bank balances	182,534,977	63,110,163
Financial Instruments exposed to credit risk	306,983,751	362,888,854

Past due balances and impairment losses

The maximum exposure to credit risk for trade debts at the balance sheet date are as follows:

	31 December 2019		31 December 2018	
	Gross	Impairment	Gross	Impairment
	(Rupees)			
Past due 1-14 days	37,229,408	-	93,266,826	-
Past due 15 days -90 days	4,623,928	(33,761)	2,114,012	-
Past due 91 days -180 days	1,050,812	(1,050,812)	1,043,230	-
Past due 181 days -365 days	1,153,280	(1,153,280)	431,621	-
More than 365 days	1,182,885	(1,182,885)	798,856	(678,406)
	45,240,313	(3,420,738)	97,654,545	(678,406)

Bank balances

The credit quality of the Company's bank balances can be assessed with reference to external credit ratings as follows:

	Rating		Rating
	Short Term	Long Term	Agency
Habib Metropolitan Bank Limited	A-1+	AA+	PACRA
MCB Bank Limited	A-1+	AAA	PACRA
Meezan Bank Limited	A-1+	AA+	JCR-VIS

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 broadly diversified and transactions are entered into with diverse credit-worthy counterparties thereby mitigating any significant concentrations of credit risk.

Details of the industrial sector analysis of the financial assets are as follows:

	31 December 2019		31 December 2018	
	(Rupees)	%	(Rupees)	%
Banks	183,227,056	59.69%	93,085,895	25.65%
Mutual Funds	1,424,765	0.46%	1,530,426	0.42%
Other Financial Institutions	78,600,000	25.60%	216,617,807	59.69%
Individuals	43,731,930	14.25%	51,654,726	14.23%
	306,983,751	100.00%	362,888,854	100.00%

30.2 **Liquidity risk**

Liquidity risk is the risk that the Company will encounter difficulty in meeting obligations associated with financial liabilities that are settled by delivering cash or another financial asset. 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 Company ensures that it has sufficient cash on demand to meet expected working capital requirements. The following are the contractual maturities of financial liabilities:

	31 December 2019			
	Carrying amount	Contractual cash flows	Six months or less	Above six months
	(Rupees)			
Financial liabilities				
Trade and other payables	138,558,319	138,558,319	138,558,319	-
	138,558,319	138,558,319	138,558,319	-

	31 December 2018			
	Carrying amount	Contractual cash flows	Six months or less	Above six months
	(Rupees)			
Financial liabilities				
Trade and other payables	149,299,596	149,299,596	149,299,596	-
Short term borrowing	31,871,532	31,871,532	31,871,532	-
	181,171,128	181,171,128	181,171,128	-

30.3 Market risk

Market risk is the risk that changes in market prices, such as foreign exchange rates, interest rates and equity prices will affect the Company's income or the value of its holdings of financial instruments. The objective of market risk management is to manage and control market risk exposures within acceptable parameters, while optimising the return. The Company is exposed to interest rate risk and other price risk only.

Interest rate risk

Interest rate risk is the risk that the fair value or future cash flows of a financial instrument will fluctuate because of changes in market interest rates. At the balance sheet date the interest rate profile of the Company's interest- bearing financial instrument was as follows:

	Carrying amount	
	31 December 2019	31 December 2018
Fixed rate investments	(Rupees)	
- Short term Deposit with NCCPL	60,500,000	185,500,000
- Investment in treasury bills	98,444,913	98,390,363
- Bank balance in profit and loss sharing account	86,295,114	10,080

Fair value sensitivity analysis for fixed rate instruments

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

Cashflow sensitivity analysis for variable rate instruments

The Company is not exposed to variable rate risk.

Interest rate sensitivity analysis

A summary of the Company's interest rate gap position, categorized by the earlier of contractual re-pricing or maturity dates as at the year end was as follows:

	31 December 2019					
	Effective rate of mark-up / return (%)	Exposed to interest rate risk: Up to three months	More than three months and up to one year	More than one year	Not exposed to interest rate risk	Total
		(Rupees)				
Financial assets						
Investment in shares of PSX		-	-	-	20,004,853	20,004,853
Receivable from customers		-	-	-	41,819,575	41,819,575
Loans to employees		-	-	-	2,422,201	2,422,201
Short-term investments	12.58%	98,444,913	-	-	-	98,444,913
Deposits	8.75%	60,500,000	-	-	18,140,390	78,640,390
Accrued profit		-	-	-	1,278,170	1,278,170
Other receivables		-	-	-	288,438	288,438
Bank balances	10.25%	86,295,114	-	-	96,239,863	182,534,976
		245,240,027	-	-	180,193,490	425,433,517
Financial liabilities						
Trade and other payables		-	-	-	(138,558,319)	(138,558,319)
On-balance sheet gap		245,240,027	-	-	41,635,171	286,875,197

	31 December 2018					
	Effective rate of mark-up / return (%)	Exposed to interest rate risk: Up to three months	More than three months and up to one year	More than one year	Not exposed to interest rate risk	Total
		(Rupees)				
Financial assets						
Investment in shares of PSX		-	-	-	21,752,072	21,752,072
Receivables from customers		-	-	-	96,976,139	96,976,139
Loans to employees		-	-	-	1,643,918	1,643,918
Short-term investments	10.20%	98,390,363	-	-	-	98,390,363
Deposits	7.10%	185,500,000	-	-	14,140,390	199,640,390
Accrued profit		-	-	-	1,039,497	1,039,497
Other receivables		-	-	-	478,747	478,747
Bank balances	6.50%	10,080	-	-	63,100,083	63,110,163
		283,900,443	-	-	199,130,846	483,031,289
Financial liabilities						
Trade and other payables		-	-	-	(149,299,596)	(149,299,596)
Short Term Borrowings		(31,871,532)	-	-	-	(31,871,532)
On-balance sheet gap		252,028,911	-	-	49,831,250	301,860,161

Other price risk

Other price risk is the risk that the fair value or future cash flows of a financial instrument will fluctuate because of changes in market prices (other than those arising from interest rate risk or currency risk) whether those changes are caused by factors specific to the individual financial instrument or its issuer, or factors affecting all similar financial instrument traded in the market.

Presently, the Company holds no equity instruments other than as described in Note 8, details of the valuation of which are also discussed therein.

The table below summarises the Company's equity price risk as of 30 June 2019 and shows the effects of a hypothetical 5% increase and a 5% decrease in market prices as at the year end.

	Fair value	Hypothetical price change	Estimated fair value after hypothetical change in price	Hypothetical increase / (decrease) in OCI	Hypothetical increase / (decrease) in shareholders' equity
			(Rupees)		
31 December 2019	**20,004,853**	**5% increase**	**21,005,096**	**1,000,243**	**1,000,243**
		5% decrease	**19,004,611**	**(1,000,243)**	**(1,000,243)**
31 December 2018	21,752,072	5% increase	22,839,676	1,087,604	1,087,604
		5% decrease	20,664,468	(1,087,604)	(1,087,604)

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

30.4 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 requiremnets 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.

Senior management ensures that the Company's staff have adequate training and experience and fosters effective communication related to operational risk management.

31. FAIR VALUE OF FINANCIAL ASSETS AND LIABILITIES

Fair value is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between the market participants at the measurement date.

Underlying the definition of fair value is the presumption that the company is going concern without any intention or requirement to curtail materiality the scale of its operations or to undertake a transaction on adverse terms.

The fair value of financial assets and liabilities traded in active markets i.e. listed equity shares are based on the quoted market prices at the close of trading on the period end date. The quoted market prices used for financial assets held by the Company is. current bid price.

A financial instrument is regarded as quoted in an active market if quoted prices are readily available and regularly available from an exchange, dealer, broker, industry group, pricing services, or regulatory agency, and these prices represent actual and regularly occurring market transactions on an arm's length basis.

IFRS 13, 'Fair Value Measurements' requires in the company to classify fair value measurements using a fair value hierarchy that reflects the significance of the inputs used in making the measurements. The fair value hierarchy has the following levels:

The different levels (methods) have been

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).

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

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Fair value of the financial assets that are traded in active markets are based on quoted market prices. The following table shows fair values of financial assets and financial liabilities, including their levels in the fair value hierarchy. These financial assets and financial liabilities, except investment in PSX, are short term and their fair value approximates their carrying value.

On balance sheet	31 December 2019				
	Carrying value	Fair value			
		Level 1	Level 2	Level 3	Total
	(Rupees)				
Financial assets measured at fair value					
- Short term investments					
- Market treasury bills	**98,444,913**	-	**98,444,913**	-	**98,444,913**
- Long term investments					
- Investment in the shares of Pakistan Stock Exchange Limited	**20,004,853**	**20,004,853**	-	-	**20,004,853**
Financial assets not measured at fair value					-
- Receivable from customers	**41,819,575**	-	-	-	-
- Loan to employees	**2,422,201**	-	-	-	-
- Deposits	**78,640,390**	-	-	-	-
- Other receivables	**288,438**	-	-	-	-
- Accrued Profit	**1,278,170**	-	-	-	-
- Bank balances	**182,534,976**	-	-	-	-
	425,433,517	**20,004,853**	**98,444,913**	-	**118,449,766**
Financial liabilities not measured at fair value					
- Trade and other payables	**(138,558,319)**	-	-	-	-
	286,875,198	**20,004,853**	**98,444,913**	-	**118,449,766**

On balance sheet financial instruments	31 December 2018				
	Carrying value	Fair value			
		Level 1	Level 2	Level 3	Total
	(Rupees)				
Financial assets measured at fair value					
- Short term investments					
- Market treasury bills	98,390,363	-	98,390,363	-	98,390,363
- Long term investments					
- Investment in shares of Pakistan Stock Exchange Limited	21,752,072	21,752,072	-	-	21,752,072
	120,142,435	21,752,072	98,390,363	-	120,142,435
Financial assets not measured at fair value					
- Receivable from customers	96,976,139	-	-	-	-
- Loan to employees	1,643,918	-	-	-	-
- Deposits	199,640,390	-	-	-	-
- Other receivables	478,747	-	-	-	-
- Accrued Profit	1,039,497	-	-	-	-
- Bank balances	63,110,163	-	-	-	-
	483,031,289	21,752,072	98,390,363	-	120,142,435
Financial liabilities not measured at fair value					
- Short term borrowing	(31,871,532)	-	-	-	-
- Trade and other payables	(149,299,596)	-	-	-	-
	(181,171,128)	-	-	-	-
	301,860,161	21,752,072	98,390,363	-	120,142,435

The fair value of the 'financial assets and liabilities not measured at fair values' have not been disclosed as these are short term in nature and also repriced with regular frequency (where applicable)

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32. CAPITAL RISK MANAGEMENT

The primary objective of the Company's capital management is to maintain healthy capital ratios and optimal capital structure in order to ensure ample availability of finance for its existing operations, for maximizing shareholder's value, for tapping potential investment opportunities and to reduce cost to safeguard the entity's ability to continue as a going concern.

The Company manages its capital structure and makes adjustment to it, in light of changes in economic conditions. Furthermore, the Company finances its operations through equity, borrowing and management of its working capital with a view to maintain an appropriate mix between various sources of finance to minimise risk.

32.1 Base minimum capital

Pursuant to the promulgation of the Stock Exchanges (Corporatisation, Demutualization and Integration) Act, 2012 (the Act), all trading right entitlement certificate (TRE) certificate holders of Pakistan Stock Exchange (PSX), in compliance with the Schedule-I of Chapter 19: Risk Management Regulations of the PSX Rule Book, are required to maintain a Base Minimum Capital (BMC). As at 31 December 2019 and as per slabs given under the above mentioned regulations, the Company is required to maintain a BMC of Rs. 26 million with PSX. The Company is in compliance with the aforementioned requirement as at 31 December 2019.

33. STATEMENT OF NET CAPITAL BALANCE (NCB)

(Excess of Current Assets over Current Liabilities determined in accordance with the requirements of the Second Schedule of the Securities Brokers (Licensing and Operations) Regulations, 2016 (the Regulations) read with Rule 2 (d) of the Securities Exchange Commission (SEC) Rules 1971 (SEC Rules 1971) issued by the Securities and Exchange Commission of Pakistan (SECP).

Description	Valuation Basis	Note	Sub Total	Total (Rupees)
Current assets				
Bank balances and cash deposit	As per book value	33.2		247,883,328
Trade debts	As per book value	33.3	20,964,019	
	Less: Overdue for more than 14 days		8,010,905	12,953,114
Market treasury bills	At market value	33.4		98,444,913
		A		359,281,356
Current liabilities				
Trade payables	As per book value	33.5	124,880,367	
	Less: Overdue for more than 30 days		(20,560,112)	104,320,255
Other liabilities	As per book value	33.6		
	- Trade payables overdue for more than 30 days		20,560,112	
	- Payable to Workers' Welfare Fund		2,078,130	
	- Accrued expenses		7,067,579	
	- Provision for compensated absences		1,014,297	
	- Sindh Sales Tax payable		643,681	
	- Lease hold liability		5,596,076	
	- Deferred tax liability - net		214,435	37,174,310
		B		141,494,565
Net Capital Balance as at 31 December 2019		A - B		217,786,791

33.1 Basis of accounting

33.1.1 The statement of net capital balance ("the Statement") has been prepared in accordance with the requirements of the Second Schedule of the Securities Brokers (Licensing and Operations) Regulations, 2016 (the Regulations) read with rule 2 (d) of the Securities Exchange Commission (SEC) Rules 1971 (SEC Rules 1971) issued by the Securities and Exchange Commission of Pakistan (SECP).

33.1.2 The accounting policies and methods of computation used in the preparation of the statement are disclosed in note 4 to these financial statements of the Company for the year ended 31 December 2019.

33.1.3 The valuation of current assets and current liabilities for the purpose of net capital balance has been determined on the basis of the following:

Description	Valuation Basis
Bank balances and cash deposit	As per book value
Trade debts	Book value less those overdue for more than fourteen days.
Market treasury bills	At market value
Trade payables	Book value less those overdue for more than 30 days.
Other liabilities	Book value less those overdue for more than 30 days.

33.2 Bank balances and cash deposit

	Note	31 December 2019 (Rupees)
Bank balances pertaining to:		
- Habib Metropolitan Financial Services Limited - Current Account		161,239
- Habib Metropolitan Financial Services Limited - Profit and loss Sharing Account		86,295,114
- Clients - Current Account	33.2.1	100,926,976
- Margin with NCCPL against exposure	33.2.2	60,500,000
		247,883,328

33.2.1 Trade liability balance is more than the client's current account balance as the transactions under T+2 basis were settled subsequent to the year end on the due date.

33.2.2 This represents margin deposit with NCCPL in accordance with the provisions of the Securities Act, 2015.

33.3 Trade debts

These are valued at book value less those overdue for more than fourteen days.

	31 December 2019 (Rupees)
i) Trade receivable	20,964,019
ii) Over due for more than 14 days	8,010,905
iii) Balance generated with in 14 days and / or not yet due	12,953,114

33.4 Market treasury bills

This represents market treasury bills amounting to Rs.98.390 million which have been kept as collateral with National Clearing Company of Pakistan Limited against margin requirements for ready market exposures.

33.5 Trade payables

This represent balances due to customers in respect of trading of shares less trade payable balances overdue for more than 30 days which have been included in other liabilities.

33.6 Other liabilities

These represent current liabilities, other than trade payables which are due within 30 days. Other liabilities are stated at book value.

34 SUBSEQUENT EVENT

34.1 Subsequent to the year end, the novel coronavirus (COVID19) emerged and since then, the condition has continued to escalate. On 30 January 2020, the International Health Regulations Emergency Committee of the WHO declared the outbreak a "Public Health Emergency of International Concern". The COVID19 pandemic has significantly Impacted the economy around the world to date and may continue to do so in the coming months of 2020 potentially Impacting the earnings and cash flows of the Company. The Company considers this outbreak to be a non-adjusting post balance sheet event. The scale and duration of this outbreak remains uncertain and as it evolves globally in 2020, the company will evaluate the potential Impacts and respond accordingly.

However the Companys management is of the view that above situation is not expected to significantly impact the Company so as to have an effect on its going concern status based on the business strategy.

35. **CORRESPONDING FIGURES**

Comparative figures have been re-arranged and reclassified wherever necessary for the purpose of comparison and better presentation. Major reclassifications are as follow:

	Amount (Rupees)	Previously classified as	Currently classified as
Deposits with:			
NCCPL for deliverable future contracs, ready contracts and initial deposit	1,400,000	Long term deposits	Short term deposits
- NCCPL for provisional trading deposit	100,000	Long term deposits	Short term deposits
- K-Electric Company Limited	34,390	Long term deposits	Short term deposits
- Pakistan Beverage Limited	6,000	Long term deposits	Short term deposits

Above reclassifications have been made for a more better presentation.

36. **DATE OF AUTHORISATION FOR ISSUE**

These financial statements were authorised for issue by the Board of Directors of the Company on 30-JUNE-2020.

Mauzai Mushtaq

Chief Executive Officer

Director