

IGI FINEX SECURITIES LIMITED
FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2020

AF FERGUSON & CO.
Chartered Accountants
a member firm of the PwC network





INDEPENDENT AUDITOR'S REPORT

To the members of IGI Finex Securities Limited

Report on the Audit of the Financial Statements

Opinion

We have audited the annexed financial statements of **IGI Finex Securities Limited** (the Company), which comprise the statement of financial position as at December 31, 2020, and the statement of profit or loss, the statement of profit or loss and other comprehensive income, the statement of changes in equity, the statement of cash flows 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, statement of profit or loss and other comprehensive income, the statement of changes in equity and the statement of cash flows together with the notes 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 December 31, 2020 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.

Information Other than the Financial Statements and Auditor's Report Thereon

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

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

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

A/CO



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 the 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.

Affco



A.F. FERGUSON & CO.

Report on Other Legal and Regulatory Requirements

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

- a) proper books of account have been kept by the Company as required by the Companies Act, 2017 (XIX of 2017);
- b) the statement of financial position, the statement of profit or loss, the statement of profit or loss and other comprehensive income, the statement of changes in equity and the statement of cash flows together with the notes thereon have been drawn up in conformity with the Companies Act, 2017 (XIX of 2017) and are in agreement with the books of account and returns;
- c) the Company was in compliance with the requirements of section 78 of the Securities Act, 2015 and section 62 of the Futures Market Act, 2016, and the relevant requirements of Securities Brokers (Licensing and Operations) Regulations, 2016 as at the date on which the statement of financial position was prepared.
- d) investments made, expenditure incurred and guarantees extended during the year were for the purpose of the Company's business; and
- e) no zakat was deductible at source under the Zakat and Ushr Ordinance, 1980 (XVIII of 1980).

The engagement partner on the audit resulting in this independent auditor's report is **Noman Abbas Sheikh**.

A. Ferguson & Co.

A. F. Ferguson & Co.
Chartered Accountants
Karachi

Dated: March 12, 2021

IGI FINEX SECURITIES LIMITED
STATEMENT OF FINANCIAL POSITION
AS AT DECEMBER 31, 2020

	Note	2020 ----- Rupees -----	2019 ----- Rupees -----
ASSETS			
Non-current assets			
Fixed assets			
- Property and equipment	4	20,077,413	19,758,317
- Intangible assets	5	15,777,391	16,350,577
Investments	6	23,755,760	20,004,853
Long term deposits	7	15,729,664	15,429,664
Deferred tax asset - net	8	67,868,468	62,974,832
		143,208,696	134,518,243
Current assets			
Trade receivables - net	9	32,084,747	123,411,545
Advances	10	920,900	1,658,532
Deposits and prepayments	11	284,047,462	129,798,790
Accrued mark-up - net	12	4,209,215	8,783,359
Other receivables	13	3,179,409	2,076,579
Taxation recoverable		58,132,878	68,048,316
Bank balances	14	628,701,013	388,157,249
		1,011,275,624	721,934,370
TOTAL ASSETS		<u>1,154,484,320</u>	<u>856,452,613</u>
EQUITY AND LIABILITIES			
Share capital and reserves			
Authorised share capital			
60,000,000 ordinary shares of Rs. 10 each (2019: 60,000,000 ordinary shares of Rs. 10 each)		<u>600,000,000</u>	<u>600,000,000</u>
Issued, subscribed and paid-up share capital	15	520,000,000	520,000,000
Surplus on remeasurement of financial assets - net	16	23,755,360	20,004,453
Advance against issue of preference shares	17	550,000,000	550,000,000
Accumulated losses		(777,383,969)	(813,252,285)
Total equity		316,371,391	276,752,168
Non-current liabilities			
Retirement benefit obligations	18	15,712,000	-
Lease liability against right-of-use asset		44,292	538,470
		15,756,292	538,470
Current liabilities			
Trade and other payables	19	821,862,456	578,769,254
Current portion of lease liability against right-of-use asset		494,181	392,721
		822,356,637	579,161,975
Total liabilities		838,112,929	579,700,445
TOTAL EQUITY AND LIABILITIES		<u>1,154,484,320</u>	<u>856,452,613</u>
CONTINGENCIES AND COMMITMENTS			
	20		

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

AJ/co


CHIEF EXECUTIVE OFFICER



DIRECTOR

IGI FINEX SECURITIES LIMITED
 STATEMENT OF PROFIT OR LOSS
 FOR THE YEAR ENDED DECEMBER 31, 2020

	Note	2020 ----- Rupees -----	2019 ----- Rupees -----
Operating revenue	21	186,969,696	97,163,346
Other operating revenue	22	38,574,690	34,837,966
Total operating income		225,544,386	132,001,312
Administrative and operating expenses	23	(173,543,975)	(121,974,812)
Financial charges		(658,585)	(714,885)
Total operating expenses		(174,202,560)	(122,689,697)
Other income	24	772,551	201,915
Reversal of provision against trade receivables - net	9.2	-	8,376
Profit before taxation		52,114,377	9,521,906
Taxation	26	(16,246,061)	3,547,425
Profit after taxation		35,868,316	13,069,331
Earnings per share - basic and diluted	27	0.69	0.25

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

AJCO



CHIEF EXECUTIVE OFFICER



DIRECTOR

IGI FINEX SECURITIES LIMITED
 STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME
 FOR THE YEAR ENDED DECEMBER 31, 2020

	Note	2020 ----- Rupees -----	2019 ----- Rupees -----
Profit after taxation		35,868,316	13,069,331
Other comprehensive income / (loss)			
Items that will not be reclassified to the statement of profit or loss subsequently			
Unrealised gain / (loss) on remeasurement of financial assets classified as 'at fair value through other comprehensive income'	16	3,750,907	(1,747,219)
Total comprehensive income for the year		<u><u>39,619,223</u></u>	<u><u>11,322,112</u></u>

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

AJCO

CHIEF EXECUTIVE OFFICER

DIRECTOR

IGI FINEX SECURITIES LIMITED
STATEMENT OF CHANGES IN EQUITY
FOR THE YEAR ENDED DECEMBER 31, 2020

	Issued, subscribed and paid-up share capital	Advance against issue of preference shares	Capital reserve	Revenue reserve	Total
			Surplus / (deficit) on remeasurement of financial assets at fair value through other comprehensive income - net	Accumulated losses	
------(Rupees)-----					
Balance as at January 1, 2019	520,000,000	550,000,000	21,751,672	(826,321,616)	265,430,056
Total comprehensive income for the year					
Profit after taxation for year ended December 31, 2019	-	-	-	13,069,331	13,069,331
Other comprehensive loss	-	-	(1,747,219)	-	(1,747,219)
	-	-	(1,747,219)	13,069,331	11,322,112
Balance as at December 31, 2019	520,000,000	550,000,000	20,004,453	(813,252,285)	276,752,168
Total comprehensive income for the year					
Profit after taxation for the year ended December 31, 2020	-	-	-	35,868,316	35,868,316
Other comprehensive income	-	-	3,750,907	-	3,750,907
	-	-	3,750,907	35,868,316	39,619,223
Balance as at December 31, 2020	<u>520,000,000</u>	<u>550,000,000</u>	<u>23,755,360</u>	<u>(777,383,969)</u>	<u>316,371,391</u>

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

Atco



CHIEF EXECUTIVE OFFICER



DIRECTOR


IGI FINEX SECURITIES LIMITED
STATEMENT OF CASH FLOWS
FOR THE YEAR ENDED DECEMBER 31, 2020

	Note	2020	2019
		----- Rupees -----	
CASH FLOWS FROM OPERATING ACTIVITIES			
Profit before taxation		52,114,377	9,521,906
Adjustments for non-cash items			
Depreciation	4	5,845,352	6,385,415
Amortisation	5	573,186	662,374
Gain on disposal of property and equipment	24	(743,626)	(150,910)
Reversal of provision against trade receivables - net	9.2	-	(8,376)
Dividend income	22	(1,064)	(1,758)
Profit on savings accounts	22	(25,102,411)	(17,201,454)
Income on deposit with Pakistan Stock Exchange Limited / NCCPL	22	(9,343,146)	(15,138,752)
Income on base minimum capital deposit	22	(970,630)	(322,861)
Income from MTS exposure	22	(26,525)	(107,115)
Charge for defined benefit plan	23.2	15,712,000	-
Financial charges		658,585	714,885
		<u>(13,398,279)</u>	<u>(25,168,552)</u>
		38,716,098	(15,646,646)
Changes in working capital			
Decrease / (increase) in current assets			
Trade receivable - net		91,326,798	(64,993,690)
Advances		737,632	(452,129)
Deposits and prepayments		(154,248,672)	29,873,483
Other receivables		(1,102,830)	(234,229)
		<u>(63,287,072)</u>	<u>(35,806,565)</u>
Increase / (decrease) in current liabilities			
Trade and other payables		243,093,202	208,961,008
Finance cost paid		(571,806)	(598,031)
Income tax paid		(11,224,259)	(6,716,309)
Rentals paid against lease liability		(479,497)	(402,633)
Net cash generated from operating activities		<u>206,246,666</u>	<u>149,790,824</u>
CASH FLOWS FROM INVESTING ACTIVITIES			
Payment for purchase of property and equipment		(7,069,480)	(1,010,035)
Payment for purchase of intangible assets		-	(5,648,723)
Proceeds on disposal of property and equipment		1,648,658	242,397
Long-term deposits		(300,000)	1,925,000
Dividend received		1,064	1,758
Profit / income received on savings accounts and deposits		40,016,856	29,719,992
Net cash generated from investing activities		<u>34,297,098</u>	<u>25,230,389</u>
Net increase in cash and cash equivalents		<u>240,543,764</u>	<u>175,021,213</u>
Cash and cash equivalents at the beginning of the year		388,157,249	213,136,036
Cash and cash equivalents at the end of the year	14	<u><u>628,701,013</u></u>	<u><u>388,157,249</u></u>

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

Atco


CHIEF EXECUTIVE OFFICER



DIRECTOR

IGI FINEX SECURITIES LIMITED
NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2020

1 LEGAL STATUS AND NATURE OF BUSINESS

1.1 IGI Finex Securities Limited (the Company) was incorporated in Pakistan on June 28, 1994 as a public limited company under the Companies Ordinance, 1984 (now the Companies Act, 2017). The registered office of the Company is situated at Suite No. 701-713, 7th Floor, the Forum, G-20, Khayaban-e-Jami, Block-9, Clifton, Karachi. The Company has a Trading Right Entitlement Certificate (TREC) of Pakistan Stock Exchange Limited. The Company is also a corporate member of Pakistan Mercantile Exchange Limited.

The principal activities of the Company include shares and commodities brokerage, money market and foreign exchange brokerage and advisory and consulting services.

The Company is a wholly owned subsidiary of IGI Holdings Limited (the Holding Company).

1.2 The geographical locations and addresses of the Company's branches are as under:

- Corporate Office, Suite 701-713, 7th Floor, the Forum, Khayaban-e-Jami, Clifton, Block 9, Karachi.
- Room # 134, 3rd Floor, Stock Exchange Building, Stock Exchange Road, Karachi.
- Shop # G-009, Ground Floor, Packages Mall, Lahore.
- 3rd Floor, 85 East, F/7-G/7 Kamran Centre, Jinnah Avenue, Blue Area, Islamabad.
- Room # 515 - 516, 5th Floor, State Life Building, 2 – Liaqat Road, Faisalabad.
- Basement of Khalid Market, Building # 12, Town Hall Road, Rahim Yar Khan.
- Mezzanine Floor, Abdali Towers, Abdali Road, Multan.

2 BASIS OF PREPARATION AND MEASUREMENT

2.1 Statement of compliance

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

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

Where provisions of and directives issued under the Companies Act, 2017 differ from the IFRS Standards, the provisions of and directives issued under the Companies Act, 2017 have been followed.

2.2 Standards, amendments and interpretations to accounting and reporting standards that are effective in the current year:

There are certain standards, amendments and interpretations that are mandatory for the Company's accounting periods beginning on or after January 1, 2020 but are considered not to be relevant or do not have any significant effect on the Company's operations and are, therefore, not disclosed in these financial statements.

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

There are certain new and amended standards and interpretations that are mandatory for the Company's accounting periods beginning on or after January 1, 2021 but are not considered to be relevant or will not have any significant effect on the Company's operations and are, therefore, not detailed in these financial statements.

2.2.2 Basis of measurement

These financial statements have been prepared under the historical cost convention, except that investments have been marked to market and are carried at fair value and defined benefit obligation is carried at present value.

2.2.3 Functional and presentation currency

Items included in these financial statements are measured using the currency of the primary economic environment in which the Company operates. These financial statements are presented in Pakistani Rupees, which is the Company's functional and presentation currency.

AJCO

2.2.4 Critical accounting estimates and judgments

The preparation of these financial statements in conformity with the accounting and reporting standards, as applicable in Pakistan, requires the use of certain critical accounting estimates. It also requires the management to exercise its judgment in the process of applying the Company's accounting policies. Estimates and judgments are continually evaluated and are based on historical experience, including expectations of future events that are believed to be reasonable under the circumstances. The areas where various assumptions and estimates are significant to the Company's financial statements or where judgment was exercised in application of accounting policies are as follows:

- i) Determination and measurement of useful lives and residual value of property and equipment (notes 3.1.1 and 4);
- ii) Amortisation of intangible assets (notes 3.1.2 and 5);
- iii) Classification and valuation of investments (notes 3.4 and 6);
- iv) Provision against doubtful debts, accrued mark-up and other receivables (notes 3.6, 3.8, 9, 12 and 13);
- v) Provision for current and deferred taxation (notes 3.9, 8 and 26);
- vi) Provision for retirement benefits (notes 3.3 and 18); and
- vii) Lease liability and right-of-use assets (notes 3.2 and 4).

3 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The significant accounting policies applied in the preparation of these financial statements are set out below. These policies have been consistently applied to all the years presented.

3.1 Fixed assets

3.1.1 Property and equipment

These are stated at cost less accumulated depreciation and accumulated impairment losses, if any, except for capital work-in-progress which is stated at cost less accumulated impairment losses, if any. The cost of an item of property and equipment comprises of its purchase price and any directly attributable costs of bringing the asset to working condition for its intended use.

Depreciation on all fixed assets is calculated using the straight line method in accordance with the rates specified in note 4 to these financial statements after taking into account residual values, if significant. The assets' residual values, useful lives and depreciation method are reviewed and adjusted, if significant, at each reporting date.

Depreciation on additions is charged from the date the asset is available for use. For any disposal, depreciation is charged till the date of disposal.

Subsequent costs are included in the asset's carrying amounts or recognised as a separate asset, as appropriate, only when it is probable that future economic benefits associated with the item will flow to the Company and the cost of the item can be measured reliably. All other repairs and maintenance expenditures are charged to the statement of profit and loss as and when incurred.

Gains or losses arising from derecognition of property and equipment are measured as the difference between the net disposal proceeds and the carrying amount of the asset and are recognised in the statement of profit or loss when the asset is derecognised.

3.1.2 Intangible assets

Intangible assets having a finite useful life are stated at cost less accumulated amortisation and accumulated impairment losses, if any. Such intangible assets are amortised using the straight-line method taking into account residual values, if significant, at the rates specified in note 5 to these financial statements. Amortisation is charged from the date the asset is available for use while in the case of assets disposed of, it is charged till the date of disposal. The useful lives, assets' residual values and amortisation method are reviewed and adjusted, if significant, at each reporting date.

Intangible assets having an indefinite useful life are stated at cost less accumulated impairment losses, if any. An intangible asset is regarded as having an indefinite useful life, when, based on an analysis of all the relevant factors, there is no foreseeable limit to the period over which asset is expected to generate net cash inflows for the Company. An intangible asset with an indefinite useful life is not amortised. However, the carrying amount is reviewed at each reporting date or whenever there is an indication that the asset may be impaired, to assess whether it is in excess of its recoverable amount, and where the carrying value exceeds the estimated recoverable amount, it is written down to its estimated recoverable amount.

AJ Co

Gains or losses arising from derecognition of an intangible asset are measured as the difference between the net disposal proceeds and the carrying amount of the asset and are recognised in the statement of profit or loss when the asset is derecognised.

3.2 Right-of-use assets and their related lease liability

3.2.1 Right-of-use assets

On initial recognition, right-of-use assets are measured at an amount equal to initial lease liability adjusted for any lease payments made at or before the commencement date, plus any initial costs incurred and an estimate of costs to be incurred to dismantle and remove the underlying asset or the site on which it is located.

Right-of-use assets are subsequently stated at cost less any accumulated depreciation / accumulated impairment losses and are adjusted for any remeasurement of lease liability. The remeasurement of lease liability will only occur in cases where the terms of the lease are changed during the lease tenure.

Right-of-use assets are depreciated over their expected useful lives using the straight-line method. Depreciation on additions (new leases) is charged from the month in which leases are entered into. No depreciation is charged in month in which the leases mature or are terminated.

3.2.2 Lease liability against right-of-use assets

The lease liabilities are initially measured as the present value of the remaining lease payments, 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 measured at amortised cost using the effective interest rate method. The lease liability is also measured to reflect any remeasurement or change in lease terms. These remeasurement of lease liabilities are recognised as an adjustment to the carrying amount of related right-of-use assets after the date of initial recognition.

Each lease payment is allocated between a reduction of the liability and a finance cost. The finance cost is charged to the statement of profit or loss as financial charges over the lease period so as to produce a constant periodic rate of interest on the remaining balance of the liability for each period.

The Company has elected to apply the practical expedient of not to recognise right-of-use assets and lease liabilities for short term leases that have a lease term of 12 months or less and leases of low-value assets. The lease payments associated with these leases is recognised as an expense on a straight line basis over the lease term.

3.3 Staff retirement benefits

3.3.1 Unfunded gratuity scheme

The Company has re-introduced an unfunded gratuity scheme for its employees who have completed the prescribed qualifying period of service with effect from January 1, 2020. Provision in respect of gratuity costs is recorded based on actuarial recommendations. The actuarial valuation is carried out using the projected unit credit method. In accordance with IAS 19, remeasurements arising as a result of actuarial valuations, are recorded in other comprehensive income in the period in which these occur.

3.4 Financial instruments

3.4.1 Financial assets

3.4.1.1 Classification and subsequent measurement

The Company classifies its financial assets in the following measurement categories in accordance with the requirements of IFRS 9:

- at amortised cost;
- at fair value through other comprehensive income (FVOCI); and
- at fair value through profit or loss (FVPL).

AJCO

The classification requirements for debt and equity instruments are described below:

(i) Debt instruments

Debt instruments are those instruments that meet the definition of a financial liability from the issuer's perspective, such as loans, government and corporate bonds and puttable instruments like units of open-ended mutual funds.

Classification and subsequent measurement of debt instruments depend on:

- the Company's business model for managing the asset; and
- the cash flow characteristics of the asset.

Based on these factors, the Company classifies its debt instruments in one of the following three measurement categories:

a) At amortised cost

Assets that are held for collection of contractual cash flows where those cash flows represent solely payments of principal and interest (SPPI), and that are not designated at FVPL, are measured at amortised cost. The carrying amount of these assets is adjusted by any expected credit loss allowance recognised and measured as described in note 3.4.1.2.

b) Fair value through other comprehensive income (FVOCI)

Financial assets that are held for collection of contractual cash flows and for selling the assets, where the assets' cash flows represent solely payments of principal and interest, and that are not designated at FVPL, are measured at fair value through other comprehensive income (FVOCI). Movements in the carrying amount are taken through other comprehensive income (OCI), except for the recognition of impairment gains or losses, recognised and measured as described in note 3.4.1.2, interest revenue and foreign exchange gains and losses on the instrument's amortised cost which are recognised in the statement of profit or loss. When the financial asset is derecognised, the cumulative gain or loss previously recognised in other comprehensive income (OCI) is reclassified from surplus on remeasurement of financial assets to the statement of profit or loss.

c) Fair value through profit or loss (FVPL)

Assets that do not meet the criteria for classification at amortised cost or FVOCI are measured at fair value through profit or loss. A gain or loss on a debt investment that is subsequently measured at fair value through profit or loss and is not part of a hedging relationship is recognised in the statement of profit or loss in the period in which it arises.

(ii) Equity instruments

Equity instruments are instruments that meet the definition of equity from the issuer's perspective and are instruments that do not contain a contractual obligation to pay and that evidence a residual interest in the issuer's net assets.

All equity investments are required to be measured in the statement of financial position at fair value, with gains and losses recognised in the statement of profit or loss, except where an irrevocable election has been made at the time of initial recognition to measure the investment at FVOCI.

The dividend income for equity securities classified under FVOCI are to be recognised in the statement of profit or loss. However, any surplus / (deficit) arising as a result of subsequent movement in the fair value of equity securities classified as FVOCI is to be recognised in other comprehensive income and is not recycled to the statement of profit or loss on derecognition.

3.4.1.2 Impairment

The Company assesses on a forward-looking basis the expected credit losses (ECL) associated with its debt instrument assets carried at amortised cost and FVOCI and trade receivables. The Company recognises a loss allowance for such losses at each reporting date. The measurement of ECL reflects:

- An unbiased and probability-weighted amount that is determined by evaluating a range of possible outcomes;
- The time value of money; and
- Reasonable and supportable information that is available without undue cost or effort at the reporting date about past events, current conditions and forecasts of future economic conditions.

AJCO

3.4.1.3 Derecognition

Financial assets, or a portion thereof, are derecognised when the contractual rights to receive the cash flows from the assets have expired, or when they have been transferred and either:

- (i) the Company transfers substantially all the risks and rewards of ownership; or
- (ii) the Company neither transfers nor retains substantially all the risks and rewards of ownership and the Company has not retained control.

3.4.1.4 Regular way contracts

All regular way purchases and sales of financial assets are recognised on the trade date i.e. the date on which the Company commits to purchase or sell the asset. Regular way purchases / sales of assets require delivery of securities within two days from the transaction date as per the stock exchange regulations.

3.4.2 Financial liabilities

Financial liabilities are initially recognised at fair value plus transaction costs and are subsequently measured at amortised cost except for financial liabilities at fair value through profit and loss.

3.4.2.1 Derecognition

Financial liabilities are derecognised at the time when these are extinguished i.e. when the obligation specified in the contract is discharged, cancelled or expired. Any gain or loss on derecognition of financial assets and financial liabilities is taken to the statement of profit or loss.

3.5 Securities under repurchase / resale agreement

Transactions of sale under repurchase (repo) of securities are entered into at contracted rates for specified periods of time. These securities are not derecognised from the financial statements and are continued to be recognised as investments and measured in accordance with the accounting policies for investment securities. The counterparty liabilities for amounts received under these transactions are recorded as liabilities. The difference between sale and repurchase price is treated as interest / mark-up expense and accrued over the life of the repo agreement.

Transactions of purchase under resale (reverse-repo) of securities are entered into at contracted rates for specified periods of time. These securities are not recognised in the statement of financial position as investments, as the Company does not obtain control over the assets. Amounts paid under these arrangements are included in the statement of financial position as receivable against reverse repurchase transactions. The difference between purchase and resale price is treated as income from the date of reverse repurchase transaction and accrued over the life of the reverse-repo agreement.

All purchases and sales of securities that require delivery within the time frame established by the regulations or market convention are recognised at the trade date. Trade date is the date on which the Company commits to purchase or sell the asset.

3.6 Trade receivables and other receivables

Trade receivables are recognised initially at invoice value and subsequently measured at cost, less expected credit loss allowance as discussed in note 3.4.1.2.

3.7 Trade and other payables

Liabilities for trade and other amounts are carried at cost, which is the fair value of the consideration to be paid in the future for goods and services, whether or not billed to the Company.

3.8 Provisions

Provisions are recognised when the Company has a present obligation as a result of past events; it is probable that a transfer of economic benefits will be required to settle the obligation and a reliable estimate of the amount of obligation can be made. Provisions are reviewed at each reporting date and adjusted to reflect the current best estimate.

AtCo

3.9 Taxation

3.9.1 Current

Provision for current taxation is based on taxability of certain income streams of the Company under minimum tax regime at the applicable tax rates and remaining income streams chargeable at current rate of taxation under normal tax regime after taking into account tax credits and rebates available, if any, or on turnover at the specified rate or Alternate Corporate Tax as defined in section 113C of Income Tax Ordinance, 2001, whichever is higher. The charge for the current tax also includes adjustments where necessary, relating to prior years which arise from assessments framed / finalised during the current year.

3.9.2 Deferred

Deferred tax is recognised using the balance sheet method on all temporary differences between the carrying amounts of assets and liabilities used for financial reporting purposes and amounts used for taxation purposes.

Deferred tax asset is recognised only to the extent that it is probable that taxable profits will be available against which the asset can be utilised. The carrying amount of deferred tax asset is reviewed at each reporting date and suitable adjustments are made to that extent.

Deferred tax is measured at the tax rates that are expected to apply to the temporary differences when they will be reversed, based on the tax rates that have been enacted or substantively enacted at the reporting date.

3.10 Revenue recognition

Revenue is recognised to the extent that is probable that the economic benefits will flow to the Company and the revenue can be measured reliably. Revenue is measured at the fair value of the consideration received or receivable on the following basis:

- Brokerage, consultancy and advisory fee and commission income are recognised as and when such services are rendered;
- Income from bank balance and deposits is recognised on accrual basis;
- Dividend income is recorded when the right to receive the dividend is established;
- Gains / (losses) arising on sale of investments are included in the statement of profit or loss on the date at which transactions take place; and
- Unrealised gains / (losses) arising from mark to market of investments classified as 'at financial assets at fair value through other comprehensive income' are included in the statement of profit or loss and other comprehensive income in the period in which these arise.

3.11 Proposed dividend and transfer between reserves

Dividends declared and transfers between reserves, except appropriations which are required by law, made subsequent to the reporting date are considered as non-adjusting events and are recognised in the financial statements in the period in which such dividends and transfers are approved.

3.12 Cash and cash equivalents

Cash and cash equivalents for the purpose of statement of cash flows include cash in hand, balances with banks in current and savings accounts, term deposits, short-term running finances under mark-up arrangements and other short-term highly liquid investments with original maturities of three months or less.

3.13 Earning per share (EPS)

The Company presents basic and diluted earnings per share (EPS) for its shareholders. Basic EPS is calculated by dividing the profit or loss attributable to the ordinary shareholders of the Company by the weighted average number of ordinary shares outstanding during the year. Diluted EPS is determined by adjusting the profit or loss attributable to the ordinary shareholders and the weighted average number of ordinary shares outstanding for the effects of all dilutive potential ordinary shares, if any.

3.14 Advance against issue of preference shares

Advance against issue of preference shares is recorded at cost of the consideration received.

MJC

4 PROPERTY AND EQUIPMENT

2020								
Leasehold improvements	Furniture and fixtures	Office equipment	Communication equipment	Computer equipment	Motor vehicles	Right-of-use asset	Total	
Rupees								
As at January 1, 2020								
Cost	21,037,844	1,084,728	2,250,227	2,348,811	5,786,978	26,884,087	1,216,970	60,609,645
Accumulated depreciation	(17,640,509)	(804,097)	(1,725,517)	(2,114,997)	(4,787,277)	(13,407,079)	(371,852)	(40,851,328)
Net book value	<u>3,397,335</u>	<u>280,631</u>	<u>524,710</u>	<u>233,814</u>	<u>999,701</u>	<u>13,477,008</u>	<u>845,118</u>	<u>19,758,317</u>
Year ended December 31, 2020								
Opening net book value	3,397,335	280,631	524,710	233,814	999,701	13,477,008	845,118	19,758,317
Additions	-	-	-	34,000	3,501,598	3,533,882	-	7,069,480
Disposals - (note 4.1)								
Cost	-	136,081	16,550	3,000	1,064,870	1,998,485	-	3,218,986
Accumulated depreciation	-	(133,852)	(8,465)	(2,284)	(1,053,562)	(1,115,791)	-	(2,313,954)
	-	2,229	8,085	716	11,308	882,694	-	905,032
Depreciation charge for the year	(490,159)	(60,812)	(73,954)	(78,623)	(989,249)	(3,746,896)	(405,659)	(5,845,352)
Closing net book value	<u>2,907,176</u>	<u>217,590</u>	<u>442,671</u>	<u>188,475</u>	<u>3,500,742</u>	<u>12,381,300</u>	<u>439,459</u>	<u>20,077,413</u>
As at December 31, 2020								
Cost	21,037,844	948,647	2,233,677	2,379,811	8,223,706	28,419,484	1,216,970	64,460,139
Accumulated depreciation	(18,130,668)	(731,057)	(1,791,006)	(2,191,336)	(4,722,964)	(16,038,184)	(777,511)	(44,382,726)
Net book value	<u>2,907,176</u>	<u>217,590</u>	<u>442,671</u>	<u>188,475</u>	<u>3,500,742</u>	<u>12,381,300</u>	<u>439,459</u>	<u>20,077,413</u>
Depreciation rate % per annum	<u>10</u>	<u>10</u>	<u>10</u>	<u>20</u>	<u>33</u>	<u>20</u>	<u>33</u>	
2019								
Leasehold improvements	Furniture and fixtures	Office equipment	Communication equipment	Computer equipment	Motor vehicles	Right-of-use asset	Total	
Rupees								
As at January 1, 2019								
Cost	20,493,624	1,084,728	2,341,227	2,721,262	5,450,662	27,583,587	-	59,675,090
Accumulated depreciation	(17,143,254)	(721,967)	(1,747,085)	(2,493,953)	(3,474,493)	(10,086,124)	-	(35,666,876)
Net book value	<u>3,350,370</u>	<u>362,761</u>	<u>594,142</u>	<u>227,309</u>	<u>1,976,169</u>	<u>17,497,463</u>	<u>-</u>	<u>24,008,214</u>
Year ended December 31, 2019								
Opening net book value	3,350,370	362,761	594,142	227,309	1,976,169	17,497,463	-	24,008,214
Additions	544,220	-	13,000	99,999	352,816	-	-	1,010,035
Adoption of IFRS 16	-	-	-	-	-	-	1,216,970	1,216,970
Disposals								
Cost	-	-	104,000	472,450	16,500	699,500	-	1,292,450
Accumulated depreciation	-	-	(104,000)	(453,716)	(13,645)	(629,602)	-	(1,200,963)
	-	-	-	18,734	2,855	69,898	-	91,487
Depreciation charge for the year	(497,255)	(82,130)	(82,432)	(74,760)	(1,326,429)	(3,950,557)	(371,852)	(6,385,415)
Closing net book value	<u>3,397,335</u>	<u>280,631</u>	<u>524,710</u>	<u>233,814</u>	<u>999,701</u>	<u>13,477,008</u>	<u>845,118</u>	<u>19,758,317</u>
As at December 31, 2019								
Cost	21,037,844	1,084,728	2,250,227	2,348,811	5,786,978	26,884,087	1,216,970	60,609,645
Accumulated depreciation	(17,640,509)	(804,097)	(1,725,517)	(2,114,997)	(4,787,277)	(13,407,079)	(371,852)	(40,851,328)
Net book value	<u>3,397,335</u>	<u>280,631</u>	<u>524,710</u>	<u>233,814</u>	<u>999,701</u>	<u>13,477,008</u>	<u>845,118</u>	<u>19,758,317</u>
Depreciation rate % per annum	<u>10</u>	<u>10</u>	<u>10</u>	<u>20</u>	<u>33</u>	<u>20</u>	<u>33</u>	

4.1 The aggregate net book value of disposals was not in excess of Rs. 5 million during the current year ended December 31, 2020.

4.2 Cost and accumulated depreciation in respect of fully depreciated assets still in use at the end of the year amounted to Rs. 27.324 million (2019: Rs. 24.706 million).

ABC Co

5 INTANGIBLE ASSETS

----- 2020 -----					
	Membership card (note 5.1)	Computer software	Club membership	Trading Rights Entitlement Certificate (TREC) (note 5.2)	Total
----- Rupees -----					
As at January 1, 2020					
Cost	250,000	16,867,880	2,000,000	14,999,000	34,116,880
Accumulated amortisation / impairment	-	(11,766,303)	(2,000,000)	(4,000,000)	(17,766,303)
Net book value	<u>250,000</u>	<u>5,101,577</u>	<u>-</u>	<u>10,999,000</u>	<u>16,350,577</u>
Year ended December 31, 2020					
Opening net book value	250,000	5,101,577	-	10,999,000	16,350,577
Additions	-	-	-	-	-
Amortisation for the year	-	(573,186)	-	-	(573,186)
Closing net book value	<u>250,000</u>	<u>4,528,391</u>	<u>-</u>	<u>10,999,000</u>	<u>15,777,391</u>
As at December 31, 2020					
Cost	250,000	16,867,880	2,000,000	14,999,000	34,116,880
Accumulated amortisation / impairment	-	(12,339,489)	(2,000,000)	(4,000,000)	(18,339,489)
Net book value	<u>250,000</u>	<u>4,528,391</u>	<u>-</u>	<u>10,999,000</u>	<u>15,777,391</u>
Amortisation rate % per annum		<u>10 - 33.33</u>	<u>50</u>		
----- 2019 -----					
	Membership card (note 5.1)	Computer software	Club membership	Trading Rights Entitlement Certificate (TREC) (note 5.2)	Total
----- Rupees -----					
As at January 1, 2019					
Cost	250,000	11,219,157	2,000,000	14,999,000	28,468,157
Accumulated amortisation / impairment	-	(11,103,929)	(2,000,000)	(4,000,000)	(17,103,929)
Net book value	<u>250,000</u>	<u>115,228</u>	<u>-</u>	<u>10,999,000</u>	<u>11,364,228</u>
Year ended December 31, 2019					
Opening net book value	250,000	115,228	-	10,999,000	11,364,228
Additions	-	5,648,723	-	-	5,648,723
Amortisation for the year	-	(662,374)	-	-	(662,374)
Closing net book value	<u>250,000</u>	<u>5,101,577</u>	<u>-</u>	<u>10,999,000</u>	<u>16,350,577</u>
As at December 31, 2019					
Cost	250,000	16,867,880	2,000,000	14,999,000	34,116,880
Accumulated amortisation / impairment	-	(11,766,303)	(2,000,000)	(4,000,000)	(17,766,303)
Net book value	<u>250,000</u>	<u>5,101,577</u>	<u>-</u>	<u>10,999,000</u>	<u>16,350,577</u>
Amortisation rate % per annum		<u>10 - 33.33</u>	<u>50</u>		

5.1 This represents membership card of Pakistan Mercantile Exchange Limited as the Company is a member of Pakistan Mercantile Exchange Limited as explained in note 1.1.

5.2 This represents Trading Right Entitlement Certificate (TREC) of Pakistan Stock Exchange Limited pursuant to the promulgation of Stock Exchanges (Corporation, Demutualization and Integration) Act, 2012.

Atto

- 5.3 Cost and accumulated amortisation in respect of fully amortised intangible assets still in use at the end of the year amounted to Rs. 13.219 million (2019: Rs. 12.939 million).

	Note	2020	2019
		----- Rupees -----	

6 INVESTMENTS

Financial assets at 'fair value through other comprehensive income'

- Quoted equity securities

Note	2020	2019
6.1 & 6.2	<u>23,755,760</u>	<u>20,004,853</u>

6.1

Company's name	----- Number of shares -----				Percentage of equity held	Carrying value	Market value	Unrealised gain / (loss) on remeasurement
	As at January 1, 2020	Purchased / bonus issued during the year	Sold during the year	As at December 31, 2020				
Pakistan Stock Exchange Limited (PSX)	1,602,953	-	-	1,602,953	0.20%	20,004,853	23,755,760	3,750,907
Total as at December 31, 2020						<u>20,004,853</u>	<u>23,755,760</u>	<u>3,750,907</u>
Total as at December 31, 2019						<u>21,752,072</u>	<u>20,004,853</u>	<u>(1,747,219)</u>

- 6.2 The shares of PSX were allotted to the Company pursuant to the promulgation of Stock Exchanges (Corporatisation, Demutualization and Integration) Act, 2012. As at December 31, 2020, 1,602,953 shares (2019: 1,602,953 shares) were pledged with CDC account in order to comply with the Base Minimum Capital requirement prescribed by the PSX.

	Note	2020	2019
		----- Rupees -----	

7 LONG TERM DEPOSITS

Deposits with:

LSE Financial Services Limited		-	50,000
National Clearing Company of Pakistan Limited		1,100,000	1,100,000
Pakistan Mercantile Exchange Limited		750,000	750,000
NCEL Building Management (Private) Limited	7.1	2,500,000	2,500,000
Pakistan Stock Exchange Limited	7.2	11,375,000	11,025,000
Others		4,664	4,664
		<u>15,729,664</u>	<u>15,429,664</u>

- 7.1 This represents deposit given to NCEL Building Management (Private) Limited for acquiring office premises.
- 7.2 This represents amount deposited with Pakistan Stock Exchange Limited (PSX) on account of Base Minimum Capital prescribed by PSX. This deposit is in addition to the shares of PSX as mentioned in note 6.2 to these financial statements.

	Note	2020	2019
		----- Rupees -----	

8 DEFERRED TAX ASSET - NET

Deductible temporary differences arising in respect of:

- Unused tax losses	8.1	14,474,340	13,307,828
- Provision for doubtful debts and other receivables	8.1	48,973,461	48,973,461
- Provision for retirement benefit obligation		4,261,203	-
- Provision for leave encashment		663,322	239,595
- Accelerated tax depreciation		(503,858)	453,948
		<u>67,868,468</u>	<u>62,974,832</u>

- 8.1 The Company has an aggregate amount of Rs. 49.912 million (2019: Rs. 45.889 million) [including unabsorbed tax depreciation and amortisation] in respect of available tax losses as at December 31, 2020 and has an aggregate amount of Rs. 702.057 million (2019: Rs. 702.057 million) in respect of deductible temporary differences arising on provisions made against doubtful receivables on the same date.

AJG

While maintaining that deferred tax on deductible differences (provision for doubtful receivables) provides an opportunity for tax planning and the Company would be able to fully utilise them in the future years, the management has taken a conservative view on the balance of deferred tax recognised as an asset against deductible temporary differences in the financial statements of the Company. The Company, nevertheless, retains the right to consider and evaluate on an ongoing basis tax planning opportunities with respect to provision write offs. Accordingly, on a conservative estimate basis, the amount of deferred tax asset recognised against available tax losses and deductible temporary differences has been limited to Rs. 67.868 million (2019: Rs. 62.974 million) during the year.

In connection with the above, the management has prepared financial projections which have been approved by the Board of Directors of the Company. These projections involve certain key assumptions underlying the estimation of future taxable profits. The determination of future taxable profits takes into account various assumptions regarding the future business, economic and market conditions. Key assumptions include market share of the Company, average commission rate, growth in market volumes, cost to income ratios, returns on funds deployed, timing of write offs etc. A significant change in the assumptions used may impact the realisability of the deferred tax asset.

9	TRADE RECEIVABLES - NET	Note	2020	2019
		----- Rupees -----		
	Considered good			
	Receivable from clients against purchase of marketable securities and commodity contracts	9.1	17,587,783	109,152,433
	Considered doubtful			
	Receivable from clients against purchase of marketable securities and commodity contracts		593,947,474	593,709,622
	Commission receivable		414,265	414,265
	Provision against doubtful debts	9.2	(579,864,775)	(579,864,775)
			14,496,964	14,259,112
			<u>32,084,747</u>	<u>123,411,545</u>
9.1	This includes amounts due from related parties as under:			
	Key management personnel		3,153	4
	Other related parties and associated undertakings		878,995	32,543,866
			<u>882,148</u>	<u>32,543,870</u>
9.2	Provision against doubtful debts			
	Opening provision		579,864,775	586,493,268
	Charge for the year		-	-
	Written off during the year		-	(6,620,117)
	Reversal during the year		-	(8,376)
			-	(6,628,493)
	Closing provision	9.2.1	<u>579,864,775</u>	<u>579,864,775</u>
9.2.1	This includes provision of Rs. 4.404 million (2019: Rs. 4.404 million) in respect of related parties.			
9.2.2	Provision against doubtful debts has been made after considering the market value of listed equity securities amounting to Rs. 23.218 million (2019: Rs. 21.886 million) held in custody by the Company against respective customers accounts.			
9.3	Ageing analysis			
			Gross Amount	Provision Held
			----- Rupees -----	Net Amount
	Upto 5 days		9,650,989	-
	More than 5 but upto 14 days		1,827,322	-
	More than 14 but upto 30 days		227,737	-
	More than 30 but upto 60 days		416,740	-
	More than 60 but upto 90 days		267,409	-
	More than 90 days		599,559,325	579,864,775
			<u>611,949,522</u>	<u>579,864,775</u>
				<u>19,694,550</u>
				<u>32,084,747</u>

AJCO

	Note	2020	2019
		----- Rupees -----	
9.4 Customer assets			
Central Depository System		<u>6,320,732,421</u>	<u>5,137,086,043</u>
10 ADVANCES			
Considered good			
Advances to employees	10.1	525,995	1,346,399
Others		<u>394,905</u>	<u>312,133</u>
		<u>920,900</u>	<u>1,658,532</u>
10.1	The advances to employees are given to meet personal and travelling expenses. These are granted to employees of the Company in accordance with their terms of employment and are recovered through deductions from salaries / against expense settlements.		
	Note	2020	2019
11 DEPOSITS AND PREPAYMENTS		----- Rupees -----	
Pakistan Stock Exchange Limited		357,923	357,923
Exposure deposit with National Clearing Company of Pakistan Limited / Pakistan Stock Exchange Limited	11.1	279,900,690	126,900,690
Pakistan Mercantile Exchange Limited - margin deposit		1,570,451	660,590
Security deposits		977,446	932,446
Prepayments		1,240,952	947,141
		<u>284,047,462</u>	<u>129,798,790</u>
11.1	This represents deposits held at the year end against exposures arising out of trading in securities in accordance with the regulations of the Pakistan Stock Exchange Limited (the Exchange). Interest is earned on the deposit at rates as determined by the Exchange. These deposits carry interest / mark-up at 3.25% to 10% (2019: 7.5% to 10%) per annum.		
	Note	2020	2019
12 ACCRUED MARK-UP - NET		----- Rupees -----	
Considered good			
Accrued income on savings accounts, loans and exposure deposits		3,889,193	8,460,498
Accrued income on BMC Deposit		320,022	322,861
Considered doubtful			
Accrued mark-up income		69,947,808	69,947,808
Accrued income on other receivables		12,440,328	12,440,328
		82,388,136	82,388,136
Provision against doubtful accrued mark-up		(82,388,136)	(82,388,136)
		<u>4,209,215</u>	<u>8,783,359</u>
13 OTHER RECEIVABLES			
Considered good			
Receivable from related party	13.1	2,474,406	1,416,212
Others		<u>705,003</u>	<u>660,367</u>
		3,179,409	2,076,579
Considered doubtful			
Receivable against overdue reverse repurchase transaction	13.2	13,297,927	13,297,927
Others		<u>26,506,756</u>	<u>26,506,756</u>
		39,804,683	39,804,683
Provision against other receivables	13.3	(39,804,683)	(39,804,683)
		<u>3,179,409</u>	<u>2,076,579</u>

AHCO

- 13.1 This represents receivable on account of group shared services.
- 13.2 This represents receivable against overdue reverse repurchase transaction with another brokerage house. During the financial year ended June 30, 2013, the borrower entered into a settlement agreement with the Company under which it acknowledged its liability to pay Rs. 114 million and the related mark-up and also paid Rs. 50 million against the release of certain shares held as collateral. The outstanding balance as at the previous reporting period was secured against certain shares listed on PSX and ten shops located at Fortress Stadium, Lahore. During the year ended June 30, 2015, these collaterals were sold by the Company. The remaining balance of Rs. 39.805 million is unsecured and has been fully provided.

13.3	Note	2020	2019
		----- Rupees -----	
Provision against doubtful other receivables			
Opening balance		39,804,683	39,804,683
Charge for the year		-	-
Reversal during the year		-	-
Balance as at year end		<u>39,804,683</u>	<u>39,804,683</u>

14 BANK BALANCES

Cash at bank			
Current accounts		7,825,139	24,934,883
Savings accounts	14.1	<u>620,875,874</u>	<u>363,222,366</u>
	14.2	<u>628,701,013</u>	<u>388,157,249</u>

14.1 These savings accounts carry mark-up ranging from 3% to 12.75% (2019: 5% to 12.75%) per annum.

14.2 This includes an amount of Rs. 612.685 million (2019: Rs. 332.193 million) representing clients' funds.

15 ISSUED, SUBSCRIBED AND PAID-UP SHARE CAPITAL

2020	2019	2020	2019
----- Number of shares -----		----- Rupees -----	
<u>52,000,000</u>	<u>52,000,000</u>	<u>520,000,000</u>	<u>520,000,000</u>
Ordinary shares of Rs. 10 each fully paid in cash			

15.1 The Holding Company holds 52,000,000 shares (2019: 52,000,000 shares).

16	Note	2020	2019
		----- Rupees -----	
SURPLUS ON REMEASUREMENT OF FINANCIAL ASSETS			
Opening surplus on remeasurement of investments classified as 'at financial assets fair vale through other comprehensive income'		20,004,453	21,751,672
Unrealised gain / (loss) recognised during the year	6.1	3,750,907	(1,747,219)
Closing surplus on remeasurement of investments classified as 'financial assets at fair vale through other comprehensive income'		<u>23,755,360</u>	<u>20,004,453</u>

17 ADVANCE AGAINST ISSUE OF PREFERENCE SHARES

During the financial year ended June 30, 2012, the Company received Rs. 650,000,000 in the form of interest free subordinated loan from Syed Babar Ali, Chairman – IGI Holdings Limited, the Holding Company, and a key sponsor of the Company (the preference shareholder). On June 29, 2012, the Company and Syed Babar Ali entered into an irrevocable Subscription Agreement to convert the subordinated loan into preference shares to be issued by the Company to Syed Babar Ali.

The Subscription Agreement provides for issue of 65,000,000 preference shares at the rate of Rs. 10 per share and these shares will be non-voting, non-redeemable, non-convertible and non-cumulative. Further, under the Subscription Agreement, the Company is to take steps for issuance and allotment of preference shares to Syed Babar Ali and to complete all requisite formalities in that connection.

AJ/co

On April 18, 2014 and June 30, 2016 the Company had signed Addendums to the aforesaid Subscription Agreement to amend the terms for payment of dividend to the preference shareholder (as may be declared by the Company out of its distributable profits) and the entitlement of preference shareholder in case of liquidation / change of management control of the Company.

Consequent to the above, in case of change in management control of the Company, the preference shareholder shall be first paid dividend up to 10% of par value until the aggregate amount of preferential dividend paid equals Rs. 650 million and thereafter, 0.1% of par value. Further, in case of liquidation of the Company, preference shareholder shall have priority over ordinary shareholder to the extent of par value of preference shares held, less dividends paid on preference shares.

During the year ended December 31, 2018, the Company had repaid an amount of Rs. 100 million in respect of the advance against preference shares.

During the year ended December 31, 2019, an additional addendum was again signed to reflect that the amount of advance against preference shares is reduced to Rs. 550,000,000 and preference shares were reduced to 55,000,000 at the rate of Rs. 10 per share. Further, the Company may at its option or discretion refund the entire subscription amount (or any part thereof) at any time during the term of this Subscription Agreement subject to a fifteen days notice to the sponsor, provided that the sponsor shall not be entitled to demand claim / refund of the Subscription amount (or any part thereof) in term of this clause of the Subscription Agreement.

Since the Company has not yet issued the said preference shares, the amount has been reported as advance against issue of preference shares.

	Note	2020	2019
		----- Rupees -----	
18 STAFF RETIREMENT BENEFITS			
Unfunded gratuity scheme	18.1.3	15,712,000	-
		<u>15,712,000</u>	<u>-</u>

18.1 Defined benefit plan - staff retirement gratuity scheme (unfunded)

As mentioned in note 3.3, the Company has re-introduced an unfunded gratuity scheme for its employees during the year. Under the service rules, eligible employees are entitled to gratuity after five years of service and thereafter the amount depends on the number of years of service completed by them. The latest actuarial valuation of the scheme was carried out as at December 31, 2020 using the projected unit credit method.

18.1.1 The gratuity scheme exposes the Company to the following risks:

Mortality risks

This is the risk that the actual mortality experience is different. The effect depends on the beneficiaries' service / age distribution and the benefit.

Final salary risks

This is the risk that the final salary at the time of cessation of service is higher than expectation. Since the benefit is calculated on the basis of final salary, the benefit amount increases proportionately.

Withdrawal risks

This is the risk of higher or lower withdrawal experience than assumed. The final effect could go either way depending on the beneficiaries' service / age distribution and the benefit.

Discount rate fluctuation

The plan liabilities are calculated using a discount rate set with reference to corporate bond yields. A decrease in corporate bond yields will increase plan liabilities.

AJCo

18.1.2 Principal actuarial assumptions

The following significant assumptions have been used for valuation of this scheme:

	2020	2019
	Rate per annum	
Discount rate	9.75%	-
Expected rate of increase in salary	8.75%	-
Mortality rate	SLIC 2001-05	

18.1.3	Note	2020	2019
		----- Rupees -----	
18.1.3	Amount recognised in the statement of financial position		
	Present value of defined benefit obligation	18.1.5	15,712,000
			-
18.1.4	Amount recognised in the statement of profit or loss		
	Past service cost	13,609,000	-
	Current service cost	2,103,000	-
	Cost for the year	15,712,000	-
18.1.5	Movement in the present value of defined benefit obligation		
	Present value of defined benefit obligation - opening balance	-	-
	Past service cost	13,609,000	-
	Current service cost	2,103,000	-
	Interest cost	-	-
	Remeasurement loss		
	- due to change in financial assumptions	-	-
	- due to change in demographic assumptions	-	-
	- due to change in experience adjustments	-	-
	Benefits paid	-	-
	Present value of defined benefit obligation - closing balance	15,712,000	-

18.1.6 Sensitivity analysis:

The impact of 1% change in the following variables on defined benefit obligation is as follows:

	Change in assumption	----- As at December 31, 2020 -----	
		Impact on defined benefit obligation	
		(Increase) / Decrease in present value of defined benefit obligation	
		%	Amount (Rupees)
Discount rate	+1%	-2.55%	(400,988)
	-1%	2.72%	426,599
Long term salary increase rate	+1%	3.18%	498,894
	-1%	-3.04%	(477,177)

The above sensitivity analysis is based on a change in an assumption while holding all other assumptions constant. When calculating the sensitivity of the defined benefit obligation to significant actuarial assumptions the same method (present value of the defined benefit obligation calculated with the projected unit credit method at the end of the reporting period) has been applied as when calculating the gratuity liability.

18.1.7 Based on the actuarial advice, the Company intends to charge an amount of approximately Rs. 3,297,234 in the financial statements in respect of the unfunded gratuity scheme for the year ending December 31, 2021.

18.1.8 The weighted average duration of defined benefit obligation is 3 years.

AHCO

18.1.9 Expected maturity analysis of undiscounted obligation

	Less than a year	Between 1 -2 years	Between 2 -5 years	Over 5 years	Total
	----- Rupees -----				
Undiscounted payments	5,206,353	4,205,570	9,504,992	13,306,900	32,223,815

18.1.10 The information provided in notes 18.1.1 to 18.1.9 has been obtained from the details provided by the actuary of the Company.

	Note	2020	2019
		----- Rupees -----	
19 TRADE AND OTHER PAYABLES			
Payable against sale of marketable securities	19.1	753,880,476	469,469,424
Payable to National Clearing Company of Pakistan Limited (NCCPL)		2,552,545	56,933,014
Payable against profit on unutilised funds	19.2	3,171,451	2,862,961
Payable to related party	19.3	10,210,723	21,309,988
Accrued expenses	19.4 & 19.5	13,477,325	9,673,546
Provision for leave encashment		2,445,817	918,884
Commission payable	19.6	4,638,748	2,643,333
Other payables		31,485,371	14,958,104
		<u>821,862,456</u>	<u>578,769,254</u>

19.1 This includes an amount due to key management personnel of Rs. 0.005 million (2019: Rs. 0.580 million).

19.2 This includes profit payable to a related party of Rs. 0.097 million (2019: Rs. 0.418 million).

19.3 This represents payable balance on account of sharing of common expenses under Group Shared Services (GSS) agreement.

19.4 This includes insurance expense payable to a related party of Rs. 1.35 million (2019: Rs. 0.675 million).

19.5 This includes penalty imposed by the Securities and Exchange Commission of Pakistan (the SECP) amounting to Rs 350,000. During the current year, the SECP issued a Show Cause Notice No. 1(181)SMD/ADJ-1/KHI/2019 (the Show Cause Notice) dated January 7, 2020 to the Company in violation of Securities and Exchange Commission of Pakistan (Anti Money Laundering and Countering Financing of Terrorism) Regulations, 2018. An Order was passed on March 9, 2020 imposing the aforementioned penalty on the Company. The Company, being aggrieved by the Order, has filed a review application under section 32B(1) of the SECP Act, 1997 to the Learned Executive Director, Adjudication Division (AD-1) and appealed to the Commission to reduce / waive off the penalty amount.

19.6 This includes commission payable to key management personnel of Rs. 0.336 million (2019: Rs. 0.202 million).

20 CONTINGENCIES AND COMMITMENTS

20.1 During financial year 2013, audit proceedings under section 177 of the Income Tax Ordinance, 2001 in relation to the Tax Year 2010 were concluded by the Deputy Commissioner Inland Revenue (DCIR) which led to an eventual tax demand of Rs. 6.672 million. The DCIR disallowed certain expenses claimed by the Company as well as claim of exempt capital gain on sale of listed securities, treated certain trade debtors as trade creditors and treated the difference between the amount of salaries as per the annual statement filed under section 165 of the Income Tax Ordinance, 2001 and that disclosed in the financial statements as unexplained expenditure. The Company had filed an appeal with the Commissioner Inland Revenue (Appeals) against the said demand which was heard by the Commissioner. During the year ended June 30, 2014, the Commissioner passed an order under which the Company had been allowed certain expenses which were disallowed by DCIR in earlier assessment. DCIR had filed an appeal in Appellate Tribunal Inland Revenue (ATIR) against the said order. The management also filed a second appeal before ATIR. During the year ended June 30, 2017, ATIR in its Order dated May 31, 2017 had remanded back the matter to DCIR, with a direction to ascertain the true facts of the disallowed matters, rejected the appeal of the tax department and upheld the findings of CIR(A). The findings of CIR(A) included remanding back the matter to DCIR of treating certain trade debtors as trade creditors and of treating the difference in the amount of salaries as unexplained expenditure and allowing appeal of the Company that it was not heard by the DCIR before disallowment of the expenses. The Company has submitted an application to the Deputy Commissioner Inland Revenue to give the appeal effect of these matters at the earliest.

AJCO

- 20.2 During the financial year ended June 30, 2012, a brokerage house filed a lawsuit against the Company in the High Court of Sindh for recovery of Rs. 18.433 million together with mark-up on debit balances outstanding in its books and records on account of various transactions. Initially, the Company had filed a counter affidavit against the application filed by the Complainant to seek an interim order. During the financial year ended June 30, 2013, the Company filed a written Statement in this lawsuit, while the Plaintiff has filed a rejoinder to the counter affidavit filed by the Company. The Company has also filed a lawsuit against the same brokerage house and an ex-official of the Company in the High Court of Sindh to recover the outstanding balance appearing in the Company's books of account before provision. The court has issued notices to the defendants. Both the management and the legal counsel are of the view that there is a reasonable probability of the Company's success in both lawsuits.
- 20.3 During the financial year ended June 30, 2010, one of the customers of the Company filed a lawsuit against the Company before the High Court of Sindh for the recovery of Rs. 3.5 million along with damages of Rs. 100 million. The aforementioned lawsuit is counterblast to the Company's suit for recovery of Rs. 0.97 million along with liquidated damages at the rate of 24%, filed during the financial year ended June 30, 2010 before the Senior Civil Judge Karachi, South, which was subsequently transferred to the Honourable High Court of Sindh at Karachi, on the Company's civil transfer application, moved under section 24 read with section 151 of Civil Procedure Code. Both the management and the legal counsel are of the view that there is a reasonable probability of the Company's success in both lawsuits.
- 20.4 During the financial year ended June 30, 2010, one of the customers of the Company had filed a lawsuit against the Company in the Court of Senior Civil Judge Karachi, South for the recovery of Rs. 12.6 million along with mark-up thereon. The said lawsuit is counterblast to the Company's suit for recovery of money, declaration and permanent injunction for recovery of Rs. 3.3 million along with liquidated damages at the rate of 24%, filed during the financial year ended June 30, 2009 before the Honourable High Court of Sindh. Both the management and the legal counsel are of the view that there is a reasonable probability of the Company's success in both lawsuits.
- 20.5 During the year ended June 30, 2009, a brokerage house filed suit before the Honourable Civil Judge, Lahore for declaration and permanent injunction against the Company. The brokerage house filed a contempt petition and a petition under section 33 of the Arbitration Act against the Company before the Honourable Civil Judge, Lahore. Furthermore the brokerage house also filed a civil revision before the Honourable Lahore High Court, Lahore Bench against an order passed by the learned Civil Judge wherein the learned Civil Judge was pleased to dismiss the temporary injunction granted to the brokerage house, the said order was also affirmed in appeal. Further, the Company has filed a suit for recovery for Rs. 53.062 million along with liquidated damages and a petition before National Accountability Bureau (NAB) against the brokerage house. Both the management and legal counsel are of the view that there is a reasonable probability of Company's success in the lawsuit.
- 20.6 There are no material commitments as at December 31, 2020 and December 31, 2019.

	Note	2020	2019
		----- Rupees -----	
21 OPERATING REVENUE			
Brokerage from equity operations	21.1	184,752,017	94,380,751
Brokerage from commodity operations		2,217,679	2,782,595
		<u>186,969,696</u>	<u>97,163,346</u>
21.1 Brokerage from equity operations			
Retail		170,086,870	81,046,211
Institution		14,665,147	13,334,540
		<u>184,752,017</u>	<u>94,380,751</u>
22 OTHER OPERATING REVENUE			
Profit on savings accounts	22.1	25,102,411	17,201,454
Income on exposure deposit with NCCPL / Pakistan Stock Exchange Limited		9,343,146	15,138,752
Dividend income		1,064	1,758
CDC conversion charges and commission		3,130,914	2,066,026
Income from MTS exposure		26,525	107,115
Income on base minimum capital deposit		970,630	322,861
		<u>38,574,690</u>	<u>34,837,966</u>

AFJCO

	Note	2020	2019
		----- Rupees -----	
22.1 Profit on savings accounts			
Gross profit (including profit on unutilised funds of clients)		31,370,704	21,278,778
Profit on unutilised funds of clients		(6,268,293)	(4,077,324)
Net profit		<u>25,102,411</u>	<u>17,201,454</u>
23 ADMINISTRATIVE AND OPERATING EXPENSES			
Employee benefit cost	23.2	100,918,443	65,432,343
Staff training		335,178	89,667
Commission expense		14,553,610	6,610,011
Insurance		2,694,159	2,059,085
Repairs and maintenance		2,494,377	2,186,101
Auditors' remuneration	23.3	1,533,220	1,497,590
Rent and rates		6,054,677	5,693,861
Legal and professional charges		5,454,666	3,255,131
Printing and stationery		859,084	1,024,982
Postage and telephone		2,581,951	2,887,883
Travelling and conveyance		260,530	394,373
IT related expenses		9,661,215	8,804,670
Utilities		<u>2,196,226</u>	<u>1,950,670</u>
Fees and subscription including stock exchange, clearing house and CDC charges		11,765,113	9,152,169
Marketing		503,269	124,042
Entertainment		851,373	683,438
Depreciation	4	5,845,352	6,385,415
Amortisation	5	573,186	662,374
Others		4,408,346	3,081,007
		<u>173,543,975</u>	<u>121,974,812</u>
23.1			
Certain common expenses (including salaries, allowances and other benefits, staff training, rentals, utilities, repair and maintenance and IT related expenses) are charged to the Company, which are shown under respective administrative and operating expenses accounts, in accordance with the Group Shared Services (GSS) Cost Allocation Review Memorandum, between the Company and the Holding Company. During the year, an amount of Rs. 10.08 million was charged in respect of common expenses.			
	Note	2020	2019
		----- Rupees -----	
23.2 Employee benefit cost			
Salaries, allowance and other benefits		72,706,443	60,932,343
Bonus		12,500,000	4,500,000
Charges for post employment benefit	18.1.4	15,712,000	-
		<u>100,918,443</u>	<u>65,432,343</u>
23.3 Auditors' remuneration			
Audit fee		650,000	500,000
Special certifications and other services		600,000	850,000
Out of pocket expenses		283,220	147,590
		<u>1,533,220</u>	<u>1,497,590</u>
24 OTHER INCOME			
Gain on disposal of property and equipment		743,626	150,910
Others		28,925	51,005
		<u>772,551</u>	<u>201,915</u>
25 NUMBER OF EMPLOYEES		2020	2019
Number of employees at the end of the year		<u>52</u>	<u>45</u>
Average number of employees during the year		<u>47</u>	<u>50</u>

AHC

	Note	2020	2019
		----- Rupees -----	
26 TAXATION			
Current - for the year		20,887,764	1,980,257
Prior		251,933	18,768
Deferred		(4,893,636)	(5,546,450)
	26.1	<u>16,246,061</u>	<u>(3,547,425)</u>
26.1 Relationship between tax and accounting profit			
Accounting profit before tax			<u>52,114,377</u>
Tax Rate (%)			29
			(Rupees)
Tax at enacted tax rate			15,113,169
Tax effect of income subject to minimum tax regime			421,229
Tax effect of adjustments in respect of prior year			251,933
Others			459,730
			<u>16,246,061</u>

For the year ended December 31, 2019, tax charge represented minimum tax u/s 113 of Income Tax Ordinance, 2001. Therefore, a numerical tax reconciliation between tax and accounting profit has not been given for the year ended December 31, 2019.

	Note	2020	2019
27 EARNINGS PER SHARE - BASIC AND DILUTED			
Profit for the year (Rupees)		<u>35,868,316</u>	<u>13,069,331</u>
Weighted average number of ordinary shares outstanding		<u>52,000,000</u>	<u>52,000,000</u>
Earnings per share (Rupees)	27.1	<u>0.69</u>	<u>0.25</u>

27.1 There were no convertible dilutive potential ordinary shares in issue as at December 31, 2020 and December 31, 2019.

28 REMUNERATION OF THE CHIEF EXECUTIVE OFFICER, DIRECTORS AND EXECUTIVES

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

	2020			2019		
	Chief Executive Officer *	Directors	Other Executives	Chief Executive Officer *	Directors	Other Executives
----- Rupees -----						
Managerial remuneration	6,949,098	4,916,352	6,397,074	7,941,816	4,236,360	5,040,002
Reimbursements / other allowances	463,207	347,964	994,887	2,379,253	735,030	1,668,896
Bonus	3,567,200	2,037,000	2,713,200	1,158,182	669,875	800,000
Housing	3,127,095	2,212,368	2,878,680	3,573,816	1,906,368	2,268,009
Utilities	1,389,816	983,280	1,279,440	794,184	423,636	504,003
Commission	-	140,646	1,182,914	-	-	221,046
	<u>15,496,416</u>	<u>10,637,610</u>	<u>15,446,195</u>	<u>15,847,251</u>	<u>7,971,269</u>	<u>10,501,956</u>
Number of persons	<u>1</u>	<u>2</u>	<u>3</u>	<u>1</u>	<u>2</u>	<u>3</u>

* A portion of the remuneration of the current CEO is charged to the Holding Company under group shared services agreement. During the year an amount of Rs. 3.97 million was charged to the Holding Company in this respect.

28.1 The Chief Executive Officer and certain executives of the Company are provided with free use of Company owned and maintained vehicles.

AAO

29 RELATED PARTY TRANSACTIONS

The Company has related party relationships with its Holding Company, associated undertakings, directors and key management personnel.

The Company in the normal course of business carries out transactions with various related parties at agreed / commercial terms and conditions. Amounts due to / from and other significant transactions, other than those as disclosed in notes 9.1, 9.2.1, 13.1, 19.2, 19.3, 19.4, 19.5 and 23.1 are as follows:

	----- 2020 -----			----- 2019 -----		
	Holding Company	Key management personnel	Other related parties and associates	Holding Company	Key management personnel	Other related parties and associates
Nature of transactions	--- Rupees -----					
Purchase of marketable securities for and on behalf of	-	196,643,856	548,679,914	-	194,756,317	1,276,770,127
Sale of marketable securities for and on behalf of	-	219,182,975	128,681,607	-	192,708,758	99,547,452
Brokerage income earned	-	556,105	1,103,956	-	371,252	1,803,693
Insurance expense paid	-	-	1,987,456	-	-	2,059,085
Insurance claim received	-	-	62,000	-	-	-
Reimbursement of expenses	-	-	4,086,889	-	-	3,571,957
Disposal of fixed assets - at cost	-	-	522,000	-	-	-
Sale proceeds from disposals of fixed assets	-	-	196,872	-	-	-
GSS reimbursements from	8,001,353	-	2,097,855	7,044,632	-	2,128,704
GSS reimbursements to	443,939	-	5,064,492	625,248	-	7,328,759
Rent expense	-	-	3,759,134	-	-	4,363,902

The maximum aggregate amount due from related parties outstanding during the year aggregated to Rs. 198,474,689 (2019: Rs. 28,065,345).

Particulars relating to the remuneration of the Chief Executive Officer and Directors who are key management personnel are disclosed in note 28 to these financial statements.

29.1 Following are the related parties with whom the Company had entered into transactions or have arrangement / agreement in place:

S. No.	Name of related party	Basis of association / relationship	Aggregate % of shareholding
1	IGI Holdings Limited	Holding Company	100%
2	IGI General Insurance Limited	Associate	N/A
3	IGI Life Insurance Limited	Associate	N/A
4	IGI Investments (Pvt.) Limited	Associate	N/A
5	Perwin Babar Ali	Other related party	N/A
6	Syed Babar Ali	Other related party	N/A
7	Syed Hyder Ali	Other related party	N/A
8	Syeda Henna Babar Ali	Other related party	N/A
9	Chaudhry Tahir Masaud	Other related party	N/A
10	Shamim Ahmed Khan	Other related party	N/A
11	Amina Hyder Ali	Other related party	N/A
12	Packages Limited	Other related party	N/A
13	Bulleh Shah Packaging (Private) Limited	Other related party	N/A

APCO

30 FINANCIAL INSTRUMENTS AND RELATED DISCLOSURES

30.1 Financial instruments by category

2020		
At amortised cost	At fair value through other comprehensive income	Total
----- Rupees -----		
Financial assets		
Non-current assets		
Investments	-	23,755,760
Long term deposits	15,729,664	-
	15,729,664	23,755,760
Current assets		
Trade receivables - net	32,084,747	-
Advances	920,900	-
Deposits	282,806,510	-
Accrued mark-up - net	4,209,215	-
Other receivables	3,179,409	-
Bank balances	628,701,013	-
	951,901,794	-
	<u>967,631,458</u>	<u>23,755,760</u>
		<u>991,387,218</u>

2020		
At amortised cost	Total	
----- Rupees -----		
Financial liabilities		
Trade and other payables	815,158,042	815,158,042
Lease liability against right-of-use asset	538,473	538,473
	<u>815,696,515</u>	<u>815,696,515</u>

2019		
At amortised cost	At fair value through other comprehensive income	Total
----- Rupees -----		
Financial assets		
Non-current assets		
Investments	-	20,004,853
Long term deposits	15,429,664	-
	15,429,664	20,004,853
Current assets		
Trade receivables - net	123,411,545	-
Advances	1,658,532	-
Deposits	128,851,649	-
Accrued mark-up - net	8,783,359	-
Other receivables	2,076,579	-
Bank balances	388,157,249	-
	652,938,913	-
	<u>668,368,577</u>	<u>20,004,853</u>
		<u>688,373,430</u>

2019		
At amortised cost	Total	
----- Rupees -----		
Financial liabilities		
Trade and other payables	574,659,590	574,659,590
Lease liability against right-of-use asset	931,191	931,191
	<u>575,590,781</u>	<u>575,590,781</u>

Atco

30.2 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

30.3 Credit risk

Credit risk is the risk that one party to a financial instrument will fail to discharge an obligation and cause the other party to incur a financial loss, without taking into account the fair value of any collateral. Credit risk arises from the inability of the issuer of the instruments, the relevant financial institutions or counter parties in case of placements or other arrangements to fulfil their obligations.

Exposure to credit risk

Credit risk of the Company arises principally from the long-term deposits, trade receivables, advances, deposits, accrued mark-up, other receivables and bank balances. The carrying amount of financial assets represents the maximum credit exposure. To reduce the exposure to credit risk, the Company has developed its own risk management policies and guidelines whereby clients are provided trading limits according to their worth and margins are collected and maintained from the clients. The management continuously monitors the credit exposure towards the clients and makes provision against those balances considered doubtful of recovery.

The Company's policy is to enter into financial contracts in accordance with the internal risk management policies and investment and operational guidelines approved by the Board of Directors. Except for provision made against the trade debts amounting to Rs. 579.865 million (refer note 9.2), provision against accrued mark-up amounting to Rs. 82.388 million (refer note 12) and provision against other receivables amounting to Rs. 39.805 million (refer note 13.3), the Company does not expect to incur material credit losses on its financial assets. The maximum exposure to credit risk at the reporting date was as follows:

	2020	2019
	----- Rupees -----	
Long term deposits	15,729,664	15,429,664
Trade receivables - net	32,084,747	123,411,545
Advances	920,900	1,658,532
Deposits	282,806,510	128,851,649
Accrued mark-up - net	4,209,215	8,783,359
Other receivables	3,179,409	2,076,579
Bank balances	628,701,013	388,157,249
	<u>967,631,458</u>	<u>668,368,577</u>

30.3.1 The aging for trade receivables, accrued mark-up and other receivables at the reporting date is as follows:

	----- 2020 -----			----- 2019 -----		
	Gross	Provision	Net	Gross	Provision	Net
	----- Rupees -----					
Past due 1 day - 30 days	11,706,048	-	11,706,048	109,666,718	-	109,666,718
Past due 31 days - 60 days	416,740	-	416,740	1,244,827	-	1,244,827
Past due 61 days - 90 days	267,409	-	267,409	1,373,106	-	1,373,106
More than 90 days	729,140,768	(702,057,594)	27,083,174	724,044,426	(702,057,594)	21,986,832
	<u>741,530,965</u>	<u>(702,057,594)</u>	<u>39,473,371</u>	<u>836,329,077</u>	<u>(702,057,594)</u>	<u>134,271,483</u>

The provisions in respect of above receivable have been made on debt amount exceeding the custody of equity securities held by the Company.

AJCO

30.3.2 Bank balances

2020 2019
----- Rupees -----

The analysis below summarises the credit quality of the Company's bank balances

AAA	74,155,095	70,275,694
AA+	67,672,797	22,536,270
AA-	486,620,649	295,109,786
Unrated	252,472	235,499
	<u>628,701,013</u>	<u>388,157,249</u>

30.3.3 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 trade receivables are as follows:

	----- 2020 -----		----- 2019 -----	
	Rupees	Percentage	Rupees	Percentage
Services (including insurance)	255,576	0.80%	1,688,299	1.37%
Banking, capital market and financial institutions	3,611,271	11.26%	3,554,349	2.88%
Individuals	28,217,900	87.94%	118,168,897	95.75%
	<u>32,084,747</u>	<u>100.00%</u>	<u>123,411,545</u>	<u>100.00%</u>

30.4 Liquidity risk

Liquidity risk is the risk that the Company will encounter difficulty in meeting its financial obligations associated with its 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. Prudent liquidity risk management implies maintaining sufficient cash and marketable securities, the availability of funding to an adequate amount of committed credit facilities and the ability to close out market positions due to the dynamic nature of the business.

The table below analyses the Company's financial liabilities into relevant maturity groupings based on the remaining period at the reporting date to the contractual maturity date. The amounts in the table are the contractual undiscounted cash flows.

	----- 2020 -----				
	Carrying amount	Contractual cash flows	Upto three months	More than three months and upto one year	More than one year
Financial liabilities	----- Rupees -----				
Trade and other payables	815,158,042	815,158,042	815,158,042	-	-
Lease liability against right-of-use asset	538,473	538,473	114,957	379,224	44,292
	<u>815,696,515</u>	<u>815,696,515</u>	<u>815,272,999</u>	<u>379,224</u>	<u>44,292</u>
	----- 2019 -----				
	Carrying amount	Contractual cash flows	Upto three months	More than three months and upto one year	More than one year
Financial liabilities	----- Rupees -----				
Trade and other payables	574,659,590	574,659,590	574,659,590	-	-
Lease liability against right-of-use asset	931,191	931,191	91,005	301,716	538,470
	<u>575,590,781</u>	<u>575,590,781</u>	<u>574,750,595</u>	<u>301,716</u>	<u>538,470</u>

On the reporting date, the Company has bank balances of Rs. 628.701 million (2019: Rs. 388.157 million) as mentioned in note 14 to these financial statements.

AHCO

30.5 Market risk

Market risk is the risk that the value of the financial instrument may fluctuate as a result of changes in market interest rates or the market price due to a change in credit rating of the issuer or the instrument. The management manages market risk by monitoring exposure on marketable securities by following the internal risk management and investment policies and guidelines.

Market risk comprises of three types of risk: currency risk, interest rate risk and price risk.

30.5.1 Currency risk

Currency risk is the risk that the fair value or future cash flows of a financial instrument will fluctuate because of changes in foreign exchange rates. The Company, at present is not exposed to currency risk as its operations are geographically restricted to Pakistan and all transactions are carried out in Pak Rupees.

30.5.2 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. The Company's interest rate exposure arises from bank balances in savings account.

At the reporting date, the interest rate risk profile of the Company's interest bearing financial instruments is:

	2020	2019	2020	2019
	Effective interest rate		Carrying amount	
	Percentage		Rupees	
Financial assets				
Exposure deposit with National Clearing Company of Pakistan Limited / Pakistan Stock Exchange Limited	3.25 to 10	7.5 to 10	279,150,690	126,150,690
Base minimum capital deposit with Pakistan Stock Exchange Limited	5.5	12.5	11,375,000	11,025,000
Bank balances in savings accounts	3 to 12.75	5 to 12.75	620,875,874	363,222,366
Total			<u>911,401,564</u>	<u>500,398,056</u>

The management of the Company estimates that a 1% decrease in the market interest rate, with all factors remaining constant, would decrease the Company's profit before tax by Rs. 9.114 million (2019: Rs. 5.004 million) and a 1% increase would result in increase in the Company's profit before tax by the same amount. However, in practice, the actual results may differ from the sensitivity analysis.

30.5.3 Price risk

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 instruments traded in the market.

The Company is exposed to price risks because of investments held by the Company in shares of Pakistan Stock Exchange. In case of 1% increase / decrease in the market price of the shares held, the other comprehensive income of the Company would be higher / lower by approximately Rs. 0.238 million (2019: Rs. 0.2 million).

30.6 Operational risk

Operational risk is the risk of direct or indirect loss arising from a wide variety of causes associated with the processes, technology and infrastructure supporting the Company's operations either internally within the Company or externally at the Company's service providers, and from external factors other than credit, market and liquidity risks such as those arising from legal and regulatory requirements and generally accepted standards of investment management behaviour. Operational risks arise from all of the Company's activities.

The Company's objective is to manage operational risk so as to balance limiting of financial losses and damage to its reputation with achieving its investment objective of generating returns for investors.

AJCO

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; and
- risk mitigation, including insurance where this is effective.

31 FAIR VALUE MEASUREMENT

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

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

Financial assets which are tradable in an open market are revalued at the market prices prevailing on the reporting date. The estimated fair value of all other financial assets and liabilities is considered not to be significantly different from the respective book values.

Fair value hierarchy

International Financial Reporting Standard 13, 'Fair Value Measurement' requires the Company to classify assets 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:

Level 1: quoted prices (unadjusted) in active markets for identical assets or liabilities;

Level 2: 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); and

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

As at December 31, 2020 and December 31, 2019, the Company held the following financial instruments measured at fair values:

	2020		
	Level 1	Level 2	Level 3
	Rupees		
Financial assets			
- At fair value through other comprehensive income	23,755,760	-	-
	2019		
	Level 1	Level 2	Level 3
	Rupees		
Financial assets			
- At fair value through other comprehensive income	20,004,853	-	-

32 CAPITAL RISK MANAGEMENT

- 32.1 The primary objective of the Company's capital management is to maintain healthy capital ratios, strong credit rating and optimal capital structures in order to ensure ample availability of finance for its existing and potential investment projects, to maximise shareholder value and reduce the cost of capital. Net capital requirements of the Company are set and regulated by the Pakistan Stock Exchange. These requirements are put into place to ensure sufficient solvency margins and are based on excess of current assets over liabilities as presented below.

ADCO

	Note	2020	2019
----- Rupees -----			
NET CAPITAL BALANCE			
Current assets			
Cash in hand		-	-
Cash deposit as margin with Pakistan Stock Exchange	32.1.1	279,150,690	126,150,690
Cash at bank:	32.1.2		
Bank balance pertaining to brokerage house		16,015,714	55,964,573
Bank balance pertaining to clients		612,685,299	332,192,676
Total bank balances		628,701,013	388,157,249
Trade receivables:	32.1.3		
Total receivables		31,821,864	123,320,750
Outstanding for more than fourteen days		(19,769,702)	(17,044,023)
Balance generated within fourteen days and not yet due		12,052,162	106,276,727
Investments in listed securities in the name of broker (Securities on the exposure list marked to market less 15% discount)		-	-
Securities purchased for client		-	-
Listed TFCs / Corporate Bonds (Marked to market less 10% discount)		-	-
FIBs (Marked to market less 10% discount)		-	-
Treasury Bill (at market value)		-	-
		<u>919,903,865</u>	<u>620,584,666</u>
Current liabilities			
Trade payables:	32.1.4		
Book value		753,880,476	469,469,424
Less: overdue for more than 30 days		(219,748,147)	(151,327,283)
		534,132,329	318,142,141
Other liabilities (including trade payables overdue for more than 30 days)	32.1.5	288,224,308	256,519,834
		<u>822,356,637</u>	<u>574,661,975</u>
Net capital balance		<u><u>97,547,228</u></u>	<u><u>45,922,691</u></u>
32.1.1 Cash deposit as margin with Pakistan Stock Exchange (PSX)			
Deposit with PSX - ready exposure		185,200,000	92,400,000
Deposit with PSX - future exposure		93,800,000	33,600,000
Deposit with PSX - MTS exposure		150,690	150,690
		<u>279,150,690</u>	<u>126,150,690</u>
32.1.2 Cash at bank			
Bank balances pertaining to brokerage house			
- current accounts - non interest bearing		5,139,034	22,803,516
- savings accounts		10,876,680	33,161,057
		16,015,714	55,964,573
Bank balances pertaining to clients			
- current accounts - non interest bearing		2,686,105	2,131,367
- savings accounts		609,999,194	330,061,309
		612,685,299	332,192,676
Total cash at bank		<u><u>628,701,013</u></u>	<u><u>388,157,249</u></u>

AHCO

	Note	2020	2019
----- Rupees -----			
32.1.3 Trade receivables			
Considered good			
Receivable from clients against purchase of marketable securities		17,324,900	108,114,256
Considered doubtful			
Receivable from clients against purchase of marketable securities		586,715,242	587,424,772
Provision for doubtful receivables	32.1.3.1	(572,218,278)	(572,218,278)
		14,496,964	15,206,494
		<u>31,821,864</u>	<u>123,320,750</u>

32.1.3.1 Provision against doubtful receivables has been made after considering the market value of listed equity securities held in custody by the Company against respective customers accounts.

	2020	2019
----- Rupees -----		
32.1.4 Trade and other payables		
Trade payables over due within 30 days	534,132,329	318,142,141
Trade payables over due for more than 30 days	219,748,147	151,327,283
	<u>753,880,476</u>	<u>469,469,424</u>

32.1.5 Others essentially include payable against profit on unutilised funds, accrued expenses, withholding tax payable, provision for leave encashment and other payables.

32.2 The Company manages its capital structure and makes adjustment to it, in light of changes in economic conditions. In order to maintain or adjust the capital structure, the Company may adjust the amount of dividends paid to shareholders, return capital to shareholders or issue new shares.

The Company finances its operations through equity including advance against preference shares and management of its working capital with a view to maintain an appropriate mix between various sources of finance to minimise risk.

	Note	2020	2019
----- Rupees -----			
33 CAPITAL ADEQUACY LEVEL			
Total assets	33.1	1,145,985,320	847,953,613
Less: Total liabilities		(838,112,929)	(579,700,445)
Less: Revaluation reserves (created upon revaluation of fixed assets)		-	-
Capital Adequacy Level		<u>307,872,391</u>	<u>268,253,168</u>

33.1 While determining the value of the total assets of the TREC Holder, Notional value of the TRE certificate held by IGI Finex Securities Limited as at year ended December 31, 2020 as determined by Pakistan Stock Exchange has been considered.

34 FINANCIAL INSTRUMENTS WITH OFF BALANCE SHEET RISKS

a) The Company purchases and sells securities as either principal or agents on behalf of its customers. If either the customer or a counterparty fails to perform, the Company may be required to discharge the obligation on behalf of the non-performing party. In such circumstances, the Company may sustain losses if the market value of the security is different from the contracted value of the transaction less any margin deposits that the Company has on hand. Where the customer operates through institutional delivery system, the Company is not exposed to this risk.

The majority of the Company's transactions, and consequently, the concentration of its credit exposure are with the customers and other financial institutions. The Company seeks to control its credit risk through a variety of reporting and controls procedures, including establishing credit limits based upon a review of the counterparties' financial condition. The Company monitors collateral levels on a regular basis and requests changes in collateral level as appropriate or if considered necessary.

AJ/CO

- b) The Company enters into security transactions on behalf of its customers involving future settlement. The Company has entered into transactions that gives rise to future settlement, the unsettled amount as on December 31, 2020 of these future transactions is Rs. 224.7 million (2019: Rs. 0.047 million). Transactions involving future settlement give rise to market risk, which represents the potential loss that can be caused by a change in the market value of a particular financial instrument. The credit risk for these transactions is limited to the unrealised market valuation losses which have been recorded in the statement of accounts of the customers. As explained above, credit risk is controlled through a variety of reporting and controls procedures.

35 IMPACT OF COVID-19 ON THE FINANCIAL STATEMENTS

The World Health Organisation declared COVID-19 a global pandemic in March 2020. Like other parts of the world, Pakistan also went into lockdown to reduce the spread of the pandemic. The lockdown impacted the economies and businesses in different facets globally. In Pakistan, the financial sector encountered an overall increase in credit risk pertaining to their loans and advances portfolio in certain sectors, reduced income due to slowdown in business activity, operational issues such as preventing spread of virus at work place and managing cyber security threat, etc. Prior to the financial year-end, most of the lockdown restrictions have been lifted by the Government especially related to businesses and their operations.

After the outbreak of COVID-19, the Company had invoked necessary measures to ensure the safety and health of its staff and an uninterrupted service to its clients. These include implementing mandatory adherence to the recommended standard operating procedures within the Company including social distancing among employees, wearing of face masks, improvement to office ventilation, managing control over visitors to the offices and provision of remote working facilities to critical staff, etc. The Company has enhanced monitoring for all cyber security risk from its information security protocols. The remote work capabilities for critical staff have been assessed to make sure they are fully protected using virtual private network ("VPN") connections. Further, the Company has also ensured that its remote access systems are sufficiently resilient to any unwanted cyber-attacks.

Being a brokerage house, the Company's operations were not disrupted as it continued its client dealings through telephone and IT platform. Further, following decline in PSX index significantly towards the end of March 2020, Pakistan's stock market saw a significant growth of around 60.47% which boosted the Company's operations due to increased activity by its clients. The positive momentum in the stock market has resulted in an increase in the Company's earnings and it has achieved its highest profit before tax since 2018 despite disruptions due to the circumstances arising from COVID-19. The management has evaluated that it does not foresee any going concern risk in the Company due to the pandemic and they believe that the Company's operations, financial position and results will not be impacted significantly as the market is still showing a positive outlook and upward trend subsequent to the financial year-end. Therefore, it has concluded that there are no material implications of COVID-19 on any balance in the financial statements.

36 GENERAL

36.1 Date of authorisation

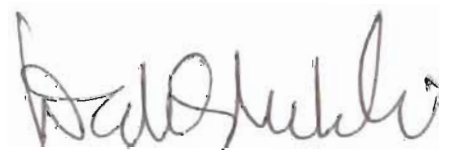
These financial statements were authorised for issue on 04 MAR 2021 by the Board of Directors of the Company.

36.2 Figures have been rounded off to the nearest rupee.

36.3 Comparative information has been reclassified, rearranged or additionally incorporated in these financial statements for the purpose of better presentation. There were no material reclassifications during the year.

Atco

 CHIEF EXECUTIVE OFFICER


 DIRECTOR