

The Company manages its capital structure by monitoring return on net assets and makes adjustments to it in the light of changes in economic conditions. In order to maintain or adjust the capital structure, the Company may adjust the amount of dividend paid to its shareholders or issue new shares.

The management seeks to maintain a balance between higher returns that might be possible with higher levels of borrowings and the advantages and security afforded by a sound capital position.

The Company's strategy is to ensure compliance with the capital requirements of the Company as are set and regulated by the Pakistan Stock Exchange Limited.

	2023	2022 (Restated)
	------(Rupees)-----	
<b>39.2 Capital Adequacy Level</b>		
Total assets	1,586,487,046	1,513,543,632
Less: Total liabilities	(2,300,065,404)	(2,036,077,055)
Less: Revaluation reserves (created upon revaluation of fixed assets)	-	-
Capital Adequacy Level	<u>(713,578,358)</u>	<u>(522,533,423)</u>

**39.2.1** While determining the value of the total assets of the TREC Holder, Notional value of the TRE certificate of Pakistan Stock Exchange Limited is considered, which was determined as Nil, for Alfalah CLSA Securities (Private) Limited as at 31 December 2023 by Pakistan Stock Exchange Limited.

### 39.3 Liquid Capital Balance

S. No.	Head of account	Value in Pak Rupees	Haircut / adjustments	Net adjusted Value
1	<b>Assets</b>			
1.1	Property and equipment	85,277,759	85,277,759	-
1.2	Intangible assets	9,712,411	9,712,411	-
1.3	Investment in government securities	-	-	-
1.4	Investment in debt securities			
	If listed than:			
	i. 5% of the balance sheet value, in the case of tenure upto 1 year.	-	-	-
	ii. 7.5% of the balance sheet value, in the case of tenure from 1 - 3 years.	-	-	-
	iii. 10% of the balance sheet value, in the case of tenure of more than 3 years.	-	-	-
	If unlisted than:			
	i. 10% of the balance sheet value, in the case of tenure upto 1 year.	-	-	-
	ii. 12.5% of the balance sheet value, in the case of tenure from 1 - 3 years.	-	-	-
	iii. 15% of the balance sheet value, in the case of tenure of more than 3 years.	-	-	-
1.5	Investment in equity securities			
	i. If listed 15% or VaR of each security on the cutoff date as computed by the clearing house for respective security whichever is higher. Provided that if any of these securities are pledged with the securities exchange for maintaining Base Minimum Capital Requirement, 100% haircut on the value of eligible securities to the extent of minimum required value of Base Minimum Capital.	136,935,796	75,713,596	61,222,200
	ii. If unlisted, 100% of the carrying value.	-	-	-
1.6	Investment in subsidiaries	-	-	-
1.7	Investment in associated companies / undertakings			
	i. If listed, 20% or VaR of each securities as computed by the Securities Exchange for respective securities, whichever is higher.	-	-	-
	ii. If unlisted, 100% of net value.	-	-	-
1.8	Statutory or regulatory deposits / basic deposits with the exchanges, clearing house or central depository or any other entity.			
	100% of net value, however any excess amount of cash deposited with Securities Exchange to comply with requirements of Base Minimum Capital may be taken in the calculation of LC.	14,710,000	14,617,008	92,992
1.9	Margin deposits with exchange and clearing house.	297,304,797	-	297,304,797
1.10	Deposit with authorized intermediary against borrowed securities under SLB.	-	-	-
1.11	Other deposits and prepayments	7,927,939	7,927,939	-
1.12	Accrued interest, profit or mark-up on amounts placed with financial institutions or debt securities etc. (Nil)	1,753,843	-	1,753,843
	100% in respect of mark-up accrued on loans to directors, subsidiaries and other related parties.	-	-	-

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S. No.	Head of account	Value in Pak Rupees	Haircut / adjustments	Net adjusted Value
1.13	Dividends receivable.	-	-	-
1.14	Amounts receivable against Repo financing. Amount paid as purchaser under the REPO agreement (Securities purchased under repo arrangement shall not be included in the investments).	-	-	-
1.15	Advances and receivables other than trade receivables:			
	i. No haircut may be applied on the short-term loan to employees provided these loans are secured and due for repayments within 12 months.	2,837,517	1,367,297	1,470,220
	ii. No haircut may be applied to the advance tax to the extent it is netted with provision or taxation.	45,302,364	45,302,364	-
	iii. In all other cases, 100% of net value.	9,895,810	9,895,810	-
1.16	Receivables from clearing house or Securities Exchange(s) 100% value of claims other than those on account of entitlements against trading of securities in all markets including MM gains.	129,590,048	-	129,590,048
1.17	Receivables from customers			
	i. In case receivables are against margin financing, the aggregate of			
	a. value of securities held in the blocked account after applying VaR based haircut;	-	-	-
	b. cash deposited as collateral by the financee;	-	-	-
	c. market value of any securities deposited as collateral after applying VaR based haircut.	-	-	-
	i. Lower of net balance sheet value or value determined through adjustments.	-	-	-
	ii. In case receivables are against margin trading, 5% of the net balance sheet value.	-	-	-
	ii. Net amount after deducting haircut	-	-	-
	iii. In case receivables are against securities borrowings under SLB, the amount paid to NCCPL as collateral upon entering into the contract.	-	-	-
	iii. Net amount after deducting haircut	-	-	-
	iv. In case of other trade receivables not more than 5 days overdue, 0% of the net balance sheet value.	159,387,595	-	159,387,595
	iv. Balance sheet value			
	v. In case of other trade receivables are overdue, or 5 days or more, the aggregate of:	175,143,033	-	-
	a. the market value of securities purchased for customers and held in sub-accounts after applying VaR based haircuts;			
	b. cash deposited as collateral by the respective customer; and			
	c. the market value of securities held as collateral after applying VaR based haircuts.			
	v. Lower of net balance sheet value or value determined through adjustments			
	vi. In case of amount receivable from related parties, value determined after applying applicable haircuts on underlying securities readily available in respective CDS account of the related party in the following manner:	872,375	872,375	-
	a. Up to 30 days, values determined after applying VaR based haircuts;			
	b. Above 30 days but upto 90 days, value determined after applying 50% or VaR based haircuts whichever is higher;			
	c. Above 90 days, 100% haircut shall be applicable.			
	vi. Lower of net balance sheet value or value determined through adjustments			
1.18	Cash and Bank balances			
	i. Bank balances - proprietary accounts	363,508,321	-	363,508,321
	ii. Bank balances - customer accounts	148,726,514	-	148,726,514
	iii. Cash in hand	100,924	-	100,924
1.19	Subscription money against investment in IPO / offer for sale (asset)			
	i. No haircut may be applied in respect of amount paid as subscription money, provided that shares have not been allotted or are not included in the investments of securities broker.	-	-	-
	ii. In case of investment in IPO where shares have been allotted but not yet credited in CDS account, 25% haircut will be applicable on the value of such securities.	-	-	-
	iii. In case of subscription in right shares where the shares have not yet been credited in CDS account, 15% or VAR based haircut whichever is higher, will be applied on right shares.	-	-	-
1.20	Total Assets	1,588,987,046		1,163,157,454
2	Liabilities			
2.1	Trade payables			
	i. Payable to exchanges and clearing house	-	-	-
	ii. Payable against leveraged market products	-	-	-
	iii. Payable to customers	1,419,298,830	-	1,419,298,830

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S. No.	Head of account	Value in Pak Rupees	Haircut / adjustments	Net adjusted Value
2.2	<b>Current liabilities</b>			
	i. Statutory and regulatory dues	44,709,689	-	44,709,689
	ii. Accruals and other payables	48,513,088	-	48,513,088
	iii. Short-term borrowings	400,477,300	-	400,477,300
	iv. Current portion of subordinated loans	-	-	-
	v. Current portion of long-term liabilities	-	-	-
	vi. Deferred liabilities	316,257,534	-	316,257,534
	vii. Provision for taxation	-	-	-
	viii. Other liabilities as per accounting principles and included in the financial statements	7,973,787	-	7,973,787
2.3	<b>Non-current liabilities</b>			
	i. Long-term financing	-	-	-
	ii. Other liabilities as per accounting principles and included in the financial statements	19,776,350	18,379,263	1,397,087
	iii. Staff retirement benefits	43,058,826	-	43,058,826
	Note: (a) 100% haircut may be allowed against long-term portion of financing obtained from a financial institution including amount due against finance leases. (b) Nil in all other cases.			
2.4	<b>Subordinated loans</b>			
	i. 100% of subordinated loans which fulfill the conditions specified by SECP are allowed to be deducted.	-	-	-
2.5	<b>Advance against shares for increase in capital of securities broker:</b> 100% haircut may be allowed in respect of advance against shares if: a. The existing authorized share capital allows the proposed enhanced share capital; b. Board of Directors of the company has approved the increase in capital; c. Relevant Regulatory approvals have been obtained; d. There is no unreasonable delay in issue of shares against advance and all regulatory requirements relating to the increase in paid up capital have been completed; e. Auditor is satisfied that such advance is against the increase of capital.	-	-	-
2.6	<b>Total Liabilities</b>	2,300,065,404		2,281,686,141
3	<b>Ranking liabilities relating to:</b>			
3.1	<b>Concentration in Margin Financing</b> The amount calculated client-to-client basis by which any amount receivable from any of the financees exceed 10% of the aggregate of amounts receivable from total finances. (Provided that above prescribed adjustments shall not be applicable where the aggregate amount of receivable against margin financing does not exceed Rs. 5 million) Note: Only amount exceeding by 10% of each financee from aggregate amount shall be included in the ranking liabilities.	-	-	-
3.2	<b>Concentration in securities lending and borrowing</b> The amount by which the aggregate of: i. Amount deposited by the borrower with NCCPL ii. Cash margins paid and iii. The market value of securities pledged as margin exceed the 110% of the market value of shares borrowed (Note: Only amount exceeding by 110% of each borrower from market value of shares borrowed shall be included in the ranking liabilities)	-	-	-
3.3	<b>Net underwriting commitments</b> (a) In the case of right issues: If the market value of securities is less than or equal to the subscription price; the aggregate of: i. the 50% of haircut multiplied by the underwriting commitments, and ii. the value by which the underwriting commitments exceeds the market price of the securities. In the case of rights issues where the market price of securities is greater than the subscription price, 5% of the haircut multiplied by the net underwriting commitment (b) In any other case: 12.5% of the net underwriting commitments	-	-	-
3.4	<b>Negative equity of subsidiary</b> The amount by which the total assets of the subsidiary (excluding any amount due from the subsidiary) exceeds the total liabilities of the subsidiary.	-	-	-
3.5	<b>Foreign exchange agreements and foreign currency positions</b> 5% of the net position in foreign currency. Net position in foreign currency means the difference of total assets denominated in foreign currency less total liabilities denominated in foreign currency.	-	-	-

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S. No.	Head of account	Value in Pak Rupees	Haircut / adjustments	Net adjusted Value
3.6	Amount payable under REPO	-	-	-
3.7	Repo adjustment	-	-	-
	In the case of financier / purchaser, the total amount receivable under Repo less the 110% of the market value of underlying securities.	-	-	-
	In the case of financee / seller, the market value of underlying securities after applying haircut less the total amount received less value of any securities deposited as collateral by the purchaser after applying haircut less any cash deposited by the purchaser.	-	-	-
3.8	Concentrated proprietary positions	11,773,500	-	11,773,500
	If the market value of any security is between 25% and 51% of the total proprietary positions then 5% of the value of such security. If the market value of a security exceeds 51% of the proprietary position, then 10% of the value of such security.	-	-	-
3.9	Opening positions in futures and options	-	-	-
	i. In case of customer positions, the total margin requirements in respect of open positions less the amount of cash deposited by the customer and the value of securities held as collateral / pledged with Securities Exchange after applying VaR haircut.	-	-	-
	ii. In case of proprietary positions, the total margin requirements in respect of open positions to the extent not already met.	-	-	-
3.10	Short sell positions	-	-	-
	i. In case of customer positions, the market value of shares sold short in ready market on behalf of customers after increasing the same with the VaR based haircuts less the cash deposited by the customer as collateral and the value of securities held as collateral after applying VAR based haircuts.	-	-	-
	ii. In case of proprietary positions, the market value of shares sold short in ready market and not yet settled increased by the amount of VAR based haircut less the value of securities pledged as collateral after applying haircuts.	-	-	-
3.11	Total ranking liabilities	11,773,500	-	11,773,500
		(722,851,858)	Liquid Capital	(1,130,302,187)

- 39.4 The Company has negative liquid capital balance of Rs 1,130.30 million as at 31 December 2023 resulting in non-compliance with the requirement of regulation 6(4) of the Securities Brokers (Licensing and Operations) Regulations, 2016 which requires a minimum liquid capital balance of Rs 10 million to be maintained at all times. Subsequent to the year end, the Parent Company has injected additional capital into the Company as mentioned in note 1.2 to the financial statements to provide sufficient liquidity to maintain required levels of liquid capital.

#### 40 BASE MINIMUM CAPITAL REQUIREMENT

According to Regulation 19.2 of the Rule Book of Pakistan Stock Exchange Limited, every TREC holder licensed as a Securities Broker under Securities Brokers (Licensing and Operations) Regulations, 2016, is required to maintain a Base Minimum Capital (BMC) of the amount and in the form as prescribed in the Rule Book based on the Securities Broker's Assets Under Custody. As at 31 December 2023, the Company is required to maintain BMC of Rs. 30.452 million (2022: Rs. 29.290 million).

Base Minimum Capital maintained by the Company and is as follows:

1,902,953 Shares of Pakistan Stock Exchange Limited  
Cash

2023	2022
----- (Rupees) -----	
17,335,902	16,957,214
13,210,000	13,210,000
30,545,902	30,167,214

#### 41 DISCLOSURE UNDER REGULATION 5(4) OF RESEARCH ANALYST REGULATIONS, 2015

As a Securities Broker, the Company also issues Research Reports on securities listed on Pakistan Stock Exchange through research analysts employed by it. Currently, the Company employs 5 individuals in its research department including the Head of Research. All team members report directly to the Head of Research, who, in turn, reports to the CEO.

The compensation structure for research analysts employed by the Company is based on the qualifications, experience, and skill set of each individual and no employee is provided compensation based on the content or outcome of their research reports.

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