



KPMG Taseer Hadi & Co.
Chartered Accountants

Habib Metropolitan Financial Services Limited

Financial Statements

For the year ended 31 December 2022

Habib Metropolitan Financial Services Limited

Directors' Report to the Shareholders

On behalf of the Board of Directors of Habib Metropolitan Financial Services Limited (HMFS), we are pleased to present the audited financial statements of the Company for the year ended 31 December 2022.

Economic Review

The year 2022 was a tumultuous one for Pakistan, marked by political unrest and economic turmoil. In April 2022, the former Prime Minister was ousted from office through a vote of no-confidence, causing political uncertainty to escalate.

Economically, the country faced numerous challenges, including adhering to the strict fiscal discipline imposed by the IMF in the face of a worsening current account deficit, declining foreign exchange reserves, a steep devaluation of the Pakistani Rupee, widespread destruction from devastating floods, declining foreign remittances, and significant debt obligations.

The Russia-Ukraine war that began in February 2022 sent global commodity prices soaring, contributing to inflation worldwide. Pakistan was also hit hard by stagflation, with the Consumer Price Index (CPI) reaching a historic high of 27.26% in August 2022. As a result, the State Bank of Pakistan raised the policy rate to a 24-year high of 16% by the end of the year, up from 9.75% in January 2022. The policy rate has further been increased to 17% subsequently to year end.

During 2022, the Pakistani Rupee experienced a sharp depreciation of around 29% from PKR176 to PKR227 against the US Dollar in the interbank market, leading to a widening gap between the open-market and interbank exchange rates. Some financial assistance from friendly countries, including flood relief and a deferred oil facility, and debt rescheduling helped ease external pressures. Furthermore, after being removed from the FATF's grey list, Pakistan became better positioned to attract foreign investments and financial assistance. Moreover, the global economic slowdown and COVID-19 lockdowns in China helped normalize oil and other commodity prices in the final quarter of 2022, slightly easing inflationary pressures in Pakistan as the year came to a close.

Equity market Review

The year 2022 was a challenging one for the Pakistan stock market, as the KSE-100 index dropped 9.36% on a year-over-year basis, closing at 40,420 points on the last day of the year. The index reached a high of 46,970 and a low of 39,028, resulting in a decrease in the overall market capitalization of the Pakistan Stock Exchange (PSX) to PKR6.85tn.

During the year, there was a spike in stock buybacks as companies took advantage of lower share prices to increase investor ownership and boost shareholder confidence. On the other hand, the number of initial public offerings (IPOs) on the PSX significantly declined, with only three companies going public compared to seven in the previous year.

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Trading activity was also sluggish, with average daily volume decreasing by 50% to 229.4mn shares compared to 473.9mn shares in the previous year. The uncertain political and economic situation discouraged investors and eroded confidence in the market.

Despite the sharp drop in stock prices due to negative market sentiment, blue-chip companies in the E&P, textile, cement, and banking sectors reported impressive earnings growth. These sectors continued to offer attractive investment opportunities with favorable multiples. Conversely, trading activity was more heavily focused on 3rd Tier stocks, as evidenced by the higher volatility in the All-Share index compared to the KSE-100 index.

Principal Risks & Uncertainties

HMFS's profitability is linked to the overall performance of the capital markets of the country, which in turn, are influenced by the overall macroeconomic and political environment of Pakistan. Global economic performance, geo-political environment, commodities prices, and movements in exchange rates also impact the performance of the capital markets and hence the profitability of HMFS.

Financial Performance

HMFS has posted loss after tax of Rs.3.79 mn for CY 2022 (CY 2021: Profit after tax of Rs.4.35 mn) which translates into an EPS of negative Rs.0.13 (CY 2021: EPS of Rs.0.15). During the year, brokerage revenue clocked in at Rs. 32.34 mn, a decrease of Rs.16.80 mn (34.20%) year on year, mainly due to a decrease of shares turnover. Markup on treasury bills amounted to Rs.12.95mn, an increase of Rs.5.57 mn (75.41%) year on year and other income which includes markup on bank balance and exposure deposits amounted to Rs.19.03mn, an increase of Rs.10.28mn (117.50%) year on year, mainly due to revision in interest rates. The net equity of HMFS as at the balance sheet date is Rs.325.60 mn (as compared to equity of Rs.338.47 mn for CY 2021) which translates into a book value per share of Rs.10.85 (as compared to book value per share of Rs.11.28 for CY 2021).

Corporate Governance

The Directors are pleased to state as follows:

- a) The financial statements, prepared by the management of HMFS present fairly its state of affairs, the results of its operations, cash flows and changes in equity.
- b) Proper books of accounts have been maintained by HMFS.
- c) Appropriate accounting policies have been consistently applied in preparation of financial statements, and financial estimates are based on reasonable and prudent judgement.
- d) International Financial Reporting Standards (IFRS), as applicable in Pakistan have been followed in preparation of the financial statements and any departures therefrom has been adequately disclosed and explained.
- e) The system of internal controls is sound in design and has been effectively implemented and monitored.
- f) There are no significant doubts upon HMFS's ability to continue as a going concern.

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- g) HMFS keeps effective and efficient internal financial controls system which remain active through consistent innovation and monitoring. The compliance function of HMFS evaluates the financial controls and ensures that there is an effective control environment throughout the company.
- h) Consideration of the Statement of compliance with the code of corporate governance by HMFS.

Meetings of the Directors

During the year four meetings of the Board of Directors were held, the attendance of each director for these meetings is as follows:

<u>Name</u>	<u>Meetings Attended</u>
Mr. Khurram Shahzad Khan	04
Syed Hasnain Haider Rizvi	04
Mr. Ather Ali Khan	04

Auditors

The retiring auditors M/s. KPMG Taseer Hadi & Co., Chartered Accountants, have offered themselves for reappointment on mutually agreed remuneration.

Shareholding

A statement showing pattern of shareholding in HMFS is enclosed with the Annual Audited Financial Statements of HMFS.

Future Outlook

In 2023, we anticipate that the macroeconomic uncertainty, coupled with high inflation and the potential for further interest rate hikes and persistent political tensions, will pose significant challenges for the return of investment to the local stock market. However, we anticipate a turnaround in the economic cycle in mid-2023, as the economy is expected to recover with normalized international commodity and energy prices, resumed IMF Program and respite in inflation. With lower commodity prices and the impact of high inflation subsiding, there will be more room for the interest rates to be reduced, which will likely lead to increased interest in fundamentally strong stocks that are trading at attractive valuations in the stock market.

Acknowledgement

The Directors wish to record their gratitude to HMFS's valued clients, shareholders, and other stakeholders for their continued trust that they reposed in HMFS. The Board would also like to record their appreciation to the employees of HMFS for their commitment and dedication.

On behalf of the Board of Directors



Ather Husain Medina
Chief Executive

February 21, 2023



Syed Hasnain Haider Rizvi
Director

Habib Metropolitan Financial Services Limited

Statement of Compliance with the Code of Corporate Governance

For the year ended 31 December 2022

This statement is being presented to comply with the Code of Corporate Governance (CCG) contained in Regulation No. 16 (1) (f) of the Securities Brokers (Licensing and Operations) Regulations, 2016 for the purpose of establishing as framework of good governance.

The Company has applied the principles contained in the CCG in the following manner:

1. HMFS has established an effective Board of Directors (the Board) with the requisite skills, competence, knowledge, and experience responsible for ensuring long-term success and for monitoring and evaluating the management's performance.

At present the Board includes:

<u>Category</u>	<u>Names</u>
Directors	Mr. Khurram Shahzad Khan Syed Hasnain Haider Rizvi Mr. Ather Ali Khan

Chief Executive Officer (CEO)	Mr. Ather Husain Medina
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2. The Board has set the strategic objectives and ensured that necessary financial and human-resources are in place for meeting those objectives. The Board has further ensured that significant policies have been formulated on the following issues, among others:
 - a) governance, risk management and compliance issues.
 - b) customer relations including customer awareness and a mechanism and timeline for handling/resolving their complaints/grievances; and
 - c) segregation of customer assets from securities brokers' assets.
3. The Board has formulated and ensured adoption of a code of conduct/code of ethics to promote integrity of its business, its board, and its employees with special emphasis on measures for curbing any market manipulative activities such as front running, insider trading and other market abuse.
4. The Board has devised an effective whistle-blower mechanism enabling all stakeholders including employees to freely communicate their concerns about any illegal or unethical practices. The Board has also ensured that the interest of a whistle-blower is not prejudicially affected.

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5. The Board has appointed Mr. Ather Husain Medina as Chief Executive Officer in place of Mr. Manzar Mushtaq who resigned during the period.
6. During the year four meetings of the Board were held and the Board has ensured that the minutes of meetings of the Board are appropriately recorded.
7. HMFS has confirmed that it has an appropriate and suitably qualified management team commensurate with the size and complexity of its business.
8. HMFS has made efforts to familiarize its directors with the CCG, other applicable laws, and their duties and responsibilities.
9. HMFS has reappointed KPMG Taseer Hadi & Co., Chartered Accountants, as its statutory auditors enlisted within Category "A" of the State Bank of Pakistan's Panel of Auditors.
10. The quarterly and annual financial statements including the details of all related party transactions have been approved by the Board and CEO after review for approval.
11. HMFS has ensured preparation and circulation of an Annual Report to PSX and SECP. The Annual Report contained the following:
 - a) Annual audited financial statements.
 - b) Directors' Report.
 - c) A statement by the CEO that there are no transactions entered into by the broker during the year, which are fraudulent, illegal or in violation of any securities market laws.
 - d) Statement of compliance with CCG.

On behalf of the Board of Directors



Ather Husain Medina
Chief Executive Officer

February 21, 2023



Syed Hasnain Haider Rizvi
Director

Habib Metropolitan Financial Services Limited

A Statement by the Chief Executive Officer

"That there are no transactions entered into by Habib Metropolitan Financial Services Limited during the year ended 31 December 2022, which are fraudulent, illegal or in violation of any securities market laws".

A handwritten signature in black ink, appearing to read 'Ather', with a large, stylized loop at the beginning and a horizontal line extending to the right.

Ather Husain Medina
Chief Executive Officer

February 21, 2023



KPMG Taseer Hadi & Co.
Chartered Accountants
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Karachi 75530 Pakistan
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INDEPENDENT AUDITOR'S REPORT

To the members of Habib Metropolitan Financial Service Limited

Report on the Audit of the Financial Statements

Opinion

We have audited the annexed financial statements of **Habib Metropolitan Financial Services Limited** ("the Company"), which comprise the statement of financial position as at 31 December 2022, and the statement of profit or loss, the statement of comprehensive income, the statement of changes in equity, the statement of cash flows for the 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, the statement of profit or loss, the statement of comprehensive income, the statement of changes in equity and the statement of cash flows together with the notes forming part thereof conform with the accounting and reporting standards as applicable in Pakistan and give the information required by the Companies Act, 2017 (XIX of 2017), in the manner so required and respectively give a true and fair view of the state of the Company's affairs as at 31 December 2022 and of the loss, other comprehensive loss, 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.



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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 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 the facts. We have nothing to report in this regard.

Responsibilities of Management and Board of Directors for the Financial Statements

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

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

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

Auditor's Responsibilities for the Audit of the Financial Statements

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



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

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

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

Report on Other Legal and Regulatory Requirements

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

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



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- b) the statement of financial position, the statement of profit or loss, the statement of comprehensive income, the statement of changes in equity and the statement of cash flows together with the notes thereon have been drawn up in conformity with the Companies Act, 2017 (XIX of 2017) and are in agreement with the books of account;
- c) Investments made, expenditure incurred and guarantees extended during the year were for the purpose of the Company's business;
- d) no zakat was deductible at source under the zakat and ushr ordinance, 1980 (XVIII of 1980); and
- e) the Company was in compliance with the requirements of section 78 of the Securities Act, 2015 and section 62 of the Future 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.

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

Date: 5 April 2023

Karachi

UDIN: AR202210201jJOpb3ln4

**KPMG Taseer Hadi & Co.
Chartered Accountants**

Habib Metropolitan Financial Services Limited
Statement of Financial Position
As at 31 December 2022

	Note	2022 (Rupees)	2021
ASSETS			
Non-current assets			
Property and equipment	6	8,835,362	9,519,452
Intangible assets	7	729,257	727,167
Long term investment	8	12,951,860	22,040,604
Deferred tax asset - net	9	-	1,292,035
		<u>22,516,479</u>	<u>33,579,258</u>
Current assets			
Receivables from customers	10	105,343,594	45,927,074
Loans to employees	11	1,413,095	1,284,787
Deposits and prepayments	12	80,393,575	78,575,284
Short term investments	13	98,971,863	98,509,367
Accrued profit	15	2,818,763	962,749
Other receivables	16	63,173	95,213
Advance taxation - net		34,759,308	31,134,660
Cash and bank balances	17	140,926,546	220,880,279
		<u>464,689,917</u>	<u>477,369,413</u>
Total assets		<u>487,206,396</u>	<u>510,948,671</u>
EQUITY AND LIABILITIES			
Share capital and reserves			
Authorised capital			
30,000,000 (31 December 2021: 30,000,000) ordinary shares of Rs. 10 each		<u>300,000,000</u>	<u>300,000,000</u>
Issued, subscribed and paid up share capital			
30,000,000 (31 December 2021: 30,000,000) ordinary shares of Rs. 10 each fully paid in cash	18	300,000,000	300,000,000
Unappropriated profit		26,518,653	30,309,967
(Deficit) / surplus on revaluation of investments - net of tax	14	(922,787)	8,157,215
		<u>325,595,866</u>	<u>338,467,182</u>
Non-current liabilities			
Liability against right of use assets	19	5,350,084	7,329,399
Deferred tax liability - net	9	22,685	-
Current liabilities			
Trade and other payables	19	156,237,761	165,152,090
Short term borrowing	20	-	-
Total equity and liabilities		<u>487,206,396</u>	<u>510,948,671</u>
CONTINGENCIES AND COMMITMENTS			
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The annexed notes 1 to 36 form an integral part of these financial statements.

for



Chief Executive Officer



Director

Habib Metropolitan Financial Services Limited

Statement of Profit or Loss

For the year ended 31 December 2022

	Note	2022 (Rupees)	2021
Brokerage income	22	32,336,829	49,140,709
Income from investments			
- Mark-up on treasury bills		12,946,183	7,380,723
- Dividend Income		-	320,591
Administrative expenses	23	(63,091,345)	(56,321,288)
Finance cost	24	(845,497)	(1,013,584)
Provision for Sindh Workers' Welfare Fund		(12,692)	(166,654)
(Provision) / Reversal against financial assets - net	10.2	(726,016)	75,806
		(64,675,550)	(57,425,720)
Other income	25	19,030,746	8,749,739
(Loss) / Profit before taxation		(361,792)	8,166,042
Provision for taxation			
- Current		(2,118,373)	(4,100,717)
- Deferred	9	(1,311,149)	285,475
	27	(3,429,522)	(3,815,242)
Net (loss) / profit for the year		(3,791,314)	4,350,800
Earning per share - basic and diluted	28	(0.13)	0.15

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

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Chief Executive Officer



Director

Habib Metropolitan Financial Services Limited

Statement of Comprehensive Income

For the year ended 31 December 2022

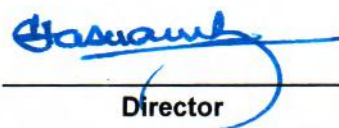
	Note	2022 (Rupees)	2021
Net (loss) / profit for the year		(3,791,314)	4,350,800
Other comprehensive income:			
Items to be reclassified to profit or loss in subsequent periods			
- Surplus on revaluation of debt investments carried at fair value	14	12,313	22,075
- Related deferred tax	9	(3,571)	(6,402)
		8,742	15,673
Items not to be reclassified to profit or loss in subsequent periods			
- Deficit on revaluation of equity shares investments carried at fair value	14	(9,088,744)	(1,715,159)
Total comprehensive (loss) / income for the year		(12,871,316)	2,651,314

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

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Chief Executive Officer



Director

Habib Metropolitan Financial Services Limited


Statement of Cash Flow

For the year ended 31 December 2022

	2022	2021
	(Rupees)	
Cash flows from operating activities		
(Loss) / Profit for the year before taxation	(361,792)	8,166,042
Adjustments for:		
Mark-up on treasury bills	(12,946,183)	(7,380,723)
Decrease / (increase) in provision against financial assets	726,016	(75,806)
Provision for Sindh Workers' Welfare Fund	12,692	166,654
Markup on lease liability against right of use asset	714,026	883,153
Depreciation	2,300,109	2,438,732
Amortization	271,620	143,609
Gain on derecognition of leased - right of use asset	(50,465)	-
	(8,972,185)	(3,824,381)
<i>Decrease / (increase) in current assets</i>		
Receivable from customers	(60,142,536)	13,888,563
Loans and advances	(128,308)	251,251
Deposits and prepayments	(1,818,291)	50,310,322
Accrued profit	(1,856,014)	459,462
Other receivables	32,040	133,479
	(63,913,109)	65,043,077
<i>(Decrease) / increase in current liabilities</i>		
Trade and other payables	(9,110,026)	14,471,631
	(82,357,112)	83,856,369
Income taxes paid	(5,743,021)	(4,602,116)
Net cash flows from operating activities	(88,100,133)	79,254,253
Cash flows from investing activities		
Proceeds from the maturity of investments	400,000,000	400,000,000
Purchase of investments - net	(387,504,000)	(392,696,100)
Property and equipment acquired during the period	(1,910,317)	(558,150)
Intangible assets acquired during the year	(273,710)	(463,000)
Net cash flows from investing activities	10,311,973	6,282,750
Cash flows from financing activities		
Repayment of liability against right of use assets	(2,165,573)	(2,171,156)
Net cash flows from financing activities	(2,165,573)	(2,171,156)
Net (decrease) / increase in cash and cash equivalent	(79,953,733)	83,365,847
Cash and cash equivalent at beginning of the period	220,880,279	137,514,432
Cash and cash equivalent at end of the period	140,926,546	220,880,279
CASH AND CASH EQUIVALENTS		
Cash and bank balances	140,926,546	220,880,279
Short term borrowings	-	-
	140,926,546	220,880,279

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


Chief Executive Officer


Director

Habib Metropolitan Financial Services Limited
Statement of Changes in Equity
For the year ended 31 December 2022

	Issued, subscribed and paid up capital	Unappropriated profit	Surplus on revaluation of investments	Total
	(Rupees)			
Balance as at 1 January 2021	300,000,000	25,959,167	9,856,701	335,815,868
Total comprehensive income for the period				
Net profit for the year ended 31 December 2021	-	4,350,800	-	4,350,800
Other Comprehensive Income - Deficit on revaluation of investments - net of tax	-	-	(1,699,486)	(1,699,486)
	-	4,350,800	(1,699,486)	2,651,314
Balance as at 31 December 2021	300,000,000	30,309,967	8,157,215	338,467,182
Total comprehensive income for the period				
Net loss for the year ended 31 December 2022	-	(3,791,314)	-	(3,791,314)
Other Comprehensive Income - Deficit on revaluation of investments - net of tax	-	-	(9,080,002)	(9,080,002)
	-	(3,791,314)	(9,080,002)	(12,871,316)
Balance as at 31 December 2022	<u>300,000,000</u>	<u>26,518,653</u>	<u>(922,787)</u>	<u>325,595,866</u>

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




Chief Executive Officer


Director

Habib Metropolitan Financial Services Limited

Notes to the Financial Statements

For the year ended 31 December 2022

1 STATUS AND NATURE OF BUSINESS

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

2 BASIS OF PREPARATION

2.1 Statement of compliance

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

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

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

2.2 Functional and presentation currency

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

2.3 Use of estimates and judgment

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

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

- Useful lives of property and equipments (Note 5.1 & 6)
- Useful lives of intangible assets (Note 5.2 & 7)
- Provision for impairment of receivable from customers and other receivables (Note 5.7 & 10)
- Valuation and impairment of investments (Note 5.3.3)
- Provision for compensated absences (Note 5.6)
- Income Tax (Note 5.9)
- Provision for impairment of financial and non-financial assets (Note 5.7)

3 BASIS OF MEASUREMENT

Accounting convention

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



4 NEW OR AMENDMENTS / INTERPRETATIONS TO EXISTING STANDARDS, INTERPRETATIONS AND FORTHCOMING REQUIREMENTS

4.1 Standards, Interpretations and Amendments to Published Approved Accounting Standards that are effective in current year

There are certain new standards, amendments to the approved accounting standards and new interpretations that are mandatory for accounting periods beginning on or after 1 January 2022 but are considered not to be relevant or do not have any significant impact on the Company's operation and therefore have not been detailed in these financial statements.

4.2 Standards, Interpretations and Amendments to Published Approved Accounting Standards that are not yet effective

The following International Financial Reporting Standards (IFRS Standards) as notified under the Companies Act, 2017 and the amendments and interpretations thereto will be effective for accounting periods beginning on or after 1 January 2023:

- Classification of liabilities as current or non-current (Amendments to IAS 1 in January 2020) apply retrospectively for the annual periods beginning on or after 1 January 2024 (as deferred vide amendments to IAS 1 in October 2022) with earlier application permitted. These amendments in the standards have been added to further clarify when a liability is classified as current. Convertible debt may need to be reclassified as 'current'. The standard also amends the aspect of classification of liability as non-current by requiring the assessment of the entity's right at the end of the reporting period to defer the settlement of liability for at least twelve months after the reporting period. An entity's expectation and discretion at the reporting date to refinance or to reschedule payments on a long-term basis are no longer relevant for the classification of a liability as current or non-current. An entity shall apply those amendments retrospectively in accordance with IAS 8.
- Non-current Liabilities with Covenants (amendment to IAS 1 in October 2022) aims to improve the information an entity provides when its right to defer settlement of a liability for at least twelve months is subject to compliance with conditions. The amendment is also intended to address concerns about classifying such a liability as current or non-current. Only covenants with which a company must comply on or before the reporting date affect the classification of a liability as current or non-current. Covenants with which the company must comply after the reporting date (i.e. future covenants) do not affect a liability's classification at that date. However, when non-current liabilities are subject to future covenants, companies will now need to disclose information to help users understand the risk that those liabilities could become repayable within 12 months after the reporting date. The amendments apply retrospectively for annual reporting periods beginning on or after 1 January 2024, with earlier application permitted. These amendments also specify the transition requirements for companies that may have early-adopted the previously issued but not yet effective 2020 amendments to IAS 1 (as referred above).
- Disclosure of Accounting Policies (Amendments to IAS 1 and IFRS Practice Statement 2) – the Board has issued amendments on the application of materiality to disclosure of accounting policies and to help companies provide useful accounting policy disclosures. The key amendments to IAS 1 include:
 - requiring companies to disclose their material accounting policies rather than their significant accounting policies;
 - clarifying that accounting policies related to immaterial transactions, other events or conditions are themselves immaterial and as such need not be disclosed; and
 - clarifying that not all accounting policies that relate to material transactions, other events or conditions are themselves material to a company's financial statements.

The Board also amended IFRS Practice Statement 2 to include guidance and two additional examples on the application of materiality to accounting policy disclosures. The amendments are effective for annual reporting periods beginning on or after 1 January 2023 with earlier application permitted.

- Definition of Accounting Estimates (Amendments to IAS 8) introduce a new definition for accounting estimates clarifying that they are monetary amounts in the financial statements that are subject to measurement uncertainty. The amendments also clarify the relationship between accounting policies and accounting estimates by specifying that an entity develops an accounting estimate to achieve the objective set out by an accounting

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policy. The amendments are effective for periods beginning on or after 1 January 2023, with earlier application permitted, and will apply prospectively to changes in accounting estimates and changes in accounting policies occurring on or after the beginning of the first annual reporting period in which the company applies the amendments.

- Deferred Tax related to Assets and Liabilities arising from a Single Transaction (Amendments to IAS 12) narrow the scope of the initial recognition exemption (IRE) so that it does not apply to transactions that give rise to equal and offsetting temporary differences. As a result, companies will need to recognize a deferred tax asset and a deferred tax liability for temporary differences arising on initial recognition of a lease and a decommissioning provision. For leases and decommissioning liabilities, the associated deferred tax asset and liabilities will need to be recognized from the beginning of the earliest comparative period presented, with any cumulative effect recognized as an adjustment to retained earnings or other components of equity at that date. The amendments are effective for annual reporting periods beginning on or after 1 January 2023 with earlier application permitted.
- Lease Liability in a Sale and Leaseback (amendment to IFRS 16 in September 2022) adds subsequent measurement requirements for sale and leaseback transactions that satisfy the requirements to be accounted for as a sale. The amendment confirms that on initial recognition, the seller-lessee includes variable lease payments when it measures a lease liability arising from a sale-and-leaseback transaction. After initial recognition, the seller-lessee applies the general requirements for subsequent accounting of the lease liability such that it recognizes no gain or loss relating to the right of use it retains. A seller-lessee may adopt different approaches that satisfy the new requirements on subsequent measurement. The amendments are effective for annual reporting periods beginning on or after 1 January 2024 with earlier application permitted. Under IAS 8, a seller-lessee will need to apply the amendments retrospectively to sale-and-leaseback transactions entered into or after the date of initial application of IFRS 16 and will need to identify and re-examine sale-and-leaseback transactions entered into since implementation of IFRS 16 in 2019, and potentially restate those that included variable lease payments. If an entity (a seller-lessee) applies the amendments arising from Lease Liability in a Sale and Leaseback for an earlier period, the entity shall disclose that fact.
- Sale or Contribution of Assets between an Investor and its Associate or Joint Venture (Amendments to IFRS 10 and IAS 28) amend accounting treatment on loss of control of business or assets. The amendments also introduce new accounting for less frequent transaction that involves neither cost nor full step-up of certain retained interests in assets that are not businesses. The effective date for these changes has been deferred indefinitely until the completion of a broader review.

The above amendments are not likely to have any significant impact on the Company's financial statements.

5 ACCOUNTING POLICIES

The significant accounting policies have been applied consistently to all periods presented in these financial statements as set out below.

5.1 Property and equipment

5.1.1 Owned

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

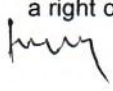
Depreciation is charged on a straight line basis over the estimated useful life of the asset at the rates specified in note 6. Depreciation on additions is charged from the date of addition. In case of disposals during the year, the depreciation is charged up till the date of disposal.

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

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

5.1.2 Leased - Right of Use asset

A contract is, or contains a lease if the contract conveys a right to control the use of an identified asset for a period of time in exchange for consideration. The Company mainly leases property for its operations. The Company recognizes a right of use asset and lease liability at the lease commencement date. The right of use asset is initially measured at



cost, and subsequently at cost less any accumulated depreciation and impairment losses, and adjusted for certain remeasurements of the lease liability. The right of use asset is depreciated using the straight line method from the commencement date to the earlier of end of the useful life of right of use asset or end of the lease term. The estimated useful lives of assets are determined on the same basis as that for owned assets. In addition, the right of use asset is periodically reduced by impairment losses, if any.

5.2 Intangible assets

These represent computer softwares.

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

5.3 Financial Assets

5.3.1 Non-derivative financial assets

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

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

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

At the year-end, all the financial assets were categorised as at amortised cost, except for the investments, referred in note 5.3.3 below.

5.3.2 Cash and cash equivalent

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

5.3.3 Fair Value through Other Comprehensive Income (FVOCI)

Currently, investments are classified as FVOCI, and these are measured at the fair value i.e. cost.

Equity securities

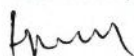
Equity investment classified as FVOCI, under irrevocable election to present subsequent changes in fair value in OCI without recycling to statement of profit and loss account. Dividends are recognized as income in the statement of profit or loss account. However, equity instrument at FVOCI are not subject to impairment assessment.

Debt securities - Market Treasury Bills

Market treasury bills are subsequently measured at fair value with gains and losses arising due to changes in fair value recognized in OCI. Interest income and other gain / (losses) are recognized in statement of profit and loss account. On derecognition, gain and losses accumulated in other comprehensive income are recycle to statement of profit and loss account.

Regular way purchase and sales

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



5.4 Liability against right of use assets

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

5.5 Non-derivative financial liabilities

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

At the year-end, all the financial liabilities were classified as at amortised cost.

5.5.1 Offsetting of financial assets and financial liabilities

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

5.6 Compensated Absences

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

5.7 Impairment

Financial assets

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

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

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

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


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

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

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

Non-financial assets

The carrying amounts of non-financial assets are assessed at each reporting date to ascertain whether there is any indication of impairment. If such an indication exists, the asset's recoverable amount is estimated to determine the



extent of impairment loss, if any. An impairment loss is recognised, as an expense in the statement of Profit or Loss. The recoverable amount is the higher of an asset's fair value less cost to sell and value in use. Value in use is ascertained through discounting of the estimated future cash flows using a discount rate that reflects current market assessments of the time value of money and the risk specific to the assets.

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

5.8 Provisions

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

5.9 Taxation

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

Current

Provision for current taxation is the expected tax payable on taxable income for the period and is based on the tax payable under normal tax regime at current rate of taxation under the normal tax regime after considering the effects of minimum taxation, available tax credits and rebates.

Deferred

Deferred taxation is recognised, using the balance sheet liability method, in respect of temporary differences between the carrying amounts of assets and liabilities in the financial statements and their tax base. The amount of deferred tax recognised is based on expected manner of realization or settlement of the carrying amount of assets and liabilities using the tax rates enacted or substantively enacted at the reporting date.

Deferred tax assets are recognised for all deductible temporary differences, carry forward of unused tax assets and unused tax losses, to the extent that it is probable that future taxable profits will be available against which they can be utilized. Deferred tax assets are reviewed at each reporting date and are reduced to the extent that it is no longer probable that the related tax benefit will be realized.

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

5.10 Foreign currency transactions

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

5.11 Revenue recognition

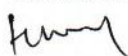
- Brokerage commission income is recognised on the rendering of services.
- Dividend income is recognised when the Company's right to receive the dividend is established.
- Gains / (losses) on sale of investments are included in the Statement of Profit or Loss in the period in which they arise.
- Interest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

5.12 Dividend and appropriation of reserves

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

5.13 Earnings per share (EPS)

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



6 PROPERTY AND EQUIPMENT

	Note	31 December 2022	31 December 2021
		(Rupees)	
Operating asset	6.1	1,478,403	1,653,963
Right of use asset	6.2	5,856,959	7,865,489
Advance for capital expenditure	6.3	1,500,000	-
		<u>8,835,362</u>	<u>9,519,452</u>

6.1 Operating asset

	2022							
	Cost			Depreciation			Written down	Rate
	At 1 January 2022	Additions / (disposals)	At 31 December 2022	At 1 January 2022	Reversal on disposals for the year	Charge for the year	At 31 December 2022	value as at 31 December 2022
	(Rupees)							
Owned								
Office equipment	1,572,762	59,670	1,632,432	868,348	-	187,526	1,055,874	576,558 15%
Furniture and fixtures	320,619	14,197	334,816	140,679	-	34,990	175,669	159,147 15%
Computer equipment	2,597,400	336,450	2,933,850	1,827,791	-	363,361	2,191,152	742,698 25%
Motor vehicles	34,795	-	34,795	34,795	-	-	34,795	- 20%
	<u>4,525,576</u>	<u>410,317</u>	<u>4,935,893</u>	<u>2,871,613</u>	<u>-</u>	<u>585,877</u>	<u>3,457,490</u>	<u>1,478,403</u>
	2021							
	At 1 January 2021	Additions / (disposals)	At 31 December 2021	At 1 January 2021	Reversal on disposals for the year	Charge for the year	At 31 December 2021	Written down value as at 31 December 2021
	(Rupees)							
Owned								
Office equipment	1,502,562	70,200	1,572,762	868,348	-	225,557	868,348	704,414 15%
Furniture and fixtures	261,819	58,800	320,619	106,456	-	34,223	140,679	179,940 15%
Computer equipment	2,168,250	429,150	2,597,400	1,440,056	-	387,735	1,827,791	769,609 25%
Motor vehicles	34,795	-	34,795	31,385	-	3,410	34,795	- 20%
	<u>3,967,426</u>	<u>558,150</u>	<u>4,525,576</u>	<u>2,220,688</u>	<u>-</u>	<u>650,925</u>	<u>2,871,613</u>	<u>1,653,963</u>

6.1.1 Cost of fully depreciated assets which are still in use as at 31 December 2022 amounts to Rs. 1.75 million (31 December 2021: 1.38 million).

6.2 Right of use asset (office premises)

	31 December 2022	31 December 2021
	(Rupees)	
Balance as on 01 January	7,865,489	4,428,795
Addition during the year	-	5,224,501
Depreciation of right of use assets	(1,714,232)	(1,787,807)
Effect of derecognition	(294,298)	-
Balance as on 31 December	<u>5,856,959</u>	<u>7,865,489</u>

6.2.1 These are being amortised over the period upto 31 May 2026.

6.3 This represents the advance for the purchase of vehicle.

7 INTANGIBLE ASSETS

	31 December 2022	31 December 2021
	(Rupees)	
Operating intangible asset	<u>729,257</u>	<u>727,167</u>

	2022							
	Cost			Amortization			Written down	Rate
	At 1 January 2022	Additions / (disposals)	At 31 December 2022	At 1 January 2022	Charge for the period	At 31 December 2022	value as at 31 December 2022	
	(Rupees)							
Online trading software	1,070,000	-	1,070,000	1,070,000	-	1,070,000	-	30%
PSX gateway application for online trading	551,500	-	551,500	551,500	-	551,500	-	30%
TRE Certificate Softwares	1,011,147	273,710	1,284,857	283,980	271,620	555,600	729,257	30%
	<u>2,632,647</u>	<u>273,710</u>	<u>2,906,357</u>	<u>1,905,480</u>	<u>271,620</u>	<u>2,177,100</u>	<u>729,257</u>	
	2021							
	At 1 January 2021	Additions / (disposals)	At 31 December 2021	At 1 January 2021	Charge for the year	At 31 December 2021	Written down value as at 31 December 2021	Rate
	(Rupees)							
Online trading software	1,070,000	-	1,070,000	1,070,000	-	1,070,000	-	30%
PSX gateway application for online trading	551,500	-	551,500	551,500	-	551,500	-	30%
TRE Certificate Software	173,147	838,000	1,011,147	140,371	143,609	283,980	727,167	30%
	<u>1,794,647</u>	<u>838,000</u>	<u>2,632,647</u>	<u>1,761,871</u>	<u>143,609</u>	<u>1,905,480</u>	<u>727,167</u>	

7.1 Represents the TRE (trading right entitlement) Certificate.

7.2 Cost of fully amortized assets which are still in use as at 31 December 2022 amounts to Rs. 1.79 million (31 December 2021 Rs. 1.79 million).

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

31 December 2022 (Number of shares)	31 December 2021 (Number of shares)		Note	31 December 2022 (Rupees)	31 December 2021 (Rupees)
1,602,953	1,602,953	Cost of investment		13,900,000	13,900,000
-	-	(Deficit) / Surplus on revaluation of investment		(948,140)	8,140,604
<u>1,602,953</u>	<u>1,602,953</u>	Closing balance	8.1	<u>12,951,860</u>	<u>22,040,604</u>

8.1 This represents ordinary shares of Pakistan Stock Exchange Limited (PSX) having face value of Rs.10 each and are carried at the market value. These shares are pledged in favour of PSX.

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

Minimum required BMC amounted to Rs. 28.696 million. Accordingly, the Company has complied with the said requirement in the following

- Transferable TRE Certificate lien marked with irrevocable authority in favour of the exchange;
- Cash deposited with the exchange amounting to Rs. 18.5 million to fulfil the BMC requirement; and
- Shares of PSX (1,602,953 shares) pledged in favour of the exchange.

9 DEFERRED TAX ASSET/(LIABILITY) - net

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

	Balance as at 1 January 2021	Recognised in profit and loss	Recognised in equity	Balance as at 31 December 2021 (Rupees)	Recognised in profit and loss	Recognised in equity	Balance as at 31 December 2022
Taxable Temporary difference:							
Property and equipment	(93,048)	67,378	-	(25,670)	25,670	-	-
Intangible assets	(2,669)	(899)	-	(3,568)	(8,761)	-	(12,329)
(Surplus) / deficit on revaluation of investments - net	(383)	-	(6,402)	(6,785)	-	(3,571)	(10,356)
	(96,100)	66,479	(6,402)	(36,023)	16,909	(3,571)	(22,685)
Deductible Temporary difference:							
Provision for leave encashment	-	439,640	-	439,640	(439,640)	-	-
Liability against right of use asset - net	141,291	144,943	-	286,234	(286,234)	-	-
Provision against Receivables from Customers	967,771	(365,587)	-	602,184	(602,184)	-	-
	1,109,062	218,996	-	1,328,058	(1,328,058)	-	-
	<u>1,012,962</u>	<u>285,475</u>	<u>(6,402)</u>	<u>1,292,035</u>	<u>(1,311,149)</u>	<u>(3,571)</u>	<u>(22,685)</u>

* The Company, as a measure of prudence, has derecognized deferred tax asset of Rs. 1.33 million on above deductible temporary differences.

10 RECEIVABLES FROM CUSTOMERS

	Note	31 December 2022 (Rupees)	31 December 2021
Trade receivables from the customers	10.1	108,022,637	12,836,213
Less: Provision against receivable from customers	10.2	(2,802,511)	(2,076,495)
		<u>105,220,126</u>	<u>10,759,718</u>
Receivable from NCCPL			
- ready market		2,840	32,393,380
- future market		120,628	2,773,976
		<u>105,343,594</u>	<u>45,927,074</u>

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

	31 December 2022 (Rupees)	31 December 2021
Habib Metropolitan Bank Limited (holding company)	664,773	170,556
Habib Metro Modaraba Management Company	7,096	-

10.2	Provision against the balance receivable from the customers	31 December 2022	31 December 2021
		(Rupees)	
	Opening balance	2,076,495	3,337,141
	Charge / (Reversal) during the year	726,016	(75,806)
	Bad debts previously provided written off	-	(1,184,840)
	Closing balance	<u>2,802,511</u>	<u>2,076,495</u>

10.3 Aging analysis

The aging analysis of the trade receivables relating to purchase of shares is as follows:

	Note	31 December 2022	
		Amount	Custody value
		(Rupees)	
Less than five days	10.3.1	93,719,230	1,053,080,833
Five days or more	10.3.1	14,303,407	1,514,006,300
		<u>108,022,637</u>	<u>2,567,087,133</u>

10.3.1 These custody values are shown at values on the basis of VAR notified by National Clearing Company of Pakistan Limited (NCCPL).

11	LOANS TO EMPLOYEES	Note	31 December 2022	31 December 2021
			(Rupees)	
	Unsecured, considered good			
	Loans to Key Management Personnel	11.2	369,867	329,867
	Loans to other employees		1,043,228	954,920
			<u>1,413,095</u>	<u>1,284,787</u>

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

11.2	Loans to Key Management Personnel	Note	31 December 2022	31 December 2021
			(Rupees)	
	Opening balance		329,867	752,867
	Loan granted during the period		1,128,030	1,606,062
	Repayment of loan during the period		(1,088,030)	(1,938,663)
	Balance pertaining to resigned staff		-	(90,399)
	Closing balance		<u>369,867</u>	<u>329,867</u>

12 DEPOSITS AND PREPAYMENTS

Deposits with:

- NCCPL against the exposure	12.1	59,916,627	60,000,000
- PSX under BMC requirement	12.2	18,500,000	16,500,000
- NCCPL for deliverable future contracts, ready contracts and initial deposit	12.3	1,400,000	1,400,000
- Central Depository Company of Pakistan Limited	12.4	100,000	100,000
- K-Electric Company Limited		34,390	34,390
- Pakistan Beverage Limited		6,000	6,000
		<u>79,957,017</u>	<u>78,040,390</u>

Prepayments

	436,558	534,894
	<u>80,393,575</u>	<u>78,575,284</u>

12.1 This represents margin deposit with NCCPL in accordance with the provisions of the Securities Act, 2015. These deposits carry mark-up at the rate of 12.18% (31 December 2021: 5.07%) per annum.

12.2 Following are the details of Deposit of Cash with PSX under BMC requirement:

	Note	31 December 2022	31 December 2021
		(Rupees)	
Opening balance as at (1 January)		16,500,000	16,500,000
Further deposits during the year		2,000,000	-
	12.2.1	<u>18,500,000</u>	<u>16,500,000</u>

- 12.4 This represent amount of Rs.100,000 (31 December 2021: Rs.100,000) on account of deposit with CDC at the commencement of brokerage business.

31 December 2022	31 December 2021
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Name of security	Maturity Date	Yield (IRR) %	As at 01 January 2022	Purchased during the year	Matured during the year	As at 31 December 2022	Carrying value as at 31 December 2022 (before revaluation)	Market value as at 31 December 2022 (carrying value after revaluation)
(Units)							(Rupees)	
Treasury Bills - 3 months (face value of Rs 5,000)	26-Jan-23	15.6991%	20,000	80,000	80,000	20,000	98,936,154	98,971,863

31 December 2022	31 December 2021
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- 17.1 These represent balances maintained in the profit and loss sharing accounts, carrying mark-up at 14.50% per annum (31 December 2021: 6.10% and 7.25%) per annum.

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		31 December 2022	31 December 2021
		(Rupees)	
17.2	Customers' assets held in the designated bank accounts	<u>59,495,362</u>	<u>122,129,702</u>
17.3	Customers' assets held in the CDC account	<u>3,811,870,192</u>	<u>5,152,785,639</u>
17.4	Customers' securities pledged with financial institutions	<u>44,646,272</u>	<u>51,625,870</u>

18 ISSUED, SUBSCRIBED AND PAID UP CAPITAL

As of the balance sheet date, 29,999,997 (31 December 2021: 29,999,997) shares were held by the Holding company and 3 (31 December 2021: 3) shares were held by directors of the Company, as the nominees of the Holding Company.

19	TRADE AND OTHER PAYABLES	Note	31 December 2022	31 December 2021
			(Rupees)	
	Due to customers in respect of securities transactions		93,791,106	155,947,551
	Payable to NCCPL		51,680,808	-
	Payable to workers' welfare fund	19.1	2,561,057	2,548,365
	Accrued expenses		6,355,416	5,002,579
	Sindh sales tax payable		143,264	130,490
	Liability against right of use assets - current portion	19.2	1,706,110	1,523,105
			<u>156,237,761</u>	<u>165,152,090</u>

- 19.1 The Finance Act 2008 introduced amendments to the Workers' Welfare Fund (WWF) Ordinance, 1971 whereby the definition of industrial establishment was extended. The amendments were challenged at various levels and conflicting judgments were rendered. The Honourable Supreme Court of Pakistan vide its judgment dated 10 November 2016, has upheld the view of Lahore High Court and decided that WWF is not a tax and hence the amendments introduced through Finance Act 2008 are ultra-vires to the Constitution. The Federal Board of Revenue has filed Civil Review Petitions in respect of above judgment with the prayer that the judgment dated 10 November 2016 passed in the Civil Appeal may kindly be reviewed in the interest of justice.

In view of the above, the Company is of the view that it is not liable to pay this liability. However, the management has made provision for WWF for the years from 2008 to 2014 amounting to Rs. 1.79 million as a matter of abundant caution.

Further, as a consequence of the 18th amendment to the Constitution, levy for the WWF was also introduced by the Government of Sindh through the Sindh Workers Welfare Fund (SWWF) Act 2014. SWWF Act 2014, enacted on 21 May 2015, requires every Industrial Establishment located in the province of Sindh and having total income of Rs. 0.5 million or more in any year of account commencing on or after the date of closing of account on or after 31 December 2013, to pay two percent of so much of its total income declared to SWWF. The said Act includes any concern engaged in the Banking or Financial Institution in the definition of "Industrial Undertaking" but does not define Financial Institution. From 2015 to the date, the Company has created provision of SWWF amounting to Rs.2.756 million out of which Company has paid SWWF of Rs. 1.984 million.

19.2 Liability against right of use assets

Movement in lease liability against right of use assets (office premises) is as follows:

	Note	31 December 2022	31 December 2021
		(Rupees)	
Balance at the beginning of the year		8,852,504	4,916,006
Transaction during the year		(344,763)	5,224,501
Interest expense		714,026	883,153
Rentals		(2,165,573)	(2,171,156)
Balance at the end of the year		<u>7,056,194</u>	<u>8,852,504</u>

Maturity of liability against right of use assets (Office premises) is as follows:

Current (within one year)	19.2.1	1,706,110	1,523,105
Non - Current (more than one year)		5,350,084	7,329,399
		<u>7,056,194</u>	<u>8,852,504</u>

19.2.1 Liability against right of use assets

	2022		
	Minimum lease payments	Future finance cost	Present value of minimum lease
	(Rupees)		
Not later than one year	2,273,851	567,741	1,706,110
Later than one year and not later than five years	5,960,161	610,077	5,350,084
Later than five years	-	-	-
	<u>8,234,012</u>	<u>1,177,818</u>	<u>7,056,194</u>
Less: Current portion			<u>(1,706,110)</u> <u>5,350,084</u>
	2021		
	Minimum lease payments	Future finance cost	Present value of minimum lease payments
	(Rupees)		
Not later than one year	2,274,279	751,174	1,523,105
Later than one year and not later than five years	8,560,129	1,230,730	7,329,399
Later than five years	-	-	-
	<u>10,834,408</u>	<u>1,981,904</u>	<u>8,852,504</u>
Less: Current portion			<u>(1,523,105)</u> <u>7,329,399</u>

Above liability has been discounted at 9.29% (2021: 9.29%) per annum.

20	SHORT TERM BORROWING	Note	31 December 2022	31 December 2021
			(Rupees)	
	Habib Metropolitan Bank Limited - The Holding Company	20.1	<u>-</u>	<u>-</u>

20.1 The company has obtained running finance facility from the Holding Company having credit limit up to Rs. 350 million (31 December 2021: Rs. 350 million). This carries mark up at the rate of 3 months KIBOR plus 2% per annum (31 December 2021: 3 months KIBOR plus 2% per annum) payable quarterly. This facility will mature on 30 June 2023 and is renewable. It is secured by first hypothecation charge on the receivables of the Company registered with Securities and Exchange Commission of Pakistan duly insured in the Holding Company's favour amounting to Rs. 667 million. During the year, the facility was not used by the Company.

21 CONTINGENCIES AND COMMITMENTS

- 21.1 There were no contingencies as at 31 December 2022.
- 21.2 Capital commitment as at the year end was Rs. 4.221 million.

22	BROKERAGE INCOME	Note	2022	2021
			(Rupees)	
	Brokerage income	22.1 & 22.2	<u>32,336,829</u>	<u>49,140,709</u>

22.1 Disaggregation revenue

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

- Corporate customers	<u>16,536,907</u>	21,027,599
- Individual customers	<u>15,799,922</u>	28,113,110
	<u>32,336,829</u>	<u>49,140,709</u>

22.2 This includes brokerage from related parties amounting to Rs. 1.882 million (2021: Rs. Rs. 1.223 million).

22.3 Brokerage revenue includes Rs. 0.395 million (2021: Rs. Rs. 0.861 million) from customers outside the country.

23	ADMINISTRATIVE EXPENSES	Note	2022 (Rupees)	2021
	Salaries and benefits	23.1	43,098,211	35,344,219
	Rent		123,653	-
	Repairs and maintenance		1,808,073	2,540,973
	Pakistan Stock Exchange (PSX) clearing house, CDC and NCCPL charges		2,931,880	4,069,842
	Communication		4,855,599	4,229,038
	Utilities and office general expenses		1,665,220	1,271,513
	Professional tax		112,800	97,126
	Auditors' remuneration	23.2	1,075,546	971,633
	Legal and professional charges		1,101,707	2,192,394
	Printing and stationery		253,395	431,330
	Insurance		1,280,111	149,167
	Travelling and conveyance		171,499	281,120
	Entertainment and business promotions		671,367	504,382
	Fees and subscription		967,390	1,066,550
	Depreciation	6	2,300,109	2,438,732
	Amortization of intangible assets	7	271,620	143,609
	Others		403,165	589,660
			<u>63,091,345</u>	<u>56,321,288</u>

23.1 This includes remuneration of the Chief Executive and executives as follows:

	Chief Executive For the year ended 31 December		Executives For the year ended 31 December	
	2022	2021	2022	2021
	(Rupees)		(Rupees)	
Managerial remuneration	14,911,265	13,534,070	7,965,404	5,416,384
Bonus	625,000	-	801,615	1,609,040
	<u>15,536,265</u>	<u>13,534,070</u>	<u>8,767,019</u>	<u>7,025,424</u>
Number of persons	<u>* 2</u>	<u>1</u>	<u>4</u>	<u>2</u>

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

* Represents the number of CEOs at two different points of time.

23.2 Auditors' remuneration

	For the year ended	
	31 December 2022	31 December 2021
	(Rupees)	
Annual audit	350,000	350,000
Half yearly review	150,000	150,000
Certifications	150,000	325,000
Out of pocket expenses	425,546	146,633
	<u>1,075,546</u>	<u>971,633</u>

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24	FINANCE COST	2022	2021
		(Rupees)	
	Interest on lease liability against right of use asset	714,026	883,153
	Bank charges	131,471	126,648
	Mark-up on finance facility	-	3,783
		<u>845,497</u>	<u>1,013,584</u>

25	OTHER INCOME		
	Mark-up on bank balances	9,928,779	4,159,902
	Return on NCCPL exposure margin	6,472,780	3,521,108
	Return on PSX BMC deposit	2,110,922	993,075
	Physical shares transfer	423,127	24,012
	IPO / book building brokerage income	44,673	51,642
	Others	50,465	-
		<u>19,030,746</u>	<u>8,749,739</u>

26 TRANSACTIONS AND BALANCES WITH RELATED PARTIES

Related parties comprises of the Holding Company including the Ultimate Parent Company, associated companies, directors of the Company and key management personnel. Remuneration of key management personnel are in accordance with their terms of employment. Other transactions with related parties are at agreed terms.

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

	For the period	
	31 December 2022	31 December 2021
	(Rupees)	
Habib Metropolitan Bank Limited - the Holding Company		
- Mark-up on bank balance	9,739,256	4,055,477
- Equity brokerage commission	899,267	233,630
- Repayment of lease obligation against right of use asset	2,165,573	1,887,100
- Finance cost	844,898	976,209
Key Management Personnel		
- Salaries and benefits	25,026,784	25,479,954
- Equity brokerage commission	272,536	933,916
Ultimate Parent Company		
Habib Bank AG Zurich - Equity brokerage commission	235,737	-
Associated Entities - Equity Brokerage Commission		
First Habib Modaraba - (Subsidiary of Holding Company)	474,402	24,000
Habib Metro Modaraba Management - (Subsidiary of Holding Company)	-	31,286



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

	31 December 2022	31 December 2021
	(Rupees)	
Habib Metropolitan Bank Limited - The Holding Company		
- Bank balances	137,802,777	216,064,920
- Accrued profit on a bank balance	965,508	433,348
- Receivable in respect of securities transactions	238,472	89,305
- Payable in respect of rent	-	175,350
Key Management Personnel		
- Advances	369,867	329,867
- Payable against sale / purchase of securities - net	(180,577)	(265,546)
Associated Entities		
First Habib Modaraba		
- Payable against sale / purchase of securities - net	(433)	(733)
Habib Metro Modaraba Management Company		
- Receivable against sale / purchase of securities - net	7,096	7,069
Directors (Holding Company)		
- (Payable) against sale of securities -net	(242,358)	(96,236)

26.3 Number of employees

(Number of employees)

Number of Employees as at the period/year end	24	22
Average Number of Employees as at the period/year end	22	22

27 TAXATION

27.1 The Company has filed returns of total income for the tax years up to 2022 (up to financial year ended 31 December 2021) which are deemed to have been assessed under the Income Tax Ordinance, 2001 unless selected by the taxation authorities for audit purposes.

27.2 During the year, Deputy Commissioner Inland Revenue (DCIR) has passed an impugned order under section 161/205 of the Income Tax Ordinance, 2001 (the "Ordinance") for the tax year 2016 in respect of disallowance of various expenses amounting to Rs. 4,762,351. The Company has filed an appeal before the Commissioner Inland Revenue - Appeals (CIR: A) which is pending for adjudication. Based on the Company's tax advisor views, a favorable decision is expected and therefore no provision of above demand has been made in these financial statements. Moreover, the tax department has also issued notices under section 161/205 of the Ordinance for the tax years 2017 to 2020 in respect of monitoring of withholding taxes and the same have not yet been finalized.

27.3 The Company, as a measure of prudence, has not recognized deferred tax asset amounting to Rs. 1.9 million including Rs.0.275 million relating to other comprehensive income.

Reconciliation of the tax charge for the period

	For the year ended	
	31 December 2022	31 December 2021
	(Rupees)	
(Loss) / Profit before tax	(361,792)	8,166,042
Tax at the applicable tax rate of 29% (2021: 29%)	-	2,368,152
Effect of minimum tax applicable	1,984,429	1,833,482
Deferred tax asset not recognised	1,627,578	-
Others	(182,485)	(386,392)
	3,429,522	3,815,242

28 EARNING PER SHARE BASIC AND DILUTED

Net (Loss) / Profit for the year	(3,791,314)	4,350,800
	(Number)	
Weighted average ordinary shares during the period	30,000,000	30,000,000
	(Rupees)	
Earning per share - basic and diluted	(0.13)	0.15

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29 DISCLOSURE UNDER REGULATION 5(4) OF RESEARCH ANALYST REGULATIONS 2015

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

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

During the year ended December 31, 2022, the personnel employed in the Research Department have drawn an aggregate salary and benefits amounting to Rs. 5.09 million which comprises basic salary, medical allowance and other benefits and bonus as per the Company's policy.

30 RECONCILAITION OF MOVEMENT OF LIABILITIES TO CASH FLOWS ARISING FROM FINANCING ACTIVITIES

	Liabilities	Equity			Total
	Trade and other payables (includes the lease related liability refer note 19)	Issued, subscribed and paid up capital	Unappropriated profit	Unrealised gain on revaluation of investments	
	(Rupees)				
Balance as at 1 January 2022	172,481,489	300,000,000	30,309,967	8,157,215	510,948,671
Changes from financing cash flows					
Liability-related					
Changes in trade and other payables	(10,893,644)	-	-	-	(10,893,644)
Loss for the year	-	-	(3,791,314)	-	(3,791,314)
Deficit on revaluation of investments - net of deferred tax	-	-	-	(9,080,002)	(9,080,002)
	(10,893,644)	-	(3,791,314)	(9,080,002)	(23,764,960)
Balance as at 31 December 2022	<u>161,587,845</u>	<u>300,000,000</u>	<u>26,518,653</u>	<u>(922,787)</u>	<u>487,183,711</u>

31 FINANCIAL INSTRUMENTS AND RELATED DISCLOSURES

Financial risk management

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

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

The Board meet frequently throughout the year for developing and monitoring the Company's risk management policies. The Company's risk management policies are established to identify and analyse the risk faced by the Company, to set appropriate risk limits and controls, and to monitor risks and adherence to limits. Risk management policies and systems are reviewed regularly to reflect changes in the market conditions and the Company's activities. The Company, through its training and management standards and procedures, aims to develop a disciplined and constructive control environment in which all employees understand their roles and obligations.

31.1 Credit risk

Credit risk is the risk that one party to a financial instrument will fail to discharge an obligation and cause the other party to incur a financial loss, without taking into account the fair value of any collateral. Concentration of credit risk arises when a number of counter parties are engaged in similar business activities or have similar economic features that would cause their ability to meet contractual obligations to be similarly effected by changes in economic, political or other conditions. Concentration of the credit risk indicate the relative sensitivity of the Company's performance to developments effecting a particular industry.

Exposure to credit risk

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

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

	31 December 2022	31 December 2021
	(Rupees)	
Receivable from customers	105,220,126	10,759,718
Receivable from National Clearing Company Limited (NCCPL)	123,468	35,167,356
Loans to employees	1,413,095	1,284,787
Deposits - long and short term	79,957,017	78,040,390
Other receivables	63,173	95,213
Accrued Profit	2,818,763	962,749
Bank balances	140,926,546	220,880,279
Financial Instruments exposed to credit risk	<u>330,522,188</u>	<u>347,190,492</u>

Past due balances and impairment losses

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

	31 December 2022		31 December 2021	
	Gross	Impairment	Gross	Impairment
	(Rupees)			
Past due 1-14 days	95,584,398	-	39,393,791	-
Past due 15 days -90 days	8,807,303	-	4,398,405	-
Past due 91 days -180 days	1,194,963	(366,538)	2,406,537	(271,659)
Past due 181 days -365 days	306,970	(306,970)	493,831	(493,831)
More than 365 days	2,129,003	(2,129,003)	1,311,005	(1,311,005)
	<u>108,022,637</u>	<u>(2,802,511)</u>	<u>48,003,569</u>	<u>(2,076,495)</u>

Bank balances

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

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

Concentration of credit risk

Concentration of credit risk exists when changes in economic or industry factors similarly affect groups of counterparties whose aggregate credit exposure is significant in relation to the Company's total credit exposure. The Company's portfolio of financial instruments is broadly diversified and transactions are entered into with diverse credit-worthy counterparties thereby mitigating any significant concentrations of credit risk.

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

	31 December 2022		31 December 2021	
	(Rupees)	%	(Rupees)	%
Banks	142,627,951	43.15%	221,903,213	63.91%
Mutual Funds	2,876,100	0.87%	2,617,046	0.75%
Other Financial Institutions	169,542,597	51.30%	114,250,017	32.91%
Individuals and others	15,475,540	4.68%	8,420,216	2.43%
	<u>330,522,188</u>	<u>100.00%</u>	<u>347,190,492</u>	<u>100.00%</u>

31.2 Liquidity risk

Liquidity risk is the risk that the Company will encounter difficulty in meeting obligations associated with financial liabilities that are settled by delivering cash or another financial asset. Liquidity risk arises because of the possibility that the Company could be required to pay its liabilities earlier than expected or difficulty in raising funds to meet commitments associated with financial liabilities as they fall due. The Company's approach to managing liquidity is to ensure, as far as possible, that it will always have sufficient liquidity to meet its liabilities when due, under both normal and stressed conditions, without incurring unacceptable losses or risking damage to the Company's reputation. The Company ensures that it has sufficient cash on demand to meet expected working capital requirements. The following are the contractual maturities of financial liabilities:

	31 December 2022			
	Carrying amount	Contractual cash flows	Six months or less	Above six months
	(Rupees)			
Financial liabilities				
Trade and other payables	158,883,524	160,061,342	154,642,696	5,418,646
	<u>158,883,524</u>	<u>160,061,342</u>	<u>154,642,696</u>	<u>5,418,646</u>
	31 December 2021			
	Carrying amount	Contractual cash flows	Six months or less	Above six months
	(Rupees)			
Financial liabilities				
Trade and other payables	169,802,634	171,784,538	162,065,351	9,719,187
	<u>169,802,634</u>	<u>171,784,538</u>	<u>162,065,351</u>	<u>9,719,187</u>

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Other price risk

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

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

The table below summarises the Company's equity price risk as of 31 December 2022 and shows the effects of a hypothetical 5% increase and a 5% decrease in market prices as at the year end.

	Fair value (Rupees)	Hypothetical price change	Estimated fair value after hypothetical change in price	Hypothetical increase / (decrease) in OCI	Hypothetical increase / (decrease) in shareholders' equity
				(Rupees)	
31 December 2022	<u>12,951,860</u>	5% increase	<u>13,599,453</u>	<u>647,593</u>	<u>647,593</u>
		5% decrease	<u>12,304,267</u>	<u>(647,593)</u>	<u>(647,593)</u>
31 December 2021	<u>22,040,604</u>	5% increase	<u>23,142,634</u>	<u>1,102,030</u>	<u>1,102,030</u>
		5% decrease	<u>20,938,574</u>	<u>(1,102,030)</u>	<u>(1,102,030)</u>

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

31.4 Operational risk

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

The primary responsibility for the development and implementation of controls over operational risk rests with the Board of Directors. This responsibility encompasses the controls in the following areas:

- requirements for appropriate segregation of duties between various functions, roles and responsibilities;
- requirements for the reconciliation and monitoring of transactions;
- compliance with regulatory and other legal requirements;
- documentation of controls and procedures;
- requirements for the periodic assessment of operational risks faced, and the adequacy of controls and procedures to address the risks identified;
- ethical and business standards;
- risk mitigation, including insurance where this is effective.

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

32. FAIR VALUE OF FINANCIAL ASSETS AND LIABILITIES

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

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

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

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

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

The different levels (methods) have been:

- Level 1: Fair value measurements using quoted prices (unadjusted) in active markets for identical assets or liabilities.
- Level 2: Fair value measurements using inputs other than quoted prices included within level 1 that are observable for the asset or liability, either directly (i.e. as prices) or indirectly (i.e. derived from prices).
- Level 3: Fair value measurements using inputs for the asset or liability that are not based on observable market data (i.e. unobservable inputs).

Fair value of the financial assets that are traded in active markets are based on quoted market prices.

On balance sheet	Note	31 December 2022				
		Carrying value	Fair value			
			Level 1	Level 2	Level 3	Total
Financial assets measured at fair value						
- Short term investments						
- Market treasury bills		98,971,863	-	98,971,863	-	98,971,863
- Long term investments						
- Investment in the shares of Pakistan Stock Exchange Limited		12,951,860	12,951,860	-	-	12,951,860
Financial assets not measured at fair value 32.2						
- Receivable from customers		105,343,594	-	-	-	-
- Loan to employees		1,413,095	-	-	-	-
- Deposits		79,957,017	-	-	-	-
- Other receivables		63,173	-	-	-	-
- Accrued Profit		2,818,763	-	-	-	-
- Bank balances		140,926,546	-	-	-	-
		442,445,911	12,951,860	98,971,863	-	111,923,723
Financial liabilities not measured at fair value 32.2						
- Trade and other payables		(158,883,524)	-	-	-	-
On Balance Sheet Gap		283,562,387	12,951,860	98,971,863	-	111,923,723
On balance sheet financial instruments						
		31 December 2021				
		Carrying value	Fair value			
			Level 1	Level 2	Level 3	Total
Financial assets measured at fair value						
- Short term investments						
- Market treasury bills		98,509,367	-	98,509,367	-	98,509,367
- Long term investments						
- Investment in shares of Pakistan Stock Exchange Limited		22,040,604	22,040,604	-	-	22,040,604
		120,549,971	22,040,604	98,509,367	-	120,549,971
Financial assets not measured at fair value 32.2						
- Receivable from customers		45,927,074	-	-	-	-
- Loan to employees		1,284,787	-	-	-	-
- Deposits		78,040,390	-	-	-	-
- Other receivables		95,213	-	-	-	-
- Accrued Profit		962,749	-	-	-	-
- Bank balances		220,880,279	-	-	-	-
		467,740,463	22,040,604	98,509,367	-	120,549,971
Financial liabilities not measured at fair value 32.2						
- Trade and other payables		(169,802,634)	-	-	-	-
On Balance Sheet Gap		297,937,829	22,040,604	98,509,367	-	120,549,971

32.1 Valuation techniques used in determination of fair values within level 2:

Investments in Market Treasury Bills are valued on the basis of the PKRVs announced by the Mutual Funds Association of Pakistan (MUFAP).

32.2 Fair values of these financial instruments have not been disclosed as these are either short term in nature or repriced frequently. As such their carrying values are reasonable approximation of their Fair values.

32.3 Financial instruments not measured at fair values are stated at amortised cost.

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33. CAPITAL RISK MANAGEMENT

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

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

33.1 Base minimum capital

Pursuant to the promulgation of the Stock Exchanges (Corporatisation, Demutualization and Integration) Act, 2012 (the Act), all trading right entitlement certificate (TRE) certificate holders of Pakistan Stock Exchange (PSX), in compliance with the Schedule-I of Chapter 19: Risk Management Regulations of the PSX Rule Book, are required to maintain a Base Minimum Capital (BMC). As at 31 December 2020 and as per slabs given under the above mentioned regulations, the Company is required to maintain a BMC of Rs. 28.696 million with PSX. The Company is in compliance with the aforementioned requirement as at 31 December 2022.

33.2 In addition, the Company is required to have a minimum liquid capital of Rs. 20 million. Company's liquidity capital was more than the above mentioned requirements. Refer note 34 for details.

34 STATEMENT OF LIQUID CAPITAL

The below statement of liquid capital has been prepared in accordance with the requirements of the Third Schedule of the Securities Brokers (Licensing and Operations) Regulations, 2016 (the Regulations) issued by the Securities & Exchange Commission of Pakistan (SECP).

S. No.	Head of Account	Value (Rupees)	Hair Cut / Adjustments	Net Adjusted Value (Rupees)
1. Assets				
1.1	Property & Equipments	8,835,362	100.00%	-
1.2	Intangible Assets	729,257	100.00%	-
1.3	Investment in Government Securities	98,971,863	-	98,971,863
	Investment in Debt Securities			
	If listed then:			
	i. 5% of the balance sheet value in the case of tenure upto 1 year.	-	5.00%	-
	ii. 7.5% of the balance sheet value, in the case of tenure from 1-3 years.	-	7.50%	-
1.4	iii. 10% of the balance sheet value, in the case of tenure of more than 3 years.	-	10.00%	-
	If unlisted then:			
	i. 10% of the balance sheet value in the case of tenure upto 1 year.	-	10.00%	-
	ii. 12.5% of the balance sheet value, in the case of tenure from 1-3 years.	-	12.50%	-
	iii. 15% of the balance sheet value, in the case of tenure of more than 3 years.	-	15.00%	-
	Investment in Equity Securities			
1.5	i. If listed 15% or VaR of each securities on the cutoff date as computed by the Securities Exchange for respective securities whichever is higher. (Provided that if any of these securities are pledged with the securities exchange for base minimum capital requirement, 100% haircut on the value of eligible securities to the extent of minimum required value of Base minimum capital	12,951,860	12,951,860	-
	ii. If unlisted, 100% of carrying value.	-	-	-
1.6	Investment in subsidiaries	-	-	-
	Investment in associated companies/undertaking			
1.7	i. If listed 20% or VaR of each securities as computed by the Securities Exchange for respective securities whichever is higher.	-	-	-
	ii. If unlisted, 100% of net value.	-	100.00%	-
1.8	Statutory or regulatory deposits/basic deposits with the exchanges, clearing house or central depository or any other entity.			
	(i) 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	20,000,000	100.00%	-
1.9	Margin deposits with exchange and clearing house.	59,916,627	-	59,916,627
1.10	Deposit with authorized intermediary against borrowed securities under SLB.	-	-	-
1.11	Other deposits and prepayments	476,948	100.00%	-
	Accrued interest, profit or mark-up on amounts placed with financial institutions or debt securities etc.(Nil)	2,818,763	-	2,818,763
1.12	100% in respect of markup accrued on loans to directors, subsidiaries and other related parties	-	100.00%	-
1.13	Dividends receivables.	-	-	-
1.14	Amounts receivable against Repo financing.			
	Amount paid as purchaser under the REPO agreement. (Securities purchased under repo arrangement shall not be included in the investments.)	-	-	-

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S. No.	Head of Account	Value (Rupees)	Hair Cut / Adjustments	Net Adjusted Value (Rupees)
	Advances and receivables other than trade Receivables			
1.15	(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.	1,413,095	1,413,095	-
	(ii) No haircut may be applied to the advance tax to the extent it is netted with provision of taxation.	34,759,308	-	34,759,308
	(iii) In all other cases 100% of net value	63,173	63,173	-
1.16	Receivables from clearing house or securities exchange(s)			
	i. 100% value of claims other than those on account of entitlements against trading of securities in all markets including MtM gains.	123,468	100.00%	-
	Receivables from customers			
	i. In case receivables are against margin financing, the aggregate if (i) value of securities held in the blocked account after applying VAR based Haircut, (ii) cash deposited as collateral by the finance (iii) 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.	-	5.00%	-
	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 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.	93,580,887	-	93,580,887
1.17	iv. Balance sheet value			
	v. In case of other trade receivables are overdue, or 5 days or more, the aggregate of (i) the market value of securities purchased for customers and held in sub-accounts after applying VAR based haircuts, (ii) cash deposited as collateral by the respective customer and (iii) the market value of securities held as collateral after applying VaR based haircuts.	11,375,695	8,530,397	8,530,397
	v. Lower of net balance sheet value or value determined through adjustments			
	vi. In the case of amount of receivables from related parties, values determined after applying applicable haircuts on underlying securities readily available in respective CDS account of the related party in the following manner;			
	(a) Up to 30 days, values determined after applying var based haircuts.	263,544	263,544	-
	(b) Above 30 days but upto 90 days, values 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 Balance-proprietary accounts	81,431,184	-	81,431,184
	ii. Bank balance-customer accounts	59,495,362	-	59,495,362
	iii. Cash in hand	-	-	-
	Subscription money against investment in IPO/ offer for sale (asset)			
1.19	(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% haircuts 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	487,206,396		439,504,391
1. Liabilities				
	Trade Payables			
2.1	i. Payable to exchanges and clearing house	51,680,808	-	51,680,808
	ii. Payable against leveraged market products	-	-	-
	iii. Payable to customers	93,791,106	-	93,791,106

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S. No.	Head of Account	Value (Rupees)	Hair Cut / Adjustments	Net Adjusted Value (Rupees)
	Current Liabilities			
	i. Statutory and regulatory dues	2,970,546	-	2,970,546
	ii. Accruals and other payables	6,089,191	-	6,089,191
	iii. Short-term borrowings	-	-	-
2.2	iv. Current portion of subordinated loans	-	-	-
	v. Current portion of long term liabilities	1,706,110	-	1,706,110
	vi. Deferred Liabilities	22,685	-	22,685
	vii. Provision for taxation	-	-	-
	viii. Other liabilities as per accounting principles and included in the financial statements	-	-	-
	Non-Current Liabilities			
	i. Long-Term financing	5,350,084	-	5,350,084
	ii. Other long-term financing	-	-	-
2.3	ii. Staff retirement benefits	-	-	-
	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			
	Subordinated Loans			
2.4	i. 100% of Subordinated loans which fulfill the conditions specified by SECP are allowed to be deducted:	-	-	-
2.5	Advance against shares for Increase in Capital of Securities broker			
	100% haircut may be allowed in respect of advance against shares if:			
	a. The existing authorized share capital allows the proposed enhanced share capital			
	b. Board of Directors of the company has approved the increase in capital			
	c. Relevant Regulatory approvals have been obtained			
	d. There is no unreasonable delay in issue of shares against advance and all regulatory requirements relating to the increase in paid up capital have been completed.			
	e. Auditor is satisfied that such advance is against the increase of capital.			
2.6	Total Liabilities	161,610,530		161,610,530
3.	Ranking Liabilities Relating to :			
	Concentration in Margin Financing			
	The amount calculated client-to- client basis by which any amount receivable from any of the finances exceed 10% of the aggregate of amounts receivable from total finances.			
3.1	(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 finance from aggregate amount shall be include in the ranking liabilities			
	Concentration in securities lending and borrowing			
	The amount by which the aggregate of:			
	(i) Amount deposited by the borrower with NCCPL			
3.2	(i) Cash margins paid and	-	-	-
	(iii) The market value of securities pledged as margins 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)			
	Net underwriting Commitments			
	(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:			
3.3	(i) the 50% of Haircut multiplied by the underwriting commitments and	-	-	-
	(ii) the value by which the underwriting commitments exceeds the market price of the securities.			
	In the case of rights issue where the market price of securities is greater than the subscription price, 5% of the Haircut multiplied by the net underwriting commitment			
	(b) in any other case : 12.5% of the net underwriting commitments	-	-	-

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S. No.	Head of Account	Value (Rupees)	Hair Cut / Adjustments	Net Adjusted Value (Rupees)
	Negative equity of subsidiary			
3.4	The amount by which the total assets of the subsidiary (excluding any amount due from the subsidiary) exceed the total liabilities of the subsidiary	-	-	-
	Foreign exchange agreements and foreign currency positions			
3.5	5% of the net position in foreign currency. Net position in foreign currency means the difference of total assets denominated in foreign currency less total liabilities denominated in foreign currency	-	-	-
3.6	Amount Payable under REPO	-	-	-
	Repo adjustment			
	In the case of financier/purchaser the total amount receivable under Repo less the 110% of the market value of underlying securities.			
3.7	In the case of finance/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.	-	-	-
	Concentrated proprietary positions			
3.8	If the market value of any security is between 25% and 51% of the total proprietary positions then 5% of the value of such security. If the market of a security exceeds 51% of the proprietary position, then 10% of the value of such security	-	-	-
	Opening Positions in futures and options			
	i. In case of customer positions, the total margin requirements in respect of open positions less the amount of cash deposited by the customer and the value of securities held as collateral/ pledged with securities exchange after applying VaR haircuts	-	-	-
3.9	ii. In case of proprietary positions, the total margin requirements in respect of open positions to the extent not already met	-	-	-
	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	-	-	-
3.10	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	-	-	-
	Liquid Capital	<u>325,595,866</u>		<u>277,893,861</u>
34.1	Summary of Liquid Capital			31 December 2022 (Rupees)
	(i) Adjusted value of assets (Serial number 1.20)			439,504,391
	(ii) Less: Adjusted value of liabilities (Serial number 2.6)			161,610,530
	(iii) Less: Total ranking liabilities (Serial number 3.11)			-
				<u>277,893,861</u>

35 CORRESPONDING FIGURES

Comparative figures have been re-arranged and reclassified wherever necessary for the purpose of comparison and better presentation. However no material changes have been made.

36 DATE OF AUTHORISATION FOR ISSUE

These financial statements were authorised for issue by the Board of Directors of the Company on **21** February 2023.


Chief Executive Officer


Director

Habib Metropolitan Financial Services Limited

Pattern of Shareholding

As on 31 December 2022

<u>S. No.</u>	<u>Name of Shareholders</u>	<u>Category of Shareholders</u>	<u>Number of Shares Held</u>
1	Habib Metropolitan Bank Limited	the Holding Company	= 29,999,997 =
2	Khurram Shahzad Khan	Director	= 1 =
3	Syed Hasnain Haider Rizvi	Director	= 1 =
4	Ather Ali Khan	Director	= 1 =
		Total	= 30,000,000 =