

**HABIB METROPOLITAN FINANCIAL SERVICES LIMITED**


**Condensed Interim Financial  
Information (Unaudited)  
For the six months ended  
30 June 2019**

**Habib Metropolitan Financial Services Limited**  
**Condensed Interim Statements of Financial Position**  
As at 30 June 2019

	Note	30 June 2019	31 December 2018
<b>(Rupees)</b>			
<b>ASSETS</b>			
<b>Non-current assets</b>			
Property and equipments	6	2,360,314	1,111,166
Intangible assets	7	95,393	121,367
Investment in shares of Pakistan Stock Exchange Limited	8	20,838,389	21,752,072
Long term deposits	9	1,540,390	1,540,390
Deferred tax asset - net	10	-	709,905
		<u>24,834,486</u>	<u>25,234,900</u>
<b>Current assets</b>			
Receivable from customers	11	35,759,053	96,976,139
Loans and advances	12	1,884,299	1,643,918
Deposits and prepayments	13	123,666,524	198,362,572
Short term investments	14	98,465,555	98,390,364
Accrued profit	16	2,065,692	1,039,497
Other receivables	17	573,060	478,747
Advance taxation - net		22,571,124	19,640,274
Cash and bank balances	18	94,667,536	63,110,163
		<u>379,652,843</u>	<u>479,641,674</u>
<b>Total assets</b>		<u><u>404,487,329</u></u>	<u><u>504,876,574</u></u>
<b>EQUITY AND LIABILITIES</b>			
<b>Share capital and reserves</b>			
Authorised capital			
30,000,000 (31 December 2017: 30,000,000) ordinary shares of Rs. 10 each		<u>300,000,000</u>	<u>300,000,000</u>
Issued, subscribed and paid up capital			
30,000,000 (31 December 2017: 30,000,000) ordinary shares of Rs. 10 each fully paid in cash	19	300,000,000	300,000,000
Unappropriated profit		9,212,513	12,499,193
Surplus on revaluation of available-for-sale investments - net of deferred tax	15	<u>6,931,748</u>	<u>7,839,630</u>
		<u>316,144,261</u>	<u>320,338,823</u>
<b>Non-Current liabilities</b>			
Deferred tax liability - net	10	242,109	-
<b>Current liabilities</b>			
Trade and other payables	20	87,288,711	152,666,219
Short term borrowing	21	812,248	31,871,532
Dividend payable - due to holding company		-	-
<b>Total equity and liabilities</b>		<u><u>404,487,329</u></u>	<u><u>504,876,574</u></u>
<b>CONTINGENCIES AND COMMITMENTS</b>			
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The annexed notes 1 to 27 form an integral part of this condensed interim financial information.

  
Manager Accounts

  
Chief Executive Officer

**Habib Metropolitan Financial Services Limited**  
**Condensed Interim Profit and Loss Account (Un-Audited)**  
*For the six months period ended 30 June 2019*

	Note	Six Months Ended 30 June	
		2019	2018
		(Rupees)	
Brokerage revenue	26	12,467,689	16,078,205
Income from investments			
- Mark-up on treasury bills		5,251,167	2,740,153
- Dividend income on the shares of Pakistan Stock Exchange Limited		-	80,148
		5,251,167	2,820,301
Impact o IFRS 9 provision		(165,131)	
		17,553,725	18,898,506
Administrative expenses	24	(25,584,654)	(27,962,239)
		(8,030,929)	(9,063,733)
Finance cost	23	(649,822)	(95,682)
Provision for Sindh Workers' Welfare Fund		-	(99,328)
		(649,822)	(195,010)
Other income	25	6,501,748	2,584,635
(Loss) / profit before taxation		(2,179,003)	(6,674,108)
Provision for taxation			
- Current		(156,686)	(4,922,297)
- Deferred		(950,990)	-
		(1,107,676)	(4,922,297)
Net (loss) / profit for the period		(3,286,679)	(11,596,405)

The annexed notes 1 to 27 form an integral part of this condensed interim financial information.

  
**Manager Accounts**

  
**Chief Executive Officer**

# Habib Metropolitan Financial Services Limited

## Condensed Interim Statement of Comprehensive Income (un-Audited)

For the six months period ended 30 June 2019

	Six months period ended 30 June	
	2019	2018
	(Rupees)	
Net (loss) / profit for the period	(3,286,679)	(11,596,405)
Other comprehensive income:		
Items to be reclassified to profit or loss in subsequent periods		
- (Deficit) / surplus on revaluation of available-for-sale investments - net of deferred tax	(907,882)	(4,254,067)
<b>Total comprehensive income for the period</b>	<b><u>(4,194,561)</u></b>	<b><u>(15,850,472)</u></b>

The annexed notes 1 to 27 form an integral part of this condensed interim financial information.

  
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Manager Accounts  
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Chief Executive Officer

**Habib Metropolitan Financial Services Limited**  
**Condensed Interim Statement of Cash Flow (Un-audited)**  
For the six months period ended 30 June 2019

	Six months period ended	
	30 June 2019	31 December 2018
	(Rupees)	
<b>Cash flows from operating activities</b>		
(Loss) / profit before taxation	(2,179,003)	(11,675,784)
<b>Adjustments for:</b>		
Mark-up on bank accounts	(1,173,294)	(1,559,973)
Mark-up on treasury bills	(5,251,167)	(6,280,424)
Mark-up on NCCPL exposure	(5,321,458)	
Dividend income	-	(80,148)
Increase in provision	165,131	-
Depreciation Right of use assets	555,171	
Depreciation	207,666	389,497
Amortization	25,974	30,570
<b>Loss before working capital changes</b>	<b>(10,791,977)</b>	<b>(7,500,478)</b>
<b>Decrease / (increase) in current assets</b>		
Receivable from customers	61,217,086	17,976,797
Loans and advances	(240,381)	(289,588)
Deposits and prepayments	74,696,048	(89,295,020)
Accrued profit	(1,026,195)	(309,964)
Other receivables	(94,313)	5,008,408
	<b>134,552,245</b>	<b>(66,909,367)</b>
<b>Increase / (decrease) in current liabilities</b>		
Trade and other payables	(65,647,481)	30,190,512
	<b>55,933,785</b>	<b>(55,895,117)</b>
Mark-up received on bank account	1,050,229	1,713,440
Mark-up received on NCCPL exposure	3,976,377	
Income tax paid	(3,087,533)	(8,798,615)
	<b>1,939,072</b>	<b>(7,085,175)</b>
<b>Net cash flows generated from / (used in) operating activities</b>	<b>57,872,857</b>	<b>(62,980,292)</b>
<b>Cash flows from investing activities</b>		
Sale / maturity of investments	200,000,000	300,000,000
Purchase of investments	(194,817,200)	(294,435,600)
Dividend received	-	80,148
Intangible acquired during the year	-	(114,075)
Property and equipment acquired during the period	(439,000)	(306,804)
<b>Net cash flows generated from investing activities</b>	<b>4,743,800</b>	<b>5,223,669</b>
<b>Cash flows from financing activities</b>		
Dividend paid	-	(60,000,000)
<b>Net cash flows used in financing activities</b>	<b>-</b>	<b>(60,000,000)</b>
<b>Net increase in cash and cash equivalent</b>	<b>62,616,657</b>	<b>(117,756,623)</b>
<b>Cash and cash equivalent at beginning of the period</b>	<b>31,238,631</b>	<b>148,995,254</b>
<b>Cash and cash equivalent at end of the period</b>	<b>93,855,288</b>	<b>31,238,631</b>
<b>CASH AND CASH EQUIVALENTS</b>		
Cash and bank balances	94,667,536	63,110,163
Short term borrowing	(812,248)	(31,871,532)
	<b>93,855,288</b>	<b>31,238,631</b>

The annexed notes 1 to 27 form an integral part of this condensed interim financial information.

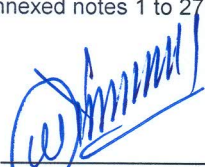
  
Manager Accounts

  
Chief Executive Officer

**Habib Metropolitan Financial Services Limited**  
**Condensed interim Statement of Changes in Equity (Un-audited)**  
For the six months period ended 30 June 2019

	Issued, subscribed and paid up capital	Unappropriated profit	Surplus / (deficit) on revaluation of available-for- sale investments	Total
	----- (Rupees) -----			
Balance as at 1 January 2018	300,000,000	28,340,913	22,012,389	350,353,302
<b>Total comprehensive income for the period</b>				
Net loss for the period	-	(11,596,405)	-	(11,596,405)
Deficit on revaluation of available-for-sale investments - net of deferred tax	-	-	(4,254,067)	(4,254,067)
	-	(11,596,405)	(4,254,067)	(15,850,472)
Balance as at 30 June 2018	300,000,000	16,744,508	17,758,322	334,502,830
<b>Total comprehensive income for the period</b>				
Net loss for the period	-	(4,245,315)	-	(4,245,315)
Deficit on revaluation of available-for-sale investments - net of deferred tax	-	-	(9,918,692)	(9,918,692)
	-	(4,245,315)	(9,918,692)	(14,164,007)
Balance as at 31 December 2018	300,000,000	12,499,193	7,839,630	320,338,823
Balance as at 1 January 2019	300,000,000	12,499,193	7,839,630	320,338,823
<b>Total comprehensive income for the period</b>				
Net Loss for the period	-	(3,286,679)	-	(3,286,679)
Deficit on revaluation of available-for-sale investments - net of deferred tax	-	-	(907,882)	(907,882)
	-	(3,286,679)	(907,882)	(4,194,561)
Balance as at 30 June 2019	300,000,000	9,212,513	6,931,748	316,144,261

The annexed notes 1 to 27 form an integral part of this condensed interim financial information.

  
Manager Accounts

  
Chief Executive Officer

**Habib Metropolitan Financial Services Limited**  
**Notes to the Condensed Interim Financial Statements (Un-audited)**  
*For the six months period ended 30 June 2019*

**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 Companies Ordinance, 1984 (Now Companies Act, 2017). The Company is a wholly owned subsidiary of Habib Metropolitan Bank Limited (the Holding Company). 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, Khokashan Clifton, Karachi. The Company commenced its operations on 06 March 2008.

**2 BASIS OF PREPARATION**

**2.1 Statement of compliance**

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

- International Financial Reporting Standards (IFRS) issued by the International Accounting Standard Board as notified under the Companies Act, 2017
- Islamic Financial Accounting Standards (IFAS) issued by the Institute of Chartered Accountants of Pakistan as are notified under the Companies Act 2017
- 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 and IFAS, the requirements of the Companies Act, 2017 and said directives shall prevail.

**2.2 Basis of measurement**

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

**2.3 Functional and presentation currency**

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

**2.4 Use of estimates and judgments**

The preparation of condensed interim 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.

- Residual value and useful lives of property and equipments (Note 4.1)
- Residual value and useful lives of intangible assets (Note 4.2)
- Provision for impairment of receivable from customers and other receivables (Note 4.3.2)
- Valuation and impairment of available-for-sale investments (Note 4.3.4)
- Provision for compensated absences (Note 4.5)
- Income Tax (Note 4.8)
- Provision for impairment of financial and non-financial assets (Note 4.6)

### 3 SIGNIFICANT ACCOUNTING POLICIES

3.1 The accounting policies and the methods of computation adopted in the preparation of these condensed interim financial information are the same as those applied in the preparation of the annual financial statements for the year ended 31 December 2018.

3.2 Amendments to certain existing standards and interpretations on approved accounting standards effective during the period were not relevant to the Company's operations and did not have any impact on the accounting policies of the Company except where changes affected presentations and disclosure in the condensed interim financial information.

#### 3.3 New standards, Interpretations and amendments adopted by the company

3.3.1 The company has initially adopted IFRS 15 'Revenue from Contracts with Customers' from 1 January 2019. The impact of the adoption of this standard and the new accounting policy is disclosed in note 3.3.4 below.

3.3.2 IFRS 16 became effective for annual reporting period commencing on or after 1 January 2019. The impact of the adoption of IFRS 16 is given in note 3.3.5 to these condensed interim financial statements.

3.3.3 IFRS 9 became effective for annual reporting period commencing on or after 1 January 2019. The impact of the adoption of IFRS 9 is given in note 3.3.6 to these condensed interim financial statements.

#### 3.3.4 IFRS 15 'Revenue from Contracts with Customers'

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

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

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

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

#### 3.3.5 Adoption of International Financial Reporting Standards (IFRS) 16 - Leases

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

The significant judgments in the implementation were determining if a contract contained a lease, and the determination of whether the Company is reasonably certain that it will exercise extension options present in lease contracts. The significant estimates were the determination of incremental borrowing rates. The weighted average discount rate applied to lease liabilities on the transition date 1 January 2019 was 12.55 percent.

The impact of IFRS 16 on the Company is primarily where the Company is a lessee in property lease contracts. The Company has elected to adopt simplified approach on transition and has not restated comparative information. On 1 January 2019, the Company recognized a lease liability, being the remaining lease payments, including extension options where renewal is reasonably certain, discounted using the Company's incremental borrowing rate at the date of initial application. The corresponding right-of-use asset recognized is the amount of the lease liability adjusted by prepaid or accrued lease payments related to those leases. The balance sheet has increased as a result of the recognition of lease liability and right-to-use assets as of 1 January 2019 was Rs.1,572,984 with no adjustment to retained earnings. The asset is presented in 'Fixed Assets' and the liability is presented in 'Current'. Also in relation to those leases under IFRS 16, the Company has recognized depreciation and interest costs, instead of operating lease expenses.

The Company has elected not to recognize right-of-use assets and lease liabilities for some leases of low value assets. The lease payments associated with these leases are recognized as an expenses on a straight-line basis over the lease

term. The right-of-use assets are presented in the same line items as it presents underlying assets of the same nature that it owns.

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

The effect of this change in accounting policy is as follows:

	30 June 2019 (Rupees in '000)
<b>Impact on Statement of Financial Position</b>	
Increase in fixed assets - right-of-use assets	1,017,813
Increase in other assets - taxation	<u>1,017,813</u>
Increase in other liabilities - lease liability against right-of-use assets	1,037,363
Decrease in net assets	<u><u>(19,550)</u></u>
	<b>Six months period ended 30 June 2019 (Rupees in '000)</b>
<b>Impact on Profit and Loss account</b>	
Increase in mark-up expense - lease liability against right-of-use assets	64,379
Increase / (decrease) in administrative expenses:	
- Depreciation on right-of-use assets	555,171
- Rent expense	<u>(600,000)</u>
Decrease in loss before tax	19,550
Increase in tax	5,474
Decrease in loss after tax	<u><u>25,024</u></u>

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

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

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

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

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

**i. Classification and measurement of financial assets and financial liabilities**

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

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

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

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

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

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

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

Financial asset at amortized cost is initially measured at fair value plus, transaction cost that is directly attributable to its acquisition and subsequently measured at amortised cost using the effective interest method. The amortised cost is reduced by impairment losses. Interest income, foreign exchange gains and losses and impairment are recognised in profit or loss. Any gain on derecognition is recognised in profit or loss.

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

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

The following table explain the original measurement categories under IAS 39 and the new measurement categories under IFRS 9 for each class of the Company's financial assets as at 30 June 2019.

	Original classification under IAS 39	New classification under IFRS 9	Original Carrying Amount (Rupees in '000)	New Carrying Amount
<b>Financial assets</b>				
Long Term Deposits	Loans and receivables	Amortized cost	1,540,390	1,538,481
Deposits	Loans and receivables	Amortized cost	123,666,524	123,664,820
Accrued Profit	Loans and receivables	Amortized cost	2,065,692	2,049,316
Loans and advances	Loans and receivables	Amortized cost	1,884,299	1,884,115
Trade debts	Loans and receivables	Amortized cost	32,675,332	31,851,972
Other receivables	Loans and receivables	Amortized cost	573,060	573,060
Cash and bank balances	Loans and receivables	Amortized cost	94,667,536	94,667,536
Receivable from NCCPL - ready market	Loans and receivables	Amortized cost	2,535,064	2,535,061
Receivable from NCCPL - future market	Loans and receivables	Amortized cost	1,392,194	1,392,192

**iii Impairment of financial assets**

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

The Company has applied the IFRS 9 simplified approach to measuring expected credit losses which uses a lifetime expected loss allowance for all trade and other receivables. Impairment losses relating to trade and other receivables, are presented separately in the statement of profit or loss. Trade and other receivables are written off when there is no reasonable expectation of recovery. Management used actual credit loss experience over past years to base the calculation of ECL on adoption of IFRS 9. Given the Company's experience of collection history and no historical loss rates / bad debts and normal receivable aging, the move from an incurred loss model to an expected loss model has impact on the financial position and / or financial performance of the Company. Short term investments and bank balances are also measured at expected credit losses. Since these assets are short term in nature, no credit loss is expected on these balances.

#### iv Transition

The change in accounting policy resulting from the adoption of IFRS 9 have been applied retrospectively except that comparative periods have not generally been restated. However, there is impact of the change in accounting policy on the special purpose statement of financial position in carrying values for the classification of assets and liabilities of the comparative period.

### 3.4 NEW ACCOUNTING STANDARDS AND IFRIC INTERPRETATIONS THAT ARE NOT YET EFFECTIVE

Amendment to IFRS 3 'Business Combinations' – Definition of a Business (effective for business combinations for which the acquisition date is on or after the beginning of annual period beginning on or after 01 January 2020). The IASB has issued amendments aiming to resolve the difficulties that arise when an entity determines whether it has acquired a business or a group of assets. The amendments clarify that to be considered a business, an acquired set of activities and assets must include, at a minimum, an input and a substantive process that together significantly contribute to the ability to create outputs. The amendments include an election to use a concentration test. The standard is effective for transactions in the future and therefore would not have an impact on past financial statements.

Amendments to IAS 1 Presentation of Financial Statements and IAS 8 Accounting Policies, Changes in Accounting Estimates and Errors (effective for annual periods beginning on or after 01 January 2020). The amendments are intended to make the definition of material in IAS 1 easier to understand and are not intended to alter the underlying concept of materiality in IFRS Standards. In addition, the IASB has also issued guidance on how to make materiality judgements when preparing their general purpose financial statements in accordance with IFRS Standards.

### 4 ACCOUNTING ESTIMATES AND JUDGEMENTS

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

#### 4.1 Property and equipment

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 profit and loss account.

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 profit and loss account 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.

#### 4.2 Intangible assets

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

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

TRE Certificate is carried at nil value as more fully explained in note 7.1 to these financial statements.

#### **4.3 Financial Instruments**

##### **4.3.1 Non-derivative Financial assets**

All non-derivative financial assets are initially recognised on trade date i.e. date on which the Company becomes party to the respective contractual provisions. These are derecognised when the Company loses control of the contractual rights that comprises that financial assets. Any gain or loss on derecognition is taken to profit and loss. Non-derivative financial assets with fixed or determinable payments that are not quoted in active markets and includes long term deposits, receivable from customers, loan and advance, deposit and prepayment, mark-up accrued, other receivable, cash and cash equivalents. Non-derivative financial assets with active trading in market includes available for sale investment.

##### **4.3.2 Loans, receivables from customers, and other receivables**

These are recognised initially at fair value and subsequently measured at amortized cost using effective interest rate method, if applicable, less provision for impairment losses, if any. Provision for impairment is established when there is objective evidence that the Company will not be able to collect all amounts due according to the original terms. Receivables from customers considered irrecoverable are provided / written off.

##### **4.3.3 Cash and cash equivalent**

These comprise of 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 cash flow statement.

##### **4.3.4 Available-for-sale investments**

Investments that are classified as available-for-sale investments, initially recorded at the fair value of consideration given.

After initial recognition (which includes the attributable transaction costs), these are stated at fair value, with any resultant gain or loss being recognised directly in equity. Gains or losses on revaluation of available-for-sale investments are recognised directly in equity until the investments are sold or otherwise disposed off, or until the investments are determined to be impaired, at which time cumulative gain or loss previously reported in the equity is included in current period's profit and loss.

###### *Equity securities*

Details of the basis of valuation of the investment in shares of Pakistan Stock Exchange Limited are given in note 8 to these financial statements.

###### *Market treasury bills*

The investment in treasury bills are valued at their fair values (determined by reference to the quotations obtained from the PKRV rate sheet on the Reuters page), based on the remaining tenor of the security.

###### *Income recognition on treasury bills*

Income accrued on treasury bills are included in the original carrying value of investments at the effective applicable interest rate.

###### *Regular way purchase and sales*

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

#### **4.4 Non-derivative Financial liabilities**

Financial liabilities represent trade and other payable. Financial liabilities are initially recognised on trade date i.e. the date on which the company becomes party to the respective contractual provisions of the instruments. These are derecognised when they are extinguished, that is, when the obligation in the contract is discharged, cancelled or has expired. Any gain or loss on derecognition is taken to income currently.

#### **4.4.1 Trade and other payables**

These are carried at cost which is the fair value of the consideration to be paid in the future for services received, whether or not billed to the Company.

#### **4.4.2 Offsetting of financial assets and financial liabilities**

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

#### **4.5 Compensated Absences**

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

#### **4.6 Impairment**

##### *Financial assets*

A financial asset is assessed at each reporting date to determine whether there is any objective evidence which indicates that one or more events have had a negative effect on the estimated future cash flows of that asset. Individually significant financial assets are tested for impairment on an individual basis. The remaining financial assets are assessed collectively in groups that share similar credit risk characteristics.

All impairment losses are recognised in the profit and loss account. An impairment loss is reversed if the reversal can be related objectively to an event occurring after the impairment loss was recognised. Impairment loss on debt securities are reversed through profit and loss account, whilst the equity securities through equity.

##### *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 profit and loss account. The recoverable amount is the higher of an asset's fair value less cost to sell and value in use. Value in use is ascertained through discounting of the estimated future cash flows using a discount rate that reflects current market assessments of the time value of money and the risk specific to the assets.

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

#### **4.7 Provisions**

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

#### **4.8 Taxation**

Provision for taxation expense comprise of current and deferred tax. Current and deferred tax is recognised in profit and loss account 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 year and is based on taxability of certain income streams of the Company under presumptive / final tax regime at the applicable tax rates and remaining income streams chargeable at current rate of taxation under the normal tax regime after considering the effects of minimum taxation, available tax credits and rebates.

### *Deferred*

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

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

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

## **4.10 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 profit and loss account.

## **4.11 Revenue recognition**

- Brokerage commission income is recognised upon 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 profit and loss account in the period in which they arise.
- Interest income is recognised as it accrues in profit or loss, using effective interest method.

## **4.12 Dividend and appropriation of reserves**

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

## **4.13 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.

# **5 FINANCIAL RISK MANAGEMENT**

The Company's financial risk management objectives and policies are consistent with those that are disclosed in the annual financial statements as at and for the year ended 31 December 2018.

## 6. PROPERTY AND EQUIPMENTS

Particulars	2019							Rate
	Cost			Depreciation			Written down value as at 30 June 2019	
	As at 1 January 2019	Additions / (disposals)	As at 30 June 2019	As at 1 January 2019	Charge for the year	As at 30 June 2019		
	(Rupees)							
Right of use	-	1,572,984	1,572,984	-	555,171	555,171	1,017,813	
Office Equipment	917,492	-	917,492	330,560	67,371	397,931	519,561	15%
Furniture and fixtures	131,053	-	131,053	70,948	8,513	79,461	51,592	15%
Computer equipments	1,237,220	439,000	1,676,220	784,710	129,745	914,455	761,765	25%
Motor Vehicle	34,795	-	34,795	23,175	2,037	25,212	9,583	20%
	<u>2,320,560</u>	<u>2,011,984</u>	<u>4,332,544</u>	<u>1,209,393</u>	<u>762,837</u>	<u>1,972,230</u>	<u>2,360,314</u>	

Particulars	2018							Rate
	Cost			Depreciation			Written down value as at 31 December 2018	
	As at 1 January	Additions / (disposals)	As at 31 December 2018	As at 1 January	Charge for the year	As at 31 December		
	(Rupees)							
Office Equipment	771,292	146,200	917,492	206,002	124,558	330,560	586,932	15%
Furniture and fixtures	95,054	35,999	131,053	56,105	14,834	70,939	60,114	15%
Computer equipments	1,112,615	124,605	1,237,220	538,720	245,990	784,710	452,510	25%
Motor vehicles	35,165	(370)	34,795	19,440	3,735	23,175	11,620	20%
	<u>2,014,126</u>	<u>306,434</u>	<u>2,320,560</u>	<u>820,267</u>	<u>389,117</u>	<u>1,209,384</u>	<u>1,111,176</u>	

## 7. INTANGIBLE ASSETS

Particulars		2019							Rate
		Cost			Depreciation			Written down value as at 30 June 2019	
		As at 1 January 2019	Additions / (disposals)	As at 30 June 2019	As at 1 January 2019	Charge for the year	As at 30 June 2019		
		(Rupees)							
Online trading software		1,070,000	-	1,070,000	1,070,000	-	1,070,000	-	30%
PSX gateway application for online trading		551,500	-	551,500	551,500	-	551,500	-	30%
TRE Certificate	7.1	-	-	-	-	-	-	-	-
Computer software		173,147	-	173,147	51,780	25,974	77,754	95,393	30%
		1,794,647	-	1,794,647	1,673,280	25,974	1,699,254	95,393	

Particulars		2018							Rate
		Cost			Amortization			Written down value as at 31 December 2018	
		As at 1 January	Additions / (disposals)	As at 31 December 2018	As at 1 January	Charge for the year	As at 31 December		
		(Rupees)							
Online trading software		1,070,000	-	1,070,000	1,052,500	-	1,070,000	-	30%
PSX gateway application for online trading		551,500	-	551,500	551,500	-	551,500	-	30%
TRE Certificate	7.1	-	-	-	-	-	-	-	-
Computer software		59,072	114,075	173,147	21,210	30,570	51,780	121,367	-
		1,680,572	114,075	1,794,647	1,625,210	30,570	1,642,710	121,367	

7.1 The TRE Certificate acquired on surrender of stock exchange membership card is stated at nil value.

According to the Stock Exchanges (Corporatisation, Demutualization and Integration) Act 2012, the TRE Certificate may only be transferred once to a company intending to carry out shares brokerage business in the manner to be prescribed. Up to 31 December 2019, Stock Exchange shall offer for issuance of 15 TRE Certificate each year in the manner prescribed. After 2019, no restriction shall be placed on issuance of TRE Certificate.

## 8. INVESTMENTS - FAIR VALUE THROUGH OCI

30 June 2019	31 December 2018		Note	30 June 2019	31 December 2018
(Number of shares)				(Rupees)	
1,602,953	1,602,953	Opening balance		13,900,000	13,900,000
-	-	Surplus on revaluation of investment		6,938,389	7,852,072
<u>1,602,953</u>	<u>1,602,953</u>	Closing Balance	8.1	<u>20,838,389</u>	<u>21,752,072</u>

- 8.1** This represents shares of Pakistan Stock Exchange Limited (PSX) which were listed from June 2017. Accordingly, the same are carried at the market value. 1,602,953 shares are pledged in favour of PSX and are classified as "Freeze" in the Central Depository Company (CDC) report of the Company.
- 8.2** The shares of Pakistan Stock Exchange Limited (PSX) were acquired in pursuance of corporatization and demutualization of PSX as a public company limited by shares. As per the arrangements, the authorized and paid-up capital of PSX was Rs. 10,000,000,000 and Rs. 8,014,766,000 respectively with a par value of Rs. 10 each. The paid-up capital of PSX was equally distributed among 200 members (termed as initial shareholders of exchange after corporatization) of PSX by issuance of 4,007,383 shares to each initial shareholders in the following manner:
1. 40% of the total shares allotted (i.e. 1,602,953 shares) were transferred in the House Account of Central Depository Company of Pakistan Limited (CDC) to each initial shareholder.
  2. 60% of the total shares (i.e. 2,404,430 shares) were deposited in a sub-account in Company's name under PSX's participant ID with CDC which were to remain blocked until they were divested to strategic investor(s), general public and financial institution (as per the provisions of the Act). These shares were divested during the year ended 31 December 2017.
- 8.3** In compliance with the Chapter 19 of Rule Book of PSX Governing Risk management, Every TREC holder shall maintain BMC as per the slabs with the exchange which shall be determined based on the Assets Under Custody (AUC).

Required BMC amounted to Rs. 28 million. Accordingly, the company has complied with the said requirement in the following manner:

- i) Transferable TRE Certificate lien marked with irrevocable authority in favour of exchange; and
- ii) Cash deposited with the exchange amounting to Rs. 12.5 million to fulfill the BMC requirement.
- iii) Shares of PSX(1,602,953 shares) pledged in favour of the exchange;

<b>9. LONG TERM DEPOSITS</b>	<i>Note</i>	<b>30 June 2019</b>	<b>31 December 2018</b>
		<b>(Rupees)</b>	
National Clearing Company of Pakistan Limited (NCCPL)	9.1	<b>1,400,000</b>	1,400,000
Central Depository Company of Pakistan Limited	9.2	<b>100,000</b>	100,000
K-Electric Company Limited		<b>34,390</b>	34,390
Pakistan Beverage Limited		<b>6,000</b>	6,000
		<b><u>1,540,390</u></b>	<b><u>1,540,390</u></b>

- 9.1** This represents amount of Rs. 1 million (31 December 2018: Rs. 1 million) on account of basic deposit for deliverable future contracts market, Rs. 0.2 million (31 December 2018: Rs. 0.2 million) for ready market and Rs. 0.2 million (31 December 2018: Rs. 0.2 million) as initial deposit.
- 9.2** This represent amount of Rs.100,000 (31 December 2018: Rs.100,000) on account of deposit with CDC at the commencement of brokerage business. This deposit is basically a security deposit, one time fixed payment on signing of agreement of HMFSL as broker.

#### **10. DEFERRED TAX ASSET / (LIABILITY) - NET**

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

	<b>Balance as at 1 January 2018</b>	<b>Recognised in profit and loss</b>	<b>Recognised in equity</b>	<b>Balance as at 31 December 2018</b>	<b>Recognised in profit and loss</b>	<b>Recognised in equity</b>	<b>Balance as at 30-Jun-19 2019</b>
	<b>(Rupees)</b>						
Property and equipment and pre-operating expenses	-	(159,069)		(159,069)	411,821	-	252,752
Intangible assets	-	(1,668)		(1,668)	4,016	-	2,348
Provision for leave encashment	-			671,708	(933,012)	-	(261,304)
Provision against receivable from customers	-	671,708		196,738		-	196,738
IFRS9 Impact					(428,340)	-	(428,340)
ROUA Impact					(5,474)		(5,474)
(Surplus) / deficit on revaluation of investments - net	(1,102)		3,298	2,196		(1,024)	1,172
	<b><u>(1,102)</u></b>	<b><u>510,971</u></b>	<b><u>3,298</u></b>	<b><u>709,905</u></b>	<b><u>(950,989)</u></b>	<b><u>(1,024)</u></b>	<b><u>(242,108)</u></b>

**11. RECEIVABLE FROM CUSTOMERS**

30 June 2019      31 December 2018  
(Rupees)

Trade debts	32,675,332	90,941,006
Less: Provision against receivable from customers	(843,538)	(678,406)
	<u>31,831,795</u>	<u>90,262,600</u>
Receivable from NCCPL - ready market	2,535,064	-
Receivable from NCCPL - future market	1,392,194	6,713,539
	<u>35,759,053</u>	<u>96,976,139</u>

11.1 The related parties from whom the maximum aggregate amount outstanding at any time during the period (month-end balances) are as under:

30 June 2019      31 December 2018  
(Rupees)

Habib Bank AG Zurich (Switzerland)	-	45,532,911
Habib Bank AG Zurich, Deira Dubai	4,152,032	58,083,448
Habib Metropolitan Bank Limited	<u>349</u>	<u>2,240,807</u>

**11.2 Aging analysis**

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

	Note	Amount	Custody value (Rupees)
Upto five days	11.3	23,413,134	59,274,655
More than five days	11.3	9,262,198	2,241,669,624

11.3 These custody values are shown at market value on the basis of VAR notified by Securities exchange and clearing house.

**12. LOANS AND ADVANCES - Unsecured, considered good**

Note      30 June 2019      31 December 2018  
(Rupees)

Loans to Key Management Personnel	12.1	531,165	715,000
Loans to other employees		1,353,134	928,918
		<u>1,884,299</u>	<u>1,643,918</u>

**12.1 Loans to Key Management Personnel**

Opening balance	715,000	595,995
Loan granted during the year	333,000	1,687,735
Repayment of loan during the year	(516,835)	(1,568,730)
Closing balance	<u>531,165</u>	<u>715,000</u>

**13. DEPOSITS AND PREPAYMENTS**

Deposits with NCCPL against exposure	13.1	110,500,000	185,500,000
NCCPL provisional trading deposit	13.2	100,000	100,000
Deposit with PSX under BMC requirement	13.3	12,500,000	12,500,000
Prepayments		566,524	262,572
		<u>123,666,524</u>	<u>198,362,572</u>

13.1 This represents margin deposit with NCCPL in accordance with the provisions of the Securities Act, 2015. These deposits carry markup at the rate of 7.10% to 8.75% (31 December 2018: 2.10% to 7.10%) per annum.

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

13.3 The following is the breakup of Deposit of Cash with PSX under BMC requirement

	30 June 2019	31 December 2018
	(Rupees)	
Opening Balance as at (1 January 2019:1 January 2018)	12,500,000	3,000,000
Deposits during the year		
Further deposit on: 20 June 2018	-	3,000,000.00
Further deposit on: 25 June 2018	-	5,000,000.00
Further deposit on: 12 October 2018	-	1,000,000.00
Further deposit on: 14 December 2018	-	500,000.00
	<u>12,500,000</u>	<u>12,500,000</u>

The deposit of Rs.12,500,000 of the previous year is still deposited with PSX to fulfill the requirement. No further deposits were made during the period 30 June 2019

14. SHORT TERM INVESTMENTS

	Note	30 June 2019	31 December 2018
		(Rupees)	
<b>Available-for-sale</b>			
- Market treasury bills	14.1 & 14.2	98,473,368	98,405,001
Less:			
(Deficit)/surplus on revaluation of investments		(7,813)	(14,638)
Fair value as at 30 June		<u>98,465,555</u>	<u>98,390,363</u>

14.1 Designated as available-for-sale - Government securities

Name of security	Maturity upto	Yield	As at 01 January 2019	Purchased during the year	Sold / matured during the year	As at 30 June 2019	Carrying value as at 30 June 2019	Market value as at 30 June 2019
(Rupees)								
Treasury Bills - 3 months (face value of Rs 5,000)	15-Aug-19	12.58%	<u>20,000</u>	<u>40,000</u>	<u>40,000</u>	<u>20,000</u>	98,473,368	98,465,555

14.2 Market treasury bills have been kept as collateral with the NCCPL on account of ready market exposure in accordance with the provisions of the Securities Act, 2015.

15 MOVEMENT IN SURPLUS ON REVALUATION OF INVESTMENTS

	30 June 2019	31 December 2018
	(Rupees)	
Opening surplus on revaluation of investments	7,837,434	22,013,491
Net Unrealized loss on remeasurement of available for sale investment	(906,858)	(14,176,057)
Closing surplus on revaluation of investments	<u>6,930,576</u>	<u>7,837,434</u>
Surplus on revaluation of investments as at 30 June	6,930,576	7,837,434
Related deferred tax asset / (liability)	1,172	2,196
	<u>6,931,748</u>	<u>7,839,630</u>

16. ACCRUED PROFIT

Accrued profit on bank balance	286,982	164,047
Accrued profit on deposits against NCCPL exposure	1,778,710	875,450
	<u>2,065,692</u>	<u>1,039,497</u>

17. OTHER RECEIVABLES

Receivable against CDC and NCCPL charges	573,060	478,747
	<u>573,060</u>	<u>478,747</u>

**18. CASH AND BANK BALANCES**

Note 30 June 31 December  
2019 2018  
(Rupees)

Profit and loss sharing accounts:

- Habib Metropolitan Bank Limited - The Holding Company
- Meezan Bank Limited

18.1	42,213,122	5,000
	5,192	5,080
	42,218,314	10,080

Current accounts:

- Habib Metropolitan Bank Limited - The Holding Company
- MCB Bank Limited

18.2	52,349,445	62,802,817
	99,777	297,266
	52,449,222	63,100,083

<u>94,667,536</u>	<u>63,110,163</u>
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18.1 These represent balances maintained in the profit and loss sharing accounts, carrying mark-up at the rates ranging from 8% to 10.25% (31 December 2018: 3.75% to 6.50%) per annum.

18.2 This includes Rs. 52,344,444 pertaining to client fund balance included in trade payables. Trade liability balance is more than the clients' current account balance as the transactions under T+2 basis were settled subsequent to the year end on the due date.

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

30 June 31 December  
2019 2018  
(Rupees)

Customer assets held in the designated bank accounts

52,344,445 62,934,384

Customer assets held in the CDC (no of shares)

95,713,950 102,761,917

**19. ISSUED, SUBSCRIBED AND PAID UP CAPITAL**

As of the balance sheet date, 29,999,997 (30 June 2019: 29,999,997) shares were held by the holding company and 3 (31 December 2018: 3) shares were held by directors of the Company, as the nominees of the Holding Company.

**20. TRADE AND OTHER PAYABLES**

Note 30 June 31 December  
2019 2018  
(Rupees)

Due to customers in respect of securities transactions

75,706,642 120,584,308

Payable to NCCPL

- 21,176,492

Payable to Workers' Welfare Fund

20.1 2,013,118 3,136,566

Accrued expenses

8,396,807 7,538,796

Sindh Sales Tax payable

134,781 230,057

Lease hold Liability

1,037,363 -

87,288,711 152,666,219

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

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

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

Further, as a consequence of the 18th amendment to the Constitution, levy for the WWF was also introduced by the Government of Sindh through the Sindh Workers Welfare Fund (SWWF) Act 2014. SWWF Act 2014, enacted on 21 May 2015, requires every Industrial Establishment located in the province of Sindh and having total income of Rs. 500,000 or more in any year of account commencing on or after the date of closing of account on or after 31 December 2013, to pay two percent of so much of its total income declared to SWWF. The said Act includes any concern engaged in the Banking or Financial Institution in the definition of "Industrial Undertaking" but does not define Financial Institution. From 2015 Company created provision of SWWF amounting to Rs. 1.346 million out of which Company has paid SWWF of Rs. 1.123 million during the period.

**21. SHORT TERM BORROWING**

Note

30 June 2019	31 December 2018
(Rupees)	

-Habib Metropolitan Bank Limited - the Holding Company	21.1	812,248	31,871,532
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- 21.1 This represents running finance facility obtained from the holding company having credit limit upto Rs.500 million (31 December 2017: Rs. 500 million). This carries mark up at the rate of 3 months KIBOR plus 2% per annum (31 December 2017: 3 months KIBOR plus 2% per annum) payable quarterly. This facility will mature on 30 June 2019 and is renewable. It is secured by first hypothecation charge on receivables of the Company registered with Securities and Exchange Commission of Pakistan duly insured in holding company's favour amounting to Rs. 667 million.

**22. CONTINGENCIES AND COMMITMENTS**

- 22.1 During the year 2015, the Company has received Orders-in-Original (ONO) from Federal Board of Revenue (FBR), whereby the demand of Federal Excise Duty (FED) of Rs. 6.02 million was made for non-payment of FED and for the purpose of which appeal has been filed with Commissioner 22 March 2016, whereby the demand of FED of Rs.6,020,220 was established against the company.

The Company, based on the legal advice of the tax advisor, is anticipate a favorable outcome of the aforesaid appeal hence no provision is required to be made in the financial statements.

- 22.2 During the current year the Company received a notice from Sindh Revenue Board (SRB) to the Company alleging the Company's failure to withhold and deposit with-holding tax from certain expenses for the years 2012-2017 amounting to Rs. 58.166 million. In response thereto, the Company filed a Constitutional Petition (CP No. 3042 of 2018) in the Honourable High Court of Sindh against the notice and obtained interim stay order against the same.

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

**22.3 Commitments**

The Company has availed running finance facilities with Habib Metropolitan Bank Limited amounting to Rs.500 Million, which carry markup at the rate of 3 months KIBOR plus 2% per annum and will mature on 30 June 2019.

**23. FINANCE COST**

Note

Six months period ended	
30 June 2019	30 June 2018

Markup on finance facility	23.1	567,176	82,812
Bank charges	23.2	82,646	12,870
		649,822	95,682

- 23.1 This represents markup charged on running finance facility availed by the Company from the holding company, with the credit limit of Rs. 500 million at markup rate of 3 Months KIBOR + 2% per annum. This arrangement is secured by way of hypothecation of the Company's receivables.

- 23.2 This represent the bank charges and also the amount of interest on lease liability.

**24. ADMINISTRATIVE EXPENSES**

Note

Six months ended 30 June	2019	2018
(Rupees)		

Salaries and benefits		18,578,633	20,728,893
Rent		54,353	649,410
Repairs and maintenance		1,041,653	815,809
PSX clearing house, CDC and NCCPL charges		1,699,055	2,026,144
Communication		1,138,691	1,123,836
Utilities		234,346	350,288
Professional tax		51,800	51,650
Direct and indirect tax consultancy		403,200	334,700
Printing and stationery		110,039	164,177
Auditors' remuneration		573,360	272,286
Legal and professional charges		90,000	360,000
Insurance		91,659	98,284
Travelling and conveyance		95,933	91,423
Entertainment and business promotions		75,297	251,479
Fees and subscription		166,910	33,780
Depreciation	6	762,837	187,384
Amortization	7	25,974	8,862
Others		390,914	413,834
		25,584,654	27,962,237

25.	OTHER INCOME	Note	Six months ended	
			30 June	
			2019	2018
			(Rupees)	
	Markup on bank balances		1,173,294	823,924
	Return on NCCPL exposure margin		5,321,458	1,402,300
	Commission on book building and initial public offering		-	260
	Others		6,996	358,151
			<u>6,501,748</u>	<u>2,584,635</u>

## 26. OPERATING REVENUE

Brokerage Income	26.1 & 26.2	<u>12,467,689</u>	<u>16,078,205</u>
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## 26.1 DISAGGREGATION REVENUE

As required for the condensed interim financial statements, the Company disaggregated revenue recognised from contracts with the customers into categories depict how the nature, amount, timing and uncertainty of revenue and cashflows are affected by economic factors.

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

	Six months ended	
	30 June	
	2019	2018
	(Rupees)	
- Corporate Customers	6,845,689	9,111,111
- Individual Customers	5,622,000	6,967,094
	<u>12,467,689</u>	<u>16,078,205</u>

26.2 This includes brokerage from related parties amounting to Rs. 2,750,000 for 30 June 2019 (30 June 2018: Rs.2,380,000)

## 27. TRANSACTIONS AND BALANCES WITH RELATED PARTIES

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

27.1 Details of transactions during the period end are as follows:

	Six months period ended	
	30 June	30 June
	2019	2018
	(Rupees)	
<b>Habib Metropolitan Bank Limited - the Holding Company</b>		
- Markup on bank balance	<u>1,173,169</u>	<u>823,789</u>
- Equity brokerage commission	<u>250</u>	<u>9,585</u>
- Rent expense	<u>600,000</u>	<u>600,000</u>
- Bank charges	<u>593,823</u>	<u>73,648</u>
<b>Key Management Personnel</b>		
- Salaries and benefits	<u>10,649,813</u>	<u>10,719,172</u>
- Equity brokerage commission	<u>77,911</u>	<u>250,271</u>
<b>Associated Companies</b>		
Habib Bank AG Zurich (Switzerland) - Equity brokerage commission	<u>220,756</u>	<u>225,903</u>
Habib Bank AG Zurich (UAE) - Equity brokerage commission	<u>2,401,231</u>	<u>1,592,588</u>
First Habib Modaraba - Equity brokerage commission	<u>23,500</u>	<u>140,750</u>
Habib Insurance Company Limited - Equity brokerage commission	<u>29,701</u>	<u>164,703</u>

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

	30 June 2019	31 December 2018
	(Rupees)	
<b>Habib Metropolitan Bank Limited - The Holding Company</b>		
- Bank balances	<u>94,562,566</u>	<u>62,807,717</u>
- Short term borrowing	<u>812,248</u>	<u>31,871,532</u>
- Accrued profit on a bank balance	<u>286,982</u>	<u>164,047</u>
<b>Key Management Personnel</b>		
- Advances	<u>531,165</u>	<u>715,000</u>
- Receivable/(payable) against sale of securities	<u>72,760</u>	<u>(229,362)</u>
<b>Associated Companies</b>		
Habib Bank AG Zurich (Switzerland)		
- Receivable / (payable) against purchase / sale of securities	<u>(23,047,449)</u>	<u>29,675,602</u>
Habib Bank AG Zurich (UAE)		
- (Payable) / receivable against sale / purchase of securities	<u>(919,720)</u>	<u>(20,500,671)</u>
First Habib Modaraba		
- Payable against sale of securities	<u>(1,033)</u>	<u>(12,114,066)</u>
Director (Holding Company)		
- Payable against sale of securities	<u>(429,610)</u>	<u>(394,297)</u>
<b>27.3 NUMBER OF EMPLOYEES</b>		
Number of Employees as at	<u>24</u>	<u>24</u>
Average Number of Employees as at 30-06-2019	<u>24</u>	<u>24</u>

  
 Manager Accounts

  
 Chief Executive Officer