KPMG Taseer Hadi & Co.

Habib Metropolitan Financial Services Limited

Financial Statements

For the year ended 31 December 2020

KPMG Taseer Hadi & Co.
Chartered Accountants
Sheikh Sultan Trust Building No. 2, Beaumont Road
Karachi 75530 Pakistan
+92 (21) 35685847, Fax +92 (21) 35685095

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 2020, 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 2020 and of the profit, other comprehensive income, the changes in equity and its cash flows for the year then ended.

Basis for Opinion

We conducted our audit in accordance with International Standards on Auditing (ISAs) as applicable in Pakistan. Our responsibilities under those standards are further described in the *Auditor's Responsibilities for the Audit of the Financial Statements* section of our report. We are independent of the Company in accordance with the International Ethics Standards Board for Accountants' *Code of Ethics for Professional Accountants* as adopted by the Institute of Chartered Accountants of Pakistan (the Code) and we have fulfilled our other ethical responsibilities in accordance with the Code. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

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

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

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

In connection with our audit of the financial statements, our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the financial statements or 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.

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; and

d) no zakat was deductible at source under the zakat and ushr ordinance,1980 (XVIII of 1980).

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

KPMG Taseer Hadi & Co.
Chartered Accountants

Date: 14 April 2021

Karachi

Habib Metropolitan Financial Services Limited
Statement of Financial Position
As at 31 December 2020

	Note	2020	2019
		(Rupees)	
ASSETS			
Non-current assets			
Property and equipment	6	**6,175,533**	6,602,881
Intangible assets	7	**407,776**	69,419
Long term investment	8	**23,755,763**	20,004,853
Deferred tax asset - net	9	**1,012,962**	-
		31,352,034	26,677,153
Current assets			
Receivables from customers	10	**59,739,831**	41,819,575
Loans to employees	11	**1,536,038**	2,422,201
Deposits and prepayments	12	**128,885,606**	78,953,763
Short term investments	13	**98,410,469**	98,444,913
Accrued profit	15	**1,422,211**	1,278,170
Other receivables	16	**228,692**	288,438
Advance taxation - net		**30,633,262**	31,628,484
Cash and bank balances	17	**137,514,432**	182,534,977
		458,370,541	437,370,521
Total assets		**489,722,574**	464,047,674
EQUITY AND LIABILITIES			
Share capital and reserves			
Authorised capital			
30,000,000 (31 December 2018: 30,000,000) ordinary shares of Rs. 10 each		**300,000,000**	300,000,000
Issued, subscribed and paid up share capital			
30,000,000 (31 December 2018: 30,000,000) ordinary shares of Rs. 10 each fully paid in cash	18	**300,000,000**	300,000,000
Unappropriated profit		**25,959,167**	16,457,855
Surplus on revaluation of investments - net of tax	14	**9,856,701**	6,095,254
		335,815,868	322,553,109
Non-current liabilities			
Liability against right of use assets	19.2	**4,150,586**	4,916,006
Deferred tax liability - net	9	**-**	214,435
Current liabilities			
Trade and other payables	19	**149,756,120**	136,364,124
Short term borrowing	20	**-**	-
Total equity and liabilities		**489,722,574**	464,047,674
CONTINGENCIES AND COMMITMENTS	21		

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

Meruzar Mushtaq

Chief Executive Officer

Director

Habib Metropolitan Financial Services Limited
Statement of Profit or Loss
For the year ended 31 December 2020

	Note	2020	2019
		(Rupees)	
Brokerage income	22	**50,921,824**	29,932,870
Income from investments			
- Mark-up on treasury bills		**8,013,263**	11,288,584
Administrative expenses	23	**(56,204,482)**	(51,528,108)
Finance cost	24	**(815,781)**	(1,426,783)
Provision for Workers' Welfare Fund		**(303,581)**	(65,012)
Reversal of / (provision against) financial assets - net	10.2	**83,598**	(2,742,333)
		(57,240,246)	(55,762,236)
Other income	25	**12,300,152**	14,739,946
Profit before taxation		**13,994,993**	199,164
Provision for taxation			
- Current		**(4,313,889)**	(1,967,084)
- Deferred	9	**1,226,891**	(921,255)
- Prior year		**(1,406,682)**	6,647,837
	27	**(4,493,681)**	3,759,498
Net profit for the period		**9,501,312**	3,958,662
Earning per share - basic and diluted	28	**0.32**	0.13

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

Mauzer Mushtaq
Chief Executive Officer

Director

Habib Metropolitan Financial Services Limited
Statement of Cash Flow
For the year ended 31 December 2020

	2020	2019
	(Rupees)	
Cash flows from operating activities		
Profit for the year before taxation	13,994,993	199,164
Adjustments for:		
Mark-up on treasury bills	(8,013,263)	(11,288,584)
Increase in provision against financial assets	(83,598)	2,742,333
Provision for Sindh Workers' Welfare Fund	303,581	65,012
Markup on lease liability against right of use asset	628,636	704,468
Depreciation	1,432,554	1,350,259
Amortization	36,643	51,948
	(5,695,447)	(6,374,564)
Decrease / (increase) in current assets		
Receivable from customers	(17,836,658)	52,414,231
Loans and advances	886,163	(778,283)
Deposits and prepayments	(49,931,843)	120,949,199
Accrued profit	(144,041)	(238,673)
Other receivables	59,746	190,309
	(66,966,633)	172,536,783
(Decrease) / increase in current liabilities		
Trade and other payables	13,017,703	(15,938,365)
	(45,649,384)	150,423,018
Sindh Workers' Welfare Fund paid	-	(1,123,448)
Income tax paid	(4,725,349)	(7,307,457)
	(4,725,349)	(8,430,905)
Net cash flows from operating activities	(50,374,733)	141,992,113
Cash flows from investing activities		
Proceeds from the maturity of investments	400,000,000	400,000,000
Purchase of investments - net	(391,956,900)	(388,745,400)
Property and equipment acquired during the period	(1,005,206)	(641,660)
Intangible acquired during the year	(375,000)	-
Net cash flows from investing activities	6,662,894	10,612,940
Cash flows from financing activities		
Repayment of liability against right of use assets	(1,308,706)	(1,308,706)
Net cash flows from financing activities	(1,308,706)	(1,308,706)
Net (decrease) / increase in cash and cash equivalent	(45,020,545)	151,296,346
Cash and cash equivalent at beginning of the period	182,534,977	31,238,631
Cash and cash equivalent at end of the period	137,514,432	182,534,977
CASH AND CASH EQUIVALENTS		
Cash and bank balances	137,514,432	182,534,977
Short term borrowings	-	-
	137,514,432	182,534,977

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

Manzar Mushtaq

Chief Executive Officer

Director

Habib Metropolitan Financial Services Limited
Statement of Comprehensive Income
For the year ended 31 December 2020

	Note	2020	2019
		(Rupees)	
Net profit for the period		**9,501,312**	3,958,662
Other comprehensive income:			
Items to be reclassified to profit or loss in subsequent periods			
- Surplus / (deficit) on revaluation of debt investments carried at fair value	14	**10,031**	5,928
- Related deferred tax	9	**506**	(3,085)
		10,537	2,843
Items not to be reclassified to profit or loss in subsequent periods			
- Surplus / (deficit) on revaluation of equity shares investments carried at fair value	14	**3,750,910**	(1,747,219)
Total comprehensive income for the period		**13,262,759**	2,214,286

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

Manzar Mushtaq

Chief Executive Officer

Director

Habib Metropolitan Financial Services Limited
Statement of Changes in Equity
For the year ended 31 December 2020

	Issued, subscribed and paid up capital	Unappropriated profit	Surplus on revaluation of investments	Total
	----------	---------- (Rupees)	----------	----------
Balance as at 1 January 2019	300,000,000	12,499,193	7,839,630	320,338,823
Total comprehensive income for the period				
Net profit for the year ended 31 December 2019	-	3,958,662	-	3,958,662
Other Comprehensive Income - Deficit on revaluation of investments - net of tax	-	-	(1,744,376)	(1,744,376)
	-	3,958,662	(1,744,376)	2,214,286
Balance as at 31 December 2019	300,000,000	16,457,855	6,095,254	322,553,109
Total comprehensive income for the period				
Net profit for the year ended 31 December 2020	-	**9,501,312**	-	**9,501,312**
Other Comprehensive Income - Deficit on revaluation of investments - net of tax	-	-	**3,761,447**	**3,761,447**
	-	**9,501,312**	**3,761,447**	**13,262,759**
Balance as at 31 December 2020	**300,000,000**	**25,959,167**	**9,856,701**	**335,815,868**

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

Manzar Mushtaq

Chief Executive Officer

Director

1 STATUS AND NATURE OF BUSINESS

Habib Metropolitan Financial Services Limited (the Company) was incorporated in Pakistan on 28 September 2007 as a public limited company under the repealed Companies Ordinance, 1984 (Now Companies Act, 2017). The Company is a wholly owned subsidiary of Habib Metropolitan Bank Limited (the Holding Company). 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, Khekashan Clifton, Karachi. The Company commenced its operations on 06 March 2008.

2 BASIS OF PREPARATION

2.1 Statement of compliance

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

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

- Provisions of and directives issued under the Companies Act, 2017.

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

2.2 Basis of measurement

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

2.3 Functional and presentation currency

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

2.4 Use of estimates and judgment

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

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

- Useful lives of property and equipments (Note 4.1& 6)
- Useful lives of intangible assets (Note 4.2 & 7)
- Provision for impairment of receivable from customers and other receivables (Note 4.3.2 & 10)
- Valuation and impairment of investments (Note 4.3.3)
- Provision for compensated absences (Note 4.6)
- Income Tax (Note 4.9)
- Provision for impairment of financial and non-financial assets (Note 4.7)

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

3.1 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 2020 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.

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

The following are the new standards, amendments to existing approved accounting standards and new interpretations that will be effective for the periods beginning on or after 1 January 2021.

- COVID-19-Related Rent Concessions (Amendment to IFRS 16) – the International Accounting Standards Board (the Board) has issued amendments to IFRS 16 (the amendments) to provide practical relief for lessees in accounting for rent concessions. The amendments are effective for periods beginning on or after 1 June 2020, with earlier application permitted. Under the standard's previous requirements, lessees assess whether rent concessions are lease modifications and, if so, apply the specific guidance on accounting for lease modifications. This generally involves remeasuring the lease liability using the revised lease payments and a revised discount rate. In light of the effects of the COVID-19 pandemic, and the fact that many lessees are applying the standard for the first time in their financial statements, the Board has provided an optional practical expedient for lessees. Under the practical expedient, lessees are not required to assess whether eligible rent concessions are lease modifications, and instead are permitted to account for them as if they were not lease modifications. Rent concessions are eligible for the practical expedient if they occur as a direct consequence of the COVID-19 pandemic and if all the following criteria are met:

  - the change in lease payments results in revised consideration for the lease that is substantially the same as, or less than, the consideration for the lease immediately preceding the change;

  - any reduction in lease payments affects only payments originally due on or before 30 June 2021; and

  - there is no substantive change to the other terms and conditions of the lease.

  The amendment is not likely to have an impact on Company's financial statements.

- Interest Rate Benchmark Reform – Phase 2 which amended IFRS 9, IAS 39, IFRS 7, IFRS 4 and IFRS 16 is applicable for annual financial periods beginning on or after 1 January 2021, with earlier application permitted. The amendments introduce a practical expedient to account for modifications of financial assets or financial liabilities if a change results directly from IBOR reform and occurs on an 'economically equivalent' basis. In these cases, changes will be accounted for by updating the effective interest rate. A similar practical expedient will apply under IFRS 16 for lessees when accounting for lease modifications required by IBOR reform. The amendments also allow a series of exemptions from the regular, strict rules around hedge accounting for hedging relationships directly affected by the interest rate benchmark reforms. The amendments apply retrospectively with earlier application permitted. Hedging relationships previously discontinued solely because of changes resulting from the reform will be reinstated if certain conditions are met. The amendment is not likely to have an impact on Company's financial statements.

- Onerous Contracts – Cost of Fulfilling a Contract (Amendments to IAS 37) effective for the annual period beginning on or after 1 January 2022 amends IAS 1 by mainly adding paragraphs which clarifies what comprise the cost of fulfilling a contract, Cost of fulfilling a contract is relevant when determining whether a contract is onerous. An entity is required to apply the amendments to contracts for which it has not yet fulfilled all its obligations at the beginning of the annual reporting period in which it first applies the amendments (the date of initial application). Restatement of comparative information is not required, instead the amendments require an entity to recognize the cumulative effect of initially applying the amendments as an adjustment to the opening balance of retained earnings or other component of equity, as appropriate, at the date of initial application. The amendment is not likely to have an impact on Company's financial statements.

- Annual Improvements to IFRS standards 2018-2020:

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The following annual improvements to IFRS standards 2018-2020 are effective for annual reporting periods beginning on or after 1 January 2022.

- IAS 41 - The amendment removes the requirement in paragraph 22 of IAS 41 for entities to exclude taxation cash flows when measuring the fair value of a biological asset using a present value technique.

- Property, Plant and Equipment: Proceeds before Intended Use (Amendments to IAS 16) effective for the annual period beginning on or after 1 January 2022. Clarifies that sales proceeds and cost of items produced while bringing an item of property, plant and equipment to the location and condition necessary for it to be capable of operating in the manner intended by management e.g. when testing etc., are recognized in profit or loss in accordance with applicable Standards. The entity measures the cost of those items applying the measurement requirements of IAS 2. The standard also removes the requirement of deducting the net sales proceeds from cost of testing. An entity shall apply those amendments retrospectively, but only to items of property, plant and equipment that are brought to the location and condition necessary for them to be capable of operating in the manner intended by management on or after the beginning of the earliest period presented in the financial statements in which the entity first applies the amendments. The entity shall recognize the cumulative effect of initially applying the amendments as an adjustment to the opening balance of retained earnings (or other component of equity, as appropriate) at the beginning of that earliest period presented.

- Reference to the Conceptual Framework (Amendments to IFRS 3) - Reference to the Conceptual Framework, issued in May 2020, amended paragraphs 11, 14, 21, 22 and 23 of and added paragraphs 21A, 21B, 21C and 23A to IFRS 3 . An entity shall apply those amendments to business combinations for which the acquisition date is on or after the beginning of the first annual reporting period beginning on or after 1 January 2022. Earlier application is permitted if at the same time or earlier an entity also applies all the amendments made by Amendments to References to the Conceptual Framework in IFRS Standards, issued in March 2018.

- Extension of the Temporary Exemption from Applying IFRS 9 (Amendments to IFRS 4) - In response to concerns regarding temporary accounting mismatches and volatility, and increased costs and complexity, the Board issued amendments to IFRS 4 Insurance Contracts in 2017. The two optional solutions raised some considerations which required detailed analysis and management judgement. On the issue of IFRS 17 (Revised) Insurance Contracts in June 2020, the end date for applying the two options under the IFRS 4 amendments was extended to 1 January 2023, aligned with the effective date of IFRS 17.

- Classification of liabilities as current or non-current (Amendments to IAS 1) effective for the annual period beginning on or after 1 January 2022. These amendments in the standards have been added to further clarify when a liability is classified 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 shall apply those amendments retrospectively in accordance with IAS 8.

- Sale or Contribution of Assets between an Investor and its Associate or Joint Venture (Amendments to IFRS 10 and IAS 28) - The amendment amends 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.

- IFRS 9 – The amendment clarifies that an entity includes only fees paid or received between the entity (the borrower) and the lender, including fees paid or received by either the entity or the lender on the other's behalf, when it applies the 10 per cent' test in paragraph B3.3.6 of IFRS 9 in assessing whether to derecognize a financial liability.

- IFRS 16 – The amendment partially amends Illustrative Example 13 accompanying IFRS 16 by excluding the illustration of reimbursement of leasehold improvements by the lessor. The objective of the amendment is to resolve any potential confusion that might arise in lease incentives.

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

4 ACCOUNTING POLICIES

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

4.1.1 *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.

4.1.2 *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 remeaursements of the lease liability. The right of use asset is depreciated using the straight line method from the commencement date to the earlier of end of the useful life of right of use asset or end of the lease term. The estimated useful lives of assets are determined on the same basis as that for owned assets. In addition, the right of use asset is periodically reduced by impairment losses, if any.

4.2 Intangible assets

These represent computer softwares.

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.

4.3 Financial Assets

4.3.1 Non-derivative financial assets

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

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

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

4.3.2 Cash and cash equivalent

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

4.3.3 Fair Value through Other Comprehensive Income (FVOCI)

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

Equity securities - available for sale

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

Market Treasury Bills

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

Regular way purchase and sales

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

4.4 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.

4.5 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.

4.5.1 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.

4.6 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.

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4.7 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 ELCs).

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 quantitative 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.

4.8 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.

4.9 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.

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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).

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 statement of profit or loss.

4.11 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.

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 IMPACT OF COVID 19 ON THE FINANCIAL STATEMENTS

During the period, the novel coronavirus (COVID19) emerged. On 30 January 2020, the International Health Regulations Emergency Committee of the WHO declared the outbreak a "Public Health Emergency of International Concern". The COVID19 pandemic had significantly impacted the economy around the world and this may continue to do so in the coming months. The scale and duration of this outbreak remains uncertain. The Government of Pakistan has taken various fiscal and regulatory stimulus measures to sustain economic activity during the period and mitigate its impact which provided both guidance on pandemic preparedness and regulatory relief to impacted industry units. Furthermore, the lifting of lockdown and normalisation of stock market enhanced the business and its financial performance as Pakistan Stock Exchange started to revive with increased trading activity as the business across the country started to show improved results which had earlier been at halt, resulting in increased brokerage income for the business.

The Company's management is of the view that there has not been a significant impact on the carrying amounts of assets and liabilities or items of income and expenses. Besides the management, based on the its financial projections, expect the company to remain sufficiently profitable.

6 PROPERTY AND EQUIPMENT

	Note	2020 Cost At 1 January 2020	Additions / (disposals)	At 31 December 2020	Depreciation At 1 January 2020	Charge for the period	At 31 December 2020	Written down value as at 31 December 2020	Rate
		(Rupees)							
Owned									
Office equipment		983,262	519,300	1,502,562	469,447	173,344	642,791	859,771	15%
Furniture and fixtures		131,053	130,766	261,819	88,115	18,341	106,456	155,363	15%
Computer equipment		1,813,110	355,140	2,168,250	1,089,051	351,005	1,440,056	728,194	25%
Motor vehicles		34,795	-	34,795	27,280	4,105	31,385	3,410	20%
Leased									
Right of use asset	4.1.2	6,200,313	-	6,200,313	885,759	885,759	1,771,518	4,428,795	14%
		9,162,533	1,005,206	10,167,739	2,559,652	1,432,554	3,992,206	6,175,533	

	Note	2019 Cost At 1 January 2019	Additions / (disposals)	At 31 December 2019	Depreciation At 1 January 2019	Charge for the year	At 31 December 2019	Written down value as at 31 December 2019	Rate
		(Rupees)							
Owned									
Office equipment		917,492	65,770	983,262	330,560	138,887	469,447	513,815	15%
Furniture and fixtures		131,053	-	131,053	70,948	17,167	88,115	42,938	15%
Computer equipment		1,237,220	575,890	1,813,110	784,710	304,341	1,089,051	724,059	25%
Motor vehicles		34,795	-	34,795	23,175	4,105	27,280	7,515	20%
Leased									
Right of use asset	4.1.2	-	6,200,313	6,200,313	-	885,759	885,759	5,314,554	14%
		2,320,560	6,841,973	9,162,533	1,209,393	1,350,259	2,559,652	6,602,881	

6.1 Cost of fully depreciated assets which are still in use as at 31 December 2020 amounts to Rs. 0.85 million (31 December 2019: Rs. 0.37 million).

7 INTANGIBLE ASSETS

	31 December 2020	31 December 2019
	(Rupees)	
Operating intangible asset	32,776	69,419
Capital work-in-progress	375,000	-
	407,776	69,419

	Note	2020 Cost At 1 January 2020	Additions / (disposals)	At 31 December 2020	Amortization At 1 January 2020	Charge for the period	At 31 December 2020	Written down value as at 31 2020	Rate
		(Rupees)							
Online trading software		1,070,000	-	1,070,000	1,070,000	-	1,070,000	-	30%
PSX gateway application for online trading		551,500	-	551,500	551,500	-	551,500	-	30%
TRE Certificate	7.1	-	-	-	-	-	-	-	-
Computer software		173,147	-	173,147	103,728	36,643	140,371	32,776	30%
		1,794,647	-	1,794,647	1,725,228	36,643	1,761,871	32,776	

	Note	2019 Cost At 1 January 2019	Additions / (disposals)	At 31 December 2019	Amortization At 1 January 2019	Charge for the year	At 31 December 2019	Written down value as at 31 December 2019	Rate
		(Rupees)							
Online trading software		1,070,000	-	1,070,000	1,070,000	-	1,070,000	-	30%
PSX gateway application for online trading		551,500	-	551,500	551,500	-	551,500	-	30%
TRE Certificate	7.1	-	-	-	-	-	-	-	-
Computer software		173,147	-	173,147	51,780	51,948	103,728	69,419	30%
		1,680,572	-	1,794,647	1,673,280	51,948	1,725,228	69,419	

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 2020 amounts to Rs.1.68 million (31 December 2019 Rs. 1.62 million).

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

31 December 2020	31 December 2019		Note	31 December 2020	31 December 2019
(Number of shares)				(Rupees)	
1,602,953	1,602,953	Cost of investment		13,900,000	13,900,000
-	-	Surplus on revaluation of investment		9,855,763	6,104,853
1,602,953	1,602,953	Closing balance	8.1	23,755,763	20,004,853

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

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).

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

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

9 DEFERRED TAX ASSET/(LIABILITY) - net

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

	Balance as at 1 January 2019	Recognised in profit and loss	Recognised in equity	Balance as at 31 December 2019	Recognised in profit and loss	Recognised in equity	Balance as at 31 December 2020
				(Rupees)			
Taxable Temporary difference:							
Property and equipment	(159,069)	(52,209)	-	(211,278)	118,230	-	(93,048)
Intangible assets	(1,668)	(600)	-	(2,268)	(401)	-	(2,669)
(Surplus) / deficit on revaluation of investments - net	2,196	-	(3,085)	(889)	-	506	(383)
	(158,541)	(52,809)	(3,085)	(214,435)	117,829	506	(96,100)
Deductible Temporary difference:							
Provision for leave encashment	671,708	(671,708)	-	-	-	-	-
Liability against right of use asset - net	-	-	-	-	141,291	-	141,291
Provision against Receivables from Customers	196,738	(196,738)	-	-	967,771	-	967,771
	868,446	(868,446)	-	-	1,109,062	-	1,109,062
	709,905	(921,255)	(3,085)	(214,435)	1,226,891	506	1,012,962

10 RECEIVABLES FROM CUSTOMERS

	Note	31 December 2020	31 December 2019
		(Rupees)	
Trade receivables from the customers	*10.1*	60,323,867	20,964,019
Less: Provision against receivable from customers	*10.2*	(3,337,141)	(3,420,739)
		56,986,726	17,543,280
Receivable from NCCPL			
- ready market		-	23,683,180
- future market		2,753,105	593,115
		59,739,831	41,819,575

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 2020	31 December 2019
	(Rupees)	
Habib Bank AG Zurich	2,025,219	4,096,409
Habib Metropolitan Bank Limited	196,501	349
First Habib Modarba	-	3,471,995

10.2 Provision against the balance receivable from the customers

Balance as on 1 January	3,420,739	678,406
(Reversal) / charge during the year	(83,598)	2,742,333
Balance as on 31 December	3,337,141	3,420,739

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10.3 Aging analysis

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

	Note	31 December 2020 Amount	31 December 2020 Custody value
		(Rupees)	
Up to five days	10.3.1	50,594,692	188,816,222
More than five days	10.3.1	9,729,175	161,777,728
		60,323,867	350,593,950

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 2020	31 December 2019
Unsecured, considered good		(Rupees)	
Loans to Key Management Personnel	11.2	752,867	1,429,500
Loans to other employees		783,171	992,701
		1,536,038	2,422,201

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 2020	31 December 2019
		(Rupees)	
Opening balance		1,429,500	935,000
Loan granted during the period		3,174,070	2,432,500
Repayment of loan during the period		(3,850,703)	(1,938,000)
Closing balance		752,867	1,429,500

12 DEPOSITS AND PREPAYMENTS

	Note	31 December 2020	31 December 2019
Deposits with:			
- NCCPL against the exposure	12.1	110,500,000	60,500,000
- PSX under BMC requirement	12.2	16,500,000	16,500,000
- NCCPL for deliverable future contracts, ready contracts and initial deposit	12.3	1,400,000	1,400,000
- NCCPL for provisional trading deposit	12.4	100,000	100,000
- Central Depository Company of Pakistan Limited	12.5	100,000	100,000
- K-Electric Company Limited		34,390	34,390
- Pakistan Beverage Limited		6,000	6,000
		128,640,390	78,640,390
Prepayments		245,216	313,373
		128,885,606	78,953,763

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 4.61%(31 December 2019: 10.18%) per annum.

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

	Note	31 December 2020	31 December 2019
		(Rupees)	
Opening balance as at (1 January)	12.2.1	16,500,000	12,500,000
Further deposits during the year			
16 August 2019		-	1,000,000
29 August 2019		-	3,000,000
		16,500,000	16,500,000

12.2.1 This represents deposit with PSX to fulfil the base minimum capital requirement. These deposits carry mark-up at the rate of 4.61%

12.3 This represents amount of Rs. 1 million (31 December 2019: Rs. 1 million) on account of basic deposit for deliverable future contracts market, Rs. 0.2 million (31 December 2019: Rs. 0.2 million) for ready market and Rs. 0.2 million (31 December 2019: Rs. 0.2 million) as initial deposit.

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

12.5 This represent amount of Rs.100,000 (31 December 2019: Rs.100,000) on account of deposit with CDC at the commencement of brokerage business.

13 SHORT TERM INVESTMENTS - at fair value through OCI

	31 December 2020	31 December 2019
	(Rupees)	
Market treasury bills		
Amortised cost	98,409,148	98,438,985
Surplus arising on revaluation during the year	1,321	5,928
Market Value	98,410,469	98,444,913

13.1 Government securities

Name of security	Maturity Date	Yield (IRR) %	As at 01 January 2020	Purchased during the year	Matured during the year	As at 31 December 2020	Carrying value as at 31 December 2020 (before revaluation)	Market value as at 31 December 2020
			(Units)				(Rupees)	
Treasury Bills - 3 months (face value of Rs 5,000)	25-Mar-21	7.1090%	20,000	40,000	40,000	20,000	98,409,148	98,410,469

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

14 SURPLUS ON REVALUATION OF INVESTMENTS - net of tax

	Note	31 December 2020	31 December 2019
		(Rupees)	
Short Term Investments			
Opening balance		(8,710)	(14,638)
Surplus arising on revaluation		10,031	5,928
Closing balance	13	1,321	(8,710)
Long term Investments			
Opening balance		6,104,853	7,852,072
Surplus arising on revaluation		3,750,910	(1,747,219)
Closing balance		9,855,763	6,104,853
		9,857,084	6,096,143
Related Deferred Tax:			
Opening balance		(889)	2,196
On revaluation during the year		506	(3,085)
Closing balance		(383)	(889)
Surplus - net of deferred tax		9,856,701	6,095,254

15 ACCRUED PROFIT

	2020	2019
Accrued profit on bank balance	570,951	692,079
Accrued profit on deposits against NCCPL exposure	660,063	586,091
Accrued profit on PSX BMC deposit	191,197	-
	1,422,211	1,278,170

16 OTHER RECEIVABLES

	2020	2019
Receivable against CDC and NCCPL charges	228,692	288,438

17 CASH AND BANK BALANCES

	Note	2020	2019
Profit and loss sharing accounts:			
- Habib Metropolitan Bank Limited - The Holding Company	17.1	32,349,327	86,288,757
- Meezan Bank Limited		6,570	6,357
		32,355,897	86,295,114
Current accounts:			
- Habib Metropolitan Bank Limited - The Holding Company	17.2	103,548,418	96,083,625
- MCB Bank Limited		1,610,117	156,238
		105,158,535	96,239,863
		137,514,432	182,534,977

17.1 These represent balances maintained in the profit and loss sharing accounts, carrying mark-up at 5.5% per annum (31 December 2019: 11.25%) per annum.

17.2 This includes Rs. 103.543 million pertaining to client fund balance.

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

	31 December 2020	31 December 2019
	(Rupees)	
Customer assets held in the designated bank accounts	103,543,418	100,926,976
Customer assets held in the CDC	4,776,359,322	4,248,284,870

18 ISSUED, SUBSCRIBED AND PAID UP CAPITAL

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

19 TRADE AND OTHER PAYABLES

	Note	31 December 2020	31 December 2019
		(Rupees)	
Due to customers in respect of securities transactions		100,696,111	124,880,367
Payable to NCCPL		31,638,398	-
Payable to workers' welfare fund	19.1	2,381,711	2,078,130
Accrued expenses		13,781,774	8,081,876
Sindh sales tax payable		492,706	643,681
Liability against right of use assets - current portion	19.2	765,420	680,070
		149,756,120	136,364,124

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

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

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

Further, as a consequence of the 18th amendment to the Constitution, levy for the WWF was also introduced by the Government of Sindh through the Sindh Workers Welfare Fund (SWWF) Act 2014. SWWF Act 2014, enacted on 21 May 2015, requires every Industrial Establishment located in the province of Sindh and having total income of Rs. 0.5 million or more in any year of account commencing on or after the date of closing of account on or after 31 December 2013, to pay two percent of so much of its total income declared to SWWF. The said Act includes any concern engaged in the Banking or Financial Institution in the definition of "Industrial Undertaking" but does not define Financial Institution. From 2015 Company created provision of SWWF amounting to Rs.1.714 million out of which Company has paid SWWF of Rs. 1.123 million.

19.2 **Liability against right of use assets**

Movement in lease liability against right of use assets is as follows:

	Note	31 December 2020	31 December 2019
		(Rupees)	
Balance at the beginning of the year		5,596,076	-
Additions		-	6,200,314
Interest expense		628,636	704,468
Rentals		(1,308,706)	(1,308,706)
Balance at the end of the year		4,916,006	5,596,076
Maturity of liability against right of use assets is as follows:			
Current (within one year)	19.2.1	765,420	680,070
Non - Current (more than one year)		4,150,586	4,916,006
		4,916,006	5,596,076

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19.2.1 Liability against right of use assets

	2020		
	Total		
	Minimum lease payments	**Future finance cost**	**Present value of minimum lease payments**
	(Rupees)		
Not later than one year	**1,308,707**	**543,287**	**765,420**
Later than one year and not later than five years	**5,234,824**	**1,084,238**	**4,150,586**
Later than five years	**-**	**-**	**-**
	6,543,531	**1,627,525**	**4,916,006**
Less: Current portion			**(765,420)**
			4,150,586

	2019		
	Total		
	Minimum lease payments	Future finance cost	Present value of minimum lease payments
	(Rupees)		
Not later than one year	1,308,706	628,636	680,070
Later than one year and not later than five years	6,543,531	1,627,525	4,916,006
Later than five years	-	-	-
	7,852,237	2,256,161	5,596,076
Less: Current portion			(680,070)
			4,916,006

20 SHORT TERM BORROWING

	Note	31 December 2020	31 December 2019
		(Rupees)	
Habib Metropolitan Bank Limited - The Holding Company	*20.1*	**-**	-

20.1 The company has obtained running finance facility from the Holding Company having credit limit up to Rs. 350 million (31 December 2019: Rs. 350 million). This carries mark up at the rate of 3 months KIBOR plus 2% per annum (31 December 2019: 3 months KIBOR plus 2% per annum) payable quarterly. This facility will mature on 30 June 2021 and is renewable. It is secured by first hypothecation charge on the receivables of the Company registered with Securities and Exchange Commission of Pakistan duly insured in the Holding Company's favour amounting to Rs. 667 million.

21 CONTINGENCIES AND COMMITMENTS

21.1 There were no contingencies as at 31 December 2020

21.2 Capital commitment at the year end amounted to Rs. 0.125 million.

22 BROKERAGE INCOME

	Note	2020	2019
		(Rupees)	
Brokerage income	*22.1 & 22.2*	**50,921,824**	29,932,870

22.1 Disaggregation revenue

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

	2020	2019
- Corporate customers	**24,523,840**	16,392,369
- Individual customers	**26,397,984**	13,540,501
	50,921,824	29,932,870

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22.2 This includes brokerage from related parties amounting to Rs. 6.967 million (2019: Rs. 4.77 million).

22.3 Brokerage revenue includes Rs. 8.073 million (2018: Rs. 4.50 million) from customers outside the country.

23 ADMINISTRATIVE EXPENSES

	Note	2020	2019
		(Rupees)	
Salaries and benefits	23.1	**38,394,614**	37,569,339
Repairs and maintenance		**2,495,081**	2,297,170
Pakistan Stock Exchange (PSX) clearing house, CDC and NCCPL charges		**4,130,075**	3,422,365
Communication		**2,889,338**	2,412,381
Utilities		**1,207,583**	832,790
Professional tax		**97,625**	107,800
Auditors' remuneration	23.2	**1,031,633**	780,000
Legal and professional charges		**1,144,870**	685,217
Printing and stationery		**296,545**	154,969
Insurance		**213,748**	186,425
Travelling and conveyance		**294,710**	212,968
Entertainment and business promotions		**202,895**	246,653
Fees and subscription		**761,521**	363,176
Depreciation	6	**1,432,554**	1,350,259
Amortization of intangible assets	7	**36,643**	51,948
SECP Penalty	23.3	**825,000**	-
Others		**750,047**	854,648
		56,204,482	51,528,108

23.1 This includes remunerative of the Chief Executive an executive as follows:

	Chief Executive (CEO) For the year ended 31 December		Executive For the year ended 31 December	
	2020	2019	2020	2019
	(Rupees)		(Rupees)	
Managerial remuneration	**13,523,000**	13,537,000	**2,820,988**	2,830,630
Bonus	**-**	-	**348,359**	348,359
	13,523,000	13,537,000	**3,169,347**	3,178,989
Number of persons	**1**	1	**1**	1

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

23.2 Auditors' remuneration

	Note	For the year ended 31 December 2020	31 December 2019
		(Rupees)	
Annual audit		**275,000**	200,000
Half yearly review		**150,000**	150,000
Certifications		**500,000**	200,000
Out of pocket expenses		**106,633**	230,000
		1,031,633	780,000

23.3 This represents penalty of Rs. 0.825 million levied by the Securities and Exchange Commission of Pakistan vide its inspection on certain AML and CFT compliances, most of which have already been addressed by the Company. The Company has preferred to file an appeal against the above penalty, hearing of which is pending.

24 FINANCE COST

	Note	2020	2019
		(Rupees)	
Mark-up on finance facility	24.1	**54,902**	599,112
Bank charges	24.2	**132,243**	123,203
Interest on lease liability against right of use asset		**628,636**	704,468
		815,781	1,426,783

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

24.2 This represents bank charges from holding company amounting to Rs. 0.132 million.

25 OTHER INCOME

	2020	2019
	(Rupees)	
Income from financial assets		
Mark-up on bank balances	**5,471,973**	4,777,115
Return on NCCPL exposure margin	**5,046,922**	9,941,444
Return on PSX BMC deposit	**1,757,254**	-
Others	**24,003**	21,387
	12,300,152	14,739,946

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 year ended	
	31 December 2020	31 December 2019
	(Rupees)	
Habib Metropolitan Bank Limited - the Holding Company		
- Mark-up on bank balance	**5,471,734**	4,776,983
- Equity brokerage commission	**217,263**	14,440
- Repayment of lease obligation against right of use assets	**600,000**	1,200,000
- Finance Cost	**815,447**	1,366,684
Key Management Personnel		
- Salaries and benefits	**20,211,345**	20,958,522
- Equity brokerage commission	**298,067**	141,400
Ultimate Parent Company		
Habib Bank AG Zurich - Equity brokerage commission	**6,750,522**	4,528,054
Associated Entities - Equity Brokerage Commission		
First Habib Modaraba - (Subsidiary of Holding Company)	**-**	36,725
Habib Metro Modaraba Management - (Subsidiary of Holding Company)	**8,850**	-

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

	Note	31 December 2020	31 December 2019
		(Rupees)	
Habib Metropolitan Bank Limited - The Holding Company			
- Bank balances	17	135,897,745	182,372,383
- Accrued profit on a bank balance	15	570,951	692,079
- Receivable in respect of securities transactions		22,258	-
Key Management Personnel			
- Advances		752,867	1,429,500
- Payable against sale of securities		(1,296,307)	-
Ultimate Parent Company			
Habib Bank AG Zurich			
- Receivable / (payable) against sale / purchase of securities		55,623	(15,386,257)
Associated Entities			
First Habib Modaraba			
- Payable against sale of securities		(1,033)	(1,033)
Habib Metro Modaraba Management Company			
- Receivable against purchase of securities		4,556	-
Director (Holding Company)			
- Payable against sale of securities		(12,658)	(464,251)

26.3 Number of employees

	(Number of employees)	
Number of Employees as at the period/year end	22	21
Average Number of Employees as at the period/year end	22	23

27 TAXATION

The Company has filed returns of total income for the tax years up to 2020 (up to financial year ended 31 December 2019) which are deemed to have been assessed under the Income Tax Ordinance, 2001 unless selected by the taxation authorities for audit purposes.

Reconciliation of the tax charge for the period	For the year ended 31 December 2020	31 December 2019
	(Rupees)	
Profit before tax	13,994,993	199,164
Tax at the applicable tax rate of 29% (2019: 29%)	4,058,548	57,758
Minimum tax Applicable	-	(1,967,084)
Permanent difference	239,250	-
Deferred tax recorded on the opening balance of provision against balance due from the customers	* (992,014)	-
Deferred tax assets balance write off	-	(906,340)
Prior year tax	1,406,682	6,647,837
Others	(218,785)	(72,673)
	4,493,681	3,759,498

* recognised in the current year due to profitability and future expectation of profits.

28 EARNING PER SHARE BASIC AND DILUTED

Net Profit for the period	9,501,312	3,958,662
	(Number)	
Weighted average ordinary shares during the period	30,000,000	30,000,000
	(Rupees)	
Earning per share - basic and diluted	0.32	0.13

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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 Head of Research, one senior analysts, three junior analyst and one data administrator). All members report to Head of Research who in turn reports to CEO.

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

During the year ended December 31, 2020, the personnel employed in the Research Department have drawn an aggregate salary and benefits amounting to Rs. 3.90 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			
	Trade and other payables (includes the lease related liability refer note 19)	Issued, subscribed and paid up capital	Unappropriated profit	Unrealised gain on revaluation of investments	Total
	(Rupees)				
Balance as at 1 January 2020	141,280,130	300,000,000	16,457,855	6,095,254	463,833,239
Changes from financing cash flows					
Liability-related					
Changes in trade and other payables	12,626,576	-	-	-	12,626,576
Profit for the year	-	-	9,501,312	-	9,501,312
Deficit on revaluation of investments - net of deferred tax	-	-	-	3,761,447	3,761,447
	12,626,576	-	9,501,312	3,761,447	25,889,335
Balance as at 31 December 2020	**153,906,706**	**300,000,000**	**25,959,167**	**9,856,701**	**489,722,574**

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 2020	31 December 2019
	(Rupees)	
Receivable from customers	**63,076,972**	41,819,575
Loans to employees	**1,536,038**	2,422,201
Deposits - long and short term	**128,640,390**	78,640,390
Other receivables	**228,692**	288,438
Accrued Profit	**1,422,211**	1,278,170
Bank balances	**137,514,432**	182,534,977
Financial Instruments exposed to credit risk	**332,418,735**	306,983,751

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 2020		31 December 2019	
	Gross	**Impairment**	Gross	Impairment
	(Rupees)			
Past due 1-14 days	**51,199,214**	**-**	37,229,408	-
Past due 15 days -90 days	**5,727,684**	**-**	4,623,928	(33,761)
Past due 91 days -180 days	**1,040,472**	**(980,644)**	1,050,812	(1,050,812)
Past due 181 days -365 days	**645,009**	**(645,009)**	1,153,280	(1,153,280)
More than 365 days	**1,711,488**	**(1,711,488)**	1,182,885	(1,182,885)
	60,323,867	**(3,337,141)**	45,240,313	(3,420,738)

Bank balances

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

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

Concentration of credit risk

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

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

	31 December 2020		31 December 2019	
	(Rupees)	**%**	(Rupees)	%
Banks	**138,579,617**	**41.69%**	183,227,056	59.69%
Mutual Funds	**4,015,837**	**1.21%**	1,424,765	0.46%
Other Financial Institutions	**132,624,084**	**39.90%**	78,600,000	25.60%
Individuals and others	**57,199,197**	**17.21%**	43,731,930	14.25%
	332,418,735	**100.00%**	306,983,751	100.00%

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 2020			
	Carrying amount	**Contractual cash flows**	**Six months or less**	**Above six months**
	(Rupees)			
Financial liabilities				
Trade and other payables	**151,032,289**	**152,659,814**	**146,770,637**	**5,889,177**
	151,032,289	**152,659,814**	**146,770,637**	**5,889,177**

	31 December 2019			
	Carrying amount	Contractual cash flows	Six months or less	Above six months
	(Rupees)			
Financial liabilities				
Trade and other payables	138,558,319	140,814,480	133,616,597	7,197,883
	138,558,319	140,814,480	133,616,597	7,197,883

31.3 Market risk

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

Interest rate risk

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

	Carrying amount	
	31 December 2020	31 December 2019
	(Rupees)	
Fixed rate investments		
- Deposit with NCCPL against the exposure	110,500,000	60,500,000
- Deposit with PSX under BMC requirement	16,500,000	16,500,000
- Investment in treasury bills	98,410,469	98,444,913
- Bank balance in profit and loss sharing account	32,355,897	86,295,114

Fair value sensitivity analysis for fixed rate instruments

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

Cashflow sensitivity analysis for variable rate instruments

The Company is not exposed to variable rate risk.

Interest rate sensitivity analysis

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

	31 December 2020					
	Effective rate of mark-up / return (%)	Exposed to interest rate risk			Not exposed to interest rate risk	Total
		Up to three months	More than three months and up to one year	More than one year		
		(Rupees)				
Financial assets						
Investment in shares of PSX		-	-	-	23,755,763	23,755,763
Receivable from customers		-	-	-	59,739,831	59,739,831
Loans to employees		-	-	-	1,536,038	1,536,038
Short-term investments	7.11%	98,410,469	-	-	-	98,410,469
Deposits	4.60%	127,000,000	-	-	1,640,390	128,640,390
Accrued profit		-	-	-	1,422,211	1,422,211
Other receivables		-	-	-	228,692	228,692
Bank balances	5.50%	32,355,897	-	-	105,158,535	137,514,432
		257,766,366	-	-	193,481,460	451,247,825
Financial liabilities						
Trade and other payables including lease liability against right of		-	-	-	(151,032,289)	(151,032,289)
On-balance sheet gap		257,766,366	-	-	42,449,171	300,215,536

	31 December 2019					
	Effective rate of mark-up / return (%)	Exposed to interest rate risk			Not exposed to interest rate risk	Total
		Up to three months	More than three months and up to one year	More than one year		
		(Rupees)				
Financial assets						
Investment in shares of PSX		-	-	-	20,004,853	20,004,853
Receivable from customers		-	-	-	41,819,575	41,819,575
Loans to employees		-	-	-	2,422,201	2,422,201
Short-term investments	12.58%	98,444,913	-	-	-	98,444,913
Deposits	8.75%	77,000,000	-	-	1,640,390	78,640,390
Accrued profit		-	-	-	1,278,170	1,278,170
Other receivables		-	-	-	288,438	288,438
Bank balances	10.25%	86,295,114	-	-	96,239,863	182,534,976
		261,740,027	-	-	163,693,490	425,433,517
Financial liabilities						
Trade and other payables including lease liability against right of use assets		-	-	-	(138,558,319)	(138,558,319)
On-balance sheet gap		261,740,027	-	-	25,135,171	286,875,198

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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 2020 and shows the effects of a hypothetical 5% increase and a 5% decrease in market prices as at the year end.

	Fair value	Hypothetical price change	Estimated fair value after hypothetical change in price	Hypothetical increase / (decrease) in OCI	Hypothetical increase / (decrease) in shareholders' equity
	(Rupees)				
31 December 2020	**23,755,763**	**5% increase**	**24,943,551**	**1,187,788**	**1,187,788**
		5% decrease	**22,567,975**	**(1,187,788)**	**(1,187,788)**
31 December 2019	20,004,853	5% increase	21,005,096	1,000,243	1,000,243
		5% decrease	19,004,610	(1,000,243)	(1,000,243)

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. The following table shows fair values of financial assets and financial liabilities, including their levels in the fair value hierarchy. These financial assets and financial liabilities, except investment in PSX, are short term and their fair value approximates their carrying value.

On balance sheet	**31 December 2020**				
	Carrying value	**Fair value**			
		Level 1	**Level 2**	**Level 3**	**Total**
	(Rupees)				
Financial assets measured at fair value					
- Short term investments					
- Market treasury bills	**98,410,469**	**-**	**98,410,469**	**-**	**98,410,469**
- Long term investments					
- Investment in the shares of Pakistan Stock Exchange Limited	**23,755,763**	**23,755,763**	**-**	**-**	**23,755,763**
					-
Financial assets not measured at fair value					
- Receivable from customers	**59,739,831**	**-**	**-**	**-**	**-**
- Loan to employees	**1,536,038**	**-**	**-**	**-**	**-**
- Deposits	**128,640,390**	**-**	**-**	**-**	**-**
- Other receivables	**228,692**	**-**	**-**	**-**	**-**
- Accrued Profit	**1,422,211**	**-**	**-**	**-**	**-**
- Bank balances	**137,514,432**	**-**	**-**	**-**	**-**
	451,247,826	**23,755,763**	**98,410,469**	**-**	**122,166,232**
Financial liabilities not measured at fair value					
- Trade and other payables	**(151,032,289)**	**-**	**-**	**-**	**-**
On Balance Sheet Gap	**300,215,537**	**23,755,763**	**98,410,469**	**-**	**122,166,232**

On balance sheet financial instruments	31 December 2019				
	Carrying value	Fair value			
		Level 1	Level 2	Level 3	Total
	(Rupees)				
Financial assets measured at fair value					
- Short term investments					
- Market treasury bills	98,444,913	-	98,444,913	-	98,444,913
- Long term investments					
- Investment in shares of Pakistan Stock Exchange Limited	20,004,853	20,004,853	-	-	20,004,853
	118,449,766	20,004,853	98,444,913	-	118,449,766
Financial assets not measured at fair value					
- Receivable from customers	41,819,575	-	-	-	-
- Loan to employees	2,422,201	-	-	-	-
- Deposits	78,640,390	-	-	-	-
- Other receivables	288,438	-	-	-	-
- Accrued Profit	1,278,170	-	-	-	-
- Bank balances	182,534,977	-	-	-	-
	425,433,517	20,004,853	98,444,913	-	118,449,766
Financial liabilities not measured at fair value					
- Trade and other payables	(138,558,319)	-	-	-	-
On Balance Sheet Gap	286,875,198	20,004,853	98,444,913	-	118,449,766

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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. 26 million with PSX. The Company is in compliance with the aforementioned requirement as at 31 December 2020.

34. STATEMENT OF NET CAPITAL BALANCE (NCB)

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

Description	Valuation Basis	*Note*	Sub Total	Total (Rupees)
Current assets				
Bank balances and cash deposit	As per book value	*34.2*		248,014,432
Trade debts	As per book value	*34.3*	59,739,831	
	Less: Overdue for more than 14 days		(9,124,653)	50,615,178
Market treasury bills	At market value			98,410,469
		A		397,040,079
Current liabilities				
Trade payables	As per book value	*34.4*	100,696,111	
	Less: Overdue for more than 30 days		(45,781,809)	54,914,302
Other liabilities	As per book value	*34.5*		
	- Trade payables overdue for more than 30 days		45,781,809	
	- Payable to NCCPL		31,638,398	
	- Payable to Workers' Welfare Fund		2,381,711	
	- Accrued expenses		12,528,361	
	- Provision for compensated absences		1,253,413	
	- Sindh Sales Tax payable		492,706	
	- Liability against right of use assets		765,420	94,841,818
		B		149,756,120
Net Capital Balance as at 31 December 2020		***A - B***		247,283,959

34.1 Basis of accounting

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

34.1.2 The accounting policies and methods of computation used in the preparation of the statement are disclosed in note 4 to these financial statements of the Company for the year ended 31 December 2020.

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

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

34.2 Bank balances and cash deposit

	Note	31 December 2020 (Rupees)
Bank balances pertaining to:		
- Habib Metropolitan Financial Services Limited - Current Account		1,615,117
- Habib Metropolitan Financial Services Limited - Profit and loss Sharing Account		32,355,897
- Clients - Current Account	*33.2.1*	103,543,418
- Margin with NCCPL against exposure	*33.2.2*	110,500,000
		248,014,432

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

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

34.3 Trade debts

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

	31 December 2020 (Rupees)
i) Trade receivable	59,739,831
ii) Over due for more than 14 days	(9,124,653)
iii) Balance generated with in 14 days and / or not yet due	50,615,178

34.4 Trade payables

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

34.5 Other liabilities

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

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 09-APRIL-2021

Manzar Mushtaq
Chief Executive Officer

Director