KPMG

KPMG Taseer Hadi & Co.
Chartered Accountants

Habib Metropolitan Financial Services Limited

Financial Statements

For the year ended 31 December 2021

Habib Metropolitan Financial Services Limited

Directors' Report to the Shareholders

On behalf of the Board of Directors of Habib Metropolitan Financial Services Limited (HMFS), I am pleased to present the audited financial statements of the Company for the year ended 31 December 2021.

Economic Review

During CY'21 Pakistan's economy saw a sharp comeback helped by robust demand, improving exports and stellar tax collection. Various initiatives taken by GoP in CY'20 started bearing fruit as economic activity underwent a notable upsurge. Key challenges that kept a lid on proceedings included 1) Spiraling inflation that was fueled both by demand pressures and supply side bottle-necks, 2) Spike in current account deficit and 3) A sharp decline in the Rupee's value against the Greenback.

Delay in resumption of the IMF program, failure to exit FATF's grey list, monetary tightening and a marked increase in political noise all raised a question mark on the sustainability of the economic growth. COVID-19 remained a key threat with the country seeing the 5th wave of the virus leading to reported cases jumping beyond the 8,000 infections/day mark. A smooth vaccination drive across the country helped in countering the impact of this disease.

The end of monetary easing in the wake of inflationary pressures saw the SBP hike the policy rate to 9.75%, while various tax relief measures were rolled back by the GoP later in the year to pave way for resumption of the much awaited IMF program. The Rupee managed to end its losing streak towards the end of the year, after having lost nearly 10.43% in CY'21. Inflation showed no respite staying close to double figures, primarily pushed by higher international commodity prices and local supply side hiccups.

Equity market Review

CY'21 remained a challenging year for the PSX-100 with a return of merely 1.92%, waning macro-economic fundamentals and the resulting tightening both on the monetary and fiscal front derailed an otherwise all-out bull run. Corporate earnings were on an upwards trajectory alongside bumper payouts which kept market participants interested, however a drought of liquidity prevented the PSX-100 from posting any meaningful gains during the year. Foreign participation was mostly on the selling side, registering a net outflow of USD359mn during CY'21. Local institutions mostly preferred to cherry pick blue chip names, with some diversion towards fixed income instruments witnessed in the later half of the year prompted by a rise in yields on government bonds.

Amongst index heavyweights both the Banking and Oil & Gas Exploration sectors remained subdued despite of strong fundamentals, while the Technology sector emerged as the leading driver on the back of stellar earnings and a much improved outlook. The bourse saw a marked

increase in fresh listings during the year which bodes well for the growth and development of the equity market in the near future.

Principal Risks & Uncertainties

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

Financial Performance

HMFS has posted profit after tax of Rs.4.35 mn for CY 2021 (CY 2020: Profit after tax of Rs.9.50 mn) which translates into an EPS of Rs.0.15 (CY 2020: EPS of Rs.0.32). During the year, brokerage revenue clocked in at Rs. 49.14 mn, a decrease of Rs.1.78 mn (3.49%) year on year, mainly due to a decrease of shares turnover. Markup on treasury bills amounted to Rs. 7.38mn, a decrease of Rs. 0.63 mn (7.89%) year on year and other income which includes markup on bank balance and exposure deposits amounted to Rs. 8.75mn, a decrease of Rs. 3.550 mn (28.86%) year on year, mainly due to revision in interest rates. The net equity of HMFS as at the balance sheet date is Rs. 338.47 mn (as compared to equity of Rs.335.82 mn for CY 2020) which translates into an increased book value per share of Rs.11.28 (as compared to book value per share of Rs.11.19 for CY 2020).

Corporate Governance

The Directors are pleased to state as follows:

a) The financial statements, prepared by the management of HMFS present fairly its state of affairs, the results of its operations, cash flows and changes in equity.
b) Proper books of accounts have been maintained by HMFS.
c) Appropriate accounting policies have been consistently applied in preparation of financial statements, and financial estimates are based on reasonable and prudent judgement.
d) International Financial Reporting Standards (IFRS), as applicable in Pakistan have been followed in preparation of the financial statements and any departures therefrom has been adequately disclosed and explained.
e) The system of internal controls is sound in design and has been effectively implemented and monitored.
f) There are no significant doubts upon HMFS's ability to continue as a going concern.
g) HMFS keeps effective and efficient internal financial controls system which remain active through consistent innovation and monitoring. The compliance function of HMFS evaluates the financial controls and ensures that there is an effective control environment throughout the company
h) Consideration Statement of compliance with the code of corporate governance of HMFS.

Meetings of the Directors

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

Name	Meetings attended
Mr. Khurram Shahzad Khan	02
Syed Hasnain Haider Rizvi	03
Mr. Ather Ali Khan	03

Auditors

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

Shareholding

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

Future Outlook

With the vaccination drive in full swing the country is all set to emerge from the aftermath of COVID-19, while revival of the IMF program and a stable outlook for the local currency all lend support to a steady CY'22. High international commodity prices and the impact of increased taxation alongside expensive energy will likely keep inflation elevated in the medium term, thereby posing a challenge to the country's macro-economy. However with interest rates nearing a peak and an encouraging uptick in tax collection, the picture on the internal front remains promising for the upcoming year. International commodity prices have started showing signs of cooling off as the global supply chain starts to re-emerge post COVID-19, this should help in keeping the CAD in check which augurs well for PKR against the Greenback for the short-medium term.

Acknowledgement

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

On behalf of the Board of Directors

Manzar Mushtaq

Mr. Manzar Mustaq
Chief Executive

Mr. Ather Ali Khan
Director

February 18, 2022

Habib Metropolitan Financial Services Limited

Statement of Compliance with the Code of Corporate Governance

For the year ended 31 December 2021

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

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

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

   At present the Board includes:

Category	Names
Chief Executive Officer (CEO)	Mr. Manzar Mushtaq
Directors	Mr. Khurram Shahzad Khan Syed Hasnain Haider Rizvi Mr. Ather Ali Khan

2. The Board has set the strategic objectives and ensured that necessary financial and human-resources are in place for meeting those objectives. The Board has further ensured that significant policies have been formulated on the following issues, among others:

   a) governance, risk management and compliance issues;
   b) customer relations including customer awareness and a mechanism and timeline for handling/resolving their complaints/grievances; and
   c) segregation of customer assets from securities brokers' assets.

3. The Board has formulated and ensured adoption of a code of conduct/code of ethics to promote integrity of its business, its board and its employees with special emphasis on measures for curbing any market manipulative activities such as front running, insider trading and other market abuse.

4. The Board has devised an effective whistle-blower mechanism enabling all stakeholders including employees to freely communicate their concerns about any illegal or unethical practices. The Board has also ensured that the interest of a whistle-blower is not prejudicially affected.

5. During the year three meetings of the Board were held and the Board has ensured that the minutes of meetings of the Board are appropriately recorded.

6. HMFS has confirmed that it has an appropriate and suitably qualified management team commensurate with the size and complexity of its business.

7. HMFS has made efforts to familiarize its directors with this CCG, other applicable laws, and their duties and responsibilities.

8. HMFS has reappointed KPMG Taseer Hadi & Co., Chartered Accountants, as its statutory auditors enlisted within Category "A" of the State Bank of Pakistan's Panel of Auditors.

9. The quarterly and annual financial statements including the details of all related party transactions have been approved by the Board and CEO after review for approval.

10. HMFS has ensured preparation and circulation of an Annual Report to PSX and SECP. The Annual Report contained the following:

    a) Annual audited financial statements;
    b) Directors' Report;
    c) A statement by the CEO that there are no transactions entered into by the broker during the year, which are fraudulent, illegal or in violation of any securities market laws.
    d) Statement of compliance with CCG.

On behalf of the Board of Directors

Manzar Mushtaq

Manzar Mushtaq
Chief Executive Officer

Ather Ali Khan
Director

February 18, 2022

Habib Metropolitan Financial Services Limited

A Statement by the Chief Executive Officer

"That there are no transactions entered into by Habib Metropolitan Financial Services Limited during the year ended 31 December 2021, which are fraudulent, illegal or in violation of any securities market laws".

Manzar Mushtaq

Manzar Mushtaq
Chief Executive

February 18, 2022

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

To the members of Habib Metropolitan Financial Service Limited

Report on the Audit of the Financial Statements

Opinion

We have audited the annexed financial statements of **Habib Metropolitan Financial Services Limited** ("the Company"), which comprise the statement of financial position as at 31 December 2021, 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 2021 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.

KPMG Taseer Hadi & Co., a Partnership firm registered in Pakistan and a member firm of the KPMG network of independent member firms affiliated with KPMG International Cooperative ("KPMG International"), a Swiss entity.

KPMG

KPMG Taseer Hadi & Co.

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

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

If, based on the work we have performed, we conclude that there is a material misstatement of this other information, we are required to report the facts. We have nothing to report in this regard.

Responsibilities of Management and Board of Directors for the Financial Statements

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

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

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

Auditor's Responsibilities for the Audit of the Financial Statements

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

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

- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.

- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Company's internal control.

- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by management.

- Conclude on the appropriateness of management's use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Company's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Company to cease to continue as a going concern.

- Evaluate the overall presentation, structure and content of the financial statements, including the disclosures, and whether the financial statements represent the underlying transactions and events in a manner that achieves fair presentation.

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

Report on Other Legal and Regulatory Requirements

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

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

KPMG Taseer Hadi & Co.

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) and

e) the company was in compliance with the requirements of section 78 of the Securities Act, 2015 and section 62 of the Future Market Act, 2016, and the relevant requirements of Securities Brokers (Licensing and Operations) Regulations, 2016 as at the date on which the statements of financial position was prepared.

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

KPMG Taseer Hadi & Co.
Chartered Accountants

Date: 24 March 2022

Karachi

UDIN: AR202110201VRtNdmp6y

Habib Metropolitan Financial Services Limited

Statement of Financial Position

As at 31 December 2021

	Note	2021	2020
		(Rupees)	
ASSETS			
Non-current assets			
Property and equipment	6	9,519,452	6,175,533
Intangible assets	7	727,167	407,776
Long term investment	8	22,040,604	23,755,763
Deferred tax asset - net	9	1,292,035	1,012,962
		33,579,258	31,352,034
Current assets			
Receivables from customers	10	45,927,074	59,739,831
Loans to employees	11	1,284,787	1,536,038
Deposits and prepayments	12	78,575,284	128,885,606
Short term investments	13	98,509,367	98,410,469
Accrued profit	15	962,749	1,422,211
Other receivables	16	95,213	228,692
Advance taxation - net		31,134,660	30,633,262
Cash and bank balances	17	220,880,279	137,514,432
		477,369,413	458,370,541
Total assets		510,948,671	489,722,574
EQUITY AND LIABILITIES			
Share capital and reserves			
Authorised capital			
30,000,000 (31 December 2020: 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 2020: 30,000,000) ordinary shares of Rs. 10 each fully paid in cash	18	300,000,000	300,000,000
Unappropriated profit		30,309,967	25,959,167
Surplus on revaluation of investments - net of tax	14	8,157,215	9,856,701
		338,467,182	335,815,868
Non-current liabilities			
Liability against right of use assets	19.2	7,329,399	4,150,586
Deferred tax liability - net	9	-	-
Current liabilities			
Trade and other payables	19	165,152,090	149,756,120
Short term borrowing	20	-	-
Total equity and liabilities		510,948,671	489,722,574
CONTINGENCIES AND COMMITMENTS	21		

The annexed notes 1 to 37 form an integral part of these financial statements.

Manzar Murtaza

Chief Executive Officer

Director

Habib Metropolitan Financial Services Limited

Statement of Profit or Loss

For the year ended 31 December 2021

	Note	2021	2020
		(Rupees)	
Brokerage income	22	**49,140,709**	50,921,824
Income from investments			
- Mark-up on treasury bills		**7,380,723**	8,013,263
- Dividend income		**320,591**	-
Administrative expenses	23	**(56,321,288)**	(56,204,482)
Finance cost	24	**(1,013,584)**	(815,781)
Provision for Workers' Welfare Fund		**(166,654)**	(303,581)
Reversal of provision against financial assets - net		**75,806**	83,598
		(57,425,720)	(57,240,246)
Other income	25	**8,749,739**	12,300,152
Profit before taxation		**8,166,042**	13,994,993
Provision for taxation			
- Current		**(4,100,717)**	(4,313,889)
- Deferred	9	**285,475**	1,226,891
- Prior year		**-**	(1,406,683)
	27	**(3,815,242)**	(4,493,681)
Net profit for the period		**4,350,800**	9,501,312
Earning per share - basic and diluted	28	**0.15**	0.32

The annexed notes 1 to 37 form an integral part of these financial statements.

Manzar Mushtaq

Chief Executive Officer

Director

Habib Metropolitan Financial Services Limited
Statement of Cash Flow
For the year ended 31 December 2021

	2021	2020
	(Rupees)	
Cash flows from operating activities		
Profit for the year before taxation	8,166,042	13,994,993
Adjustments for:		
Mark-up on treasury bills	(7,380,723)	(8,013,263)
Decrease in provision against financial assets	(75,806)	(83,598)
Provision for Sindh Workers' Welfare Fund	166,654	303,581
Markup on lease liability against right of use asset	883,153	628,636
Depreciation	2,438,732	1,432,554
Amortization	143,609	36,643
	(3,824,381)	(5,695,447)
Decrease / (increase) in current assets		
Receivable from customers	13,888,563	(17,836,658)
Loans and advances	251,251	886,163
Deposits and prepayments	50,310,322	(49,931,843)
Accrued profit	459,462	(144,041)
Other receivables	133,479	59,746
	65,043,077	(66,966,633)
(Decrease) / increase in current liabilities		
Trade and other payables	14,471,631	13,017,703
	83,856,369	(45,649,384)
Income tax paid	(4,602,116)	(4,725,349)
Net cash flows from operating activities	79,254,253	(50,374,733)
Cash flows from investing activities		
Proceeds from the maturity of investments	400,000,000	400,000,000
Purchase of investments - net	(392,696,100)	(391,956,900)
Property and equipment acquired during the period	(558,150)	(1,005,206)
Intangible acquired during the year	(463,000)	(375,000)
Net cash flows from investing activities	6,282,750	6,662,894
Cash flows from financing activities		
Repayment of liability against right of use assets	(2,171,156)	(1,308,706)
Net cash flows from financing activities	(2,171,156)	(1,308,706)
Net increase/ (decrease) in cash and cash equivalent	83,365,847	(45,020,545)
Cash and cash equivalent at beginning of the period	137,514,432	182,534,977
Cash and cash equivalent at end of the period	220,880,279	137,514,432
CASH AND CASH EQUIVALENTS		
Cash and bank balances	220,880,279	137,514,432
Short term borrowings	-	-
	220,880,279	137,514,432

The annexed notes 1 to 37 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 2021

	Note	**2021**	2020
		(Rupees)	
Net profit for the period		**4,350,800**	9,501,312
Other comprehensive income:			
Items to be reclassified to profit or loss in subsequent periods			
- Surplus on revaluation of debt investments carried at fair value	*14*	**22,075**	10,031
- Related deferred tax	*9*	**(6,402)**	506
		15,673	10,537
Items not to be reclassified to profit or loss in subsequent periods			
- (Deficit) / surplus on revaluation of equity shares investments carried at fair value	*14*	**(1,715,159)**	3,750,910
Total comprehensive income for the period		**2,651,314**	13,262,759

The annexed notes 1 to 37 form an integral part of these financial statements.

Chief Executive Officer

Director

Habib Metropolitan Financial Services Limited

Statement of Changes in Equity

For the year ended 31 December 2021

	Issued, subscribed and paid up capital	Unappropriated profit	Surplus on revaluation of investments	Total
	(Rupees)			
Balance as at 1 January 2020	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 - Surplus 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
Total comprehensive income for the period				
Net profit for the year ended 31 December 2021	-	**4,350,800**	-	**4,350,800**
Other Comprehensive Income - Deficit on revaluation of investments - net of tax	-	-	**(1,699,486)**	**(1,699,486)**
	-	**4,350,800**	**(1,699,486)**	**2,651,314**
Balance as at 31 December 2021	**300,000,000**	**30,309,967**	**8,157,215**	**338,467,182**

The annexed notes 1 to 37 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 Functional and presentation currency

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

2.3 Use of estimates and judgment

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

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

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

3 BASIS OF MEASURMENT

Accounting covention

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

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

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

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

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

The following 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 2022.

- Onerous Contracts – Cost of Fulfilling a Contract (Amendments to IAS 37) effective for the annual periods beginning on or after 1 January 2022 amends IAS 1 by mainly adding paragraphs which clarifies what comprises 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

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

  - 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.

  - Property, Plant and Equipment: Proceeds before Intended Use (Amendments to IAS 16) effective for annual periods beginning on or after 1 January 2022 clarifies that sales proceeds and costs 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.

  - Classification of liabilities as current or non-current (Amendments to IAS 1) amendments apply retrospectively for the annual periods beginning on or after 1 January 2023. 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.

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- Disclosure of Accounting Policies (Amendments to IAS 1 and IFRS Practice Statement 2) – the Board has issued amendments on the application of materiality to disclosure of accounting policies and to help companies provide useful accounting policy disclosures. The key amendments to IAS 1 include:

  - requiring companies to disclose their material accounting policies rather than their significant accounting policies;

  - clarifying that accounting policies related to immaterial transactions, other events or conditions are themselves immaterial and as such need not be disclosed; and

  - clarifying that not all accounting policies that relate to material transactions, other events or conditions are themselves material to a company's financial statements.

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

- Definition of Accounting Estimates (Amendments to IAS 8) – The amendments introduce a new definition for accounting estimates clarifying that they are monetary amounts in the financial statements that are subject to measurement uncertainty.

  The amendments also clarify the relationship between accounting policies and accounting estimates by specifying that a company develops an accounting estimate to achieve the objective set out by an accounting policy. The amendments are effective for periods beginning on or after 1 January 2023 and will apply prospectively to changes in accounting estimates and changes in accounting policies occurring on or after the beginning of the first annual reporting period in which the company applies the amendments.

- Deferred Tax related to Assets and Liabilities arising from a Single Transaction (Amendments to IAS 12) – The amendments narrow the scope of the initial recognition exemption (IRE) so that it does not apply to transactions that give rise to equal and offsetting temporary differences. As a result, companies will need to recognize a deferred tax asset and a deferred tax liability for temporary differences arising on initial recognition of a lease and a decommissioning provision. For leases and decommissioning liabilities, the associated deferred tax asset and liabilities will need to be recognized from the beginning of the earliest comparative period presented, with any cumulative effect recognized as an adjustment to retained earnings or other components of equity at that date. The amendments are effective for annual reporting periods beginning on or after 1 January 2023 with earlier application permitted.

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

5 ACCOUNTING POLICIES

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

5.1 Property and equipment

5.1.1 *Owned*

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

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

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

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

5.1.2 *Leased - Right of Use asset*

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

5.2 Intangible assets

These represent computer softwares.

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

5.3 Financial Assets

5.3.1 Non-derivative financial assets

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

Financial assets currently comprising of the assets 'measured at 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.

5.3.2 Cash and cash equivalent

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

5.3.3 Fair Value through Other Comprehensive Income (FVOCI)

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.

5.4 Liability against right of use assets

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

5.5 Non-derivative financial liabilities

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

5.5.1 Offsetting of financial assets and financial liabilities

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

5.6 Compensated Absences

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

5.7 Impairment

Financial assets

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

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

5.8 Provisions

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

5.9 Taxation

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

Current

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

Deferred

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

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

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

5.10 Foreign currency transactions

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

5.11 Revenue recognition

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

5.12 Dividend and appropriation of reserves

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

5.13 Earnings per share (EPS)

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

6 PROPERTY AND EQUIPMENT

	2021							
	Cost			Depreciation			Written down value as at 31 December 2021	Rate
	At 1 January 2021	Additions / (disposals)	At 31 December 2021	At 1 January 2021	Charge for the period	At 31 December 2021		
	(Rupees)							
Owned								
Office equipment	1,502,562	70,200	1,572,762	642,791	225,557	868,348	704,414	15%
Furniture and fixtures	261,819	58,800	320,619	106,456	34,223	140,679	179,940	15%
Computer equipment	2,168,250	429,150	2,597,400	1,440,056	387,735	1,827,791	769,609	25%
Motor vehicles	34,795	-	34,795	31,385	3,410	34,795	-	20%
Leased								
Right of use asset	6,200,313	5,224,501	11,424,814	1,771,518	1,787,807	3,559,325	7,865,489	15.65%
	10,167,739	5,782,651	15,950,390	3,992,206	2,438,732	6,430,938	9,519,452	

	2020							
	Cost			Depreciation			Written down value as at 31 December 2020	Rate
	At 1 January 2020	Additions / (disposals)	At 31 December 2020	At 1 January 2020	Charge for the year	At 31 December 2020		
	(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	6,200,313	-	6,200,313	885,759	885,759	1,771,518	4,428,795	14.29%
	9,162,533	1,005,206	10,167,739	2,559,652	1,432,554	3,992,206	6,175,533	

6.1 Cost of fully depreciated assets which are still in use as at 31 December 2021 amounts to Rs. 1.38 million (31 December 2020: Rs. 0.85 million).

7 INTANGIBLE ASSETS

	31 December 2021	31 December 2020
	(Rupees)	
Operating intangible asset	727,167	32,776
Capital work-in-progress	-	375,000
	727,167	407,776

		2021							
		Cost			Amortization			Written down value as at 31 2021	Rate
	Note	At 1 January 2021	Additions / (disposals)	At 31 December 2021	At 1 January 2021	Charge for the period	At 31 December 2021		
		(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	838,000	1,011,147	140,371	143,609	283,980	727,167	30%
		1,794,647	838,000	2,632,647	1,761,871	143,609	1,905,480	727,167	

		2020							
		Cost			Amortization			Written down value as at 31 December 2020	Rate
		At 1 January 2020	Additions / (disposals)	At 31 December 2020	At 1 January 2020	Charge for the year	At 31 December 2020		
		(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	

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 2021 amounts to Rs.1.79 million (31 December 2020 Rs. 1.68 million).

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

31 December 2021	31 December 2020		Note	31 December 2021	31 December 2020
(Number of shares)				(Rupees)	
1,602,953	1,602,953	Cost of investment		13,900,000	13,900,000
-	-	Surplus on revaluation of investment		8,140,604	9,855,763
1,602,953	1,602,953	Closing balance	8.1	22,040,604	23,755,763

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).

Minimum 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 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 2020	Recognised in profit and loss	Recognised in equity	Balance as at 31 December 2020	Recognised in profit and loss	Recognised in equity	Balance as at 31 December 2021
	(Rupees)						
Taxable Temporary difference:							
Property and equipment	(211,278)	118,230	-	(93,048)	67,378	-	(25,670)
Intangible assets	(2,268)	(401)	-	(2,669)	(899)	-	(3,568)
(Surplus) / deficit on revaluation of investments - net	(889)	-	506	(383)	-	(6,402)	(6,785)
	(214,435)	117,829	506	(96,100)	66,479	(6,402)	(36,023)
Deductible Temporary difference:							
Provision for leave encashment	-	-	-	-	439,640	-	439,640
Liability against right of use asset - net	-	141,291	-	141,291	144,943	-	286,234
Provision against receivables from customers	-	967,771	-	967,771	(365,587)	-	602,184
	-	1,109,062	-	1,109,062	218,996	-	1,328,058
	(214,435)	1,226,891	506	1,012,962	285,475	(6,402)	1,292,035

10 RECEIVABLES FROM CUSTOMERS

	Note	31 December 2021	31 December 2020
		(Rupees)	
Trade receivables from the customers	10.1	12,836,213	60,323,867
Less: Provision against receivable from customers	10.2	(2,076,495)	(3,337,141)
		10,759,718	56,986,726
Receivable from NCCPL			
- ready market		32,393,380	-
- future market		2,773,976	2,753,105
		45,927,074	59,739,831

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 2021	31 December 2020
	(Rupees)	
Habib Bank AG Zurich	-	2,025,219
Habib Metropolitan Bank Limited	170,556	196,501

10.2 Provision against the balance receivable from the customers

	31 December 2021	31 December 2020
	(Rupees)	
Balance as on 1 January	3,337,141	3,420,739
(Reversal) / charge during the year	(75,806)	(83,598)
Bad debts previously provided written off	(1,184,840)	-
Balance as on 31 December	2,076,495	3,337,141

10.3 Aging analysis

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

	Note	31 December 2021	
		Amount	Custody value
		(Rupees)	
Up to five days	10.3.1	3,968,014	2,707,588,393
More than five days	10.3.1	8,868,199	640,694,126
		12,836,213	3,348,282,519

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 2021	31 December 2020
		(Rupees)	
Unsecured, considered good			
Loans to key management personnel	11.2	329,867	752,867
Loans to other employees		954,920	783,171
		1,284,787	1,536,038

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 2021	31 December 2020
		(Rupees)	
Opening balance		752,867	1,429,500
Loan granted during the period		1,606,062	3,174,070
Repayment of loan during the period		(1,938,663)	(3,850,703)
Balance pertaining to resigned staff		(90,399)	-
Closing balance		329,867	752,867

12 DEPOSITS AND PREPAYMENTS

Deposits with:			
- NCCPL against the exposure	12.1	60,000,000	110,500,000
- 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		-	100,000
- Central Depository Company of Pakistan Limited	12.4	100,000	100,000
- K-Electric Company Limited		34,390	34,390
- Pakistan Beverage Limited		6,000	6,000
		78,040,390	128,640,390
Prepayments		534,894	245,216
		78,575,284	128,885,606

12.1 This represents margin deposit with NCCPL in accordance with the provisions of the Securities Act, 2015. This deposit carry mark-up at the rate of 5.07% (31 December 2020: 4.61%) per annum.

12.2 This represents deposit with PSX to fulfil the base minimum capital requirement. This deposit carry mark-up at the rate of 6% (2020: 4.61%) per annum.

12.3 This represents amount of Rs. 1 million (31 December 2020: Rs. 1 million) on account of basic deposit for deliverable future contracts market, Rs. 0.2 million (31 December 2020: Rs. 0.2 million) for ready market and Rs. 0.2 million (31 December 2020: Rs. 0.2 million) as initial deposit.

12.4 This represent amount of Rs.100,000 (31 December 2020: Rs.100,000) on account of deposit with CDC on the commencement of brokerage business.

13 SHORT TERM INVESTMENTS - at fair value through OCI

	31 December 2021	31 December 2020
	(Rupees)	
Market treasury bills		
Amortised cost	98,485,971	98,409,148
Surplus arising on revaluation during the year	23,396	1,321
Market Value	98,509,367	98,410,469

13.1 Government securities

Name of security	Maturity Date	Yield (IRR) %	As at 01 January 2021	Purchased during the year	Matured during the year	As at 31 December 2021	Carrying value as at 31 December 2021 (before revaluation)	Market value as at 31 December 2021
			(Units)				(Rupees)	
Treasury Bills - 3 months (face value of Rs 5,000)	24-Feb-22	10.3910%	20,000	40,000	40,000	20,000	98,485,971	98,509,367

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 2021	31 December 2020
		(Rupees)	
Short Term Investments			
Opening balance		1,321	(8,710)
Surplus arising on revaluation		22,075	10,031
Closing balance	13	23,396	1,321
Long term investments			
Opening balance		9,855,763	6,104,853
(Deficit) / surplus arising on revaluation		(1,715,159)	3,750,910
Closing balance		8,140,604	9,855,763
		8,164,000	9,857,084
Related deferred tax:			
Opening balance		(383)	(889)
On revaluation during the year		(6,402)	506
Closing balance		(6,785)	(383)
Surplus - net of deferred tax		8,157,215	9,856,701

15 ACCRUED PROFIT

Accrued profit on bank balance	433,348	570,951
Accrued profit on deposits against NCCPL exposure	280,667	660,063
Accrued profit on PSX BMC deposit	248,734	191,197
	962,749	1,422,211

16 OTHER RECEIVABLES

Receivable against CDC and NCCPL charges	95,213	228,692

17 CASH AND BANK BALANCES

	Note		
Profit and loss sharing accounts:			
- Habib Metropolitan Bank Limited - The Holding Company	17.1	93,930,218	32,349,327
- Habib Bank Limited		3,931,742	-
- Meezan Bank Limited		6,670	6,570
		97,868,630	32,355,897
Current accounts:			
- Habib Metropolitan Bank Limited - The Holding Company	17.2	122,134,702	103,548,418
- MCB Bank Limited		876,947	1,610,117
		123,011,649	105,158,535
		220,880,279	137,514,432

17.1 These represent balances maintained in the profit and loss sharing accounts, carrying mark-up at 7.25% per annum (31 December 2020: 5.5%) per annum.

17.2 This includes Rs. 122.130 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 2021	31 December 2020
	(Rupees)	
Customer assets held in the designated bank accounts	122,129,702	103,543,418
Customer assets held in the CDC	5,152,785,639	4,776,359,322

18 ISSUED, SUBSCRIBED AND PAID UP CAPITAL

As of the balance sheet date, 29,999,997 (31 December 2020: 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 2021	31 December 2020
		(Rupees)	
Due to customers in respect of securities transactions		155,947,551	100,696,111
Payable to NCCPL		-	31,638,398
Payable to workers' welfare fund	19.1	2,548,365	2,381,711
Accrued expenses		5,002,579	13,781,774
Sindh sales tax payable		130,490	492,706
Liability against right of use assets - current portion	19.2	1,523,105	765,420
		165,152,090	149,756,120

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.1.871 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 2021	31 December 2020
		(Rupees)	
Balance at the beginning of the year		4,916,006	5,596,076
Addition		5,224,501	-
Interest expense		883,153	628,636
Rental payments		(2,171,156)	(1,308,706)
Balance at the end of the year		8,852,504	4,916,006

Maturity of liability against right of use assets is as follows:

Current (within one year)	19.2.1	1,523,105	765,420
Non - Current (more than one year)		7,329,399	4,150,586
		8,852,504	4,916,006

19.2.1 Liability against right of use assets

	2021		
	Total		
	Minimum lease payments	Future finance cost	Present value of minimum lease payments
	(Rupees)		
Not later than one year	2,274,279	751,174	1,523,105
Later than one year and not later than five years	8,560,129	1,230,730	7,329,399
Later than five years	-	-	-
	10,834,408	1,981,904	8,852,504
Less: Current portion			(1,523,105)
			7,329,399

	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

Above liability has been discounted at 9.29% (2020: 12.55%) per annum.

20 SHORT TERM BORROWING

	Note	31 December 2021	31 December 2020
		(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 2020: Rs. 350 million). This carries mark up at the rate of 3 months KIBOR plus 2% per annum (31 December 2020: 3 months KIBOR plus 2% per annum) payable quarterly. This facility will mature on 30 June 2022 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. At the year end the facility had not been utilised.

21 CONTINGENCIES AND COMMITMENTS

21.1 There were no contingencies and commitments as at 31 December 2021.

22 BROKERAGE INCOME

	Note	2021	2020
		(Rupees)	
Brokerage income	22.1 & 22.2	49,140,709	50,921,824

22.1 Disaggregation revenue

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

- Corporate customers	21,027,599	24,523,840
- Individual customers	28,113,110	26,397,984
	49,140,709	50,921,824

22.2 This includes brokerage from related parties amounting to Rs. 1.223 million (2020: Rs. 6.967 million).

22.3 Brokerage revenue includes Rs. 0.861 million (2020: Rs. 8.073 million) from customers outside the country.

23 ADMINISTRATIVE EXPENSES

	Note	2021	2020
		(Rupees)	
Salaries and benefits	23.1	35,344,219	38,394,614
Repairs and maintenance		2,540,973	2,495,081
Pakistan Stock Exchange (PSX) clearing house, CDC and NCCPL charges		4,069,842	4,130,075
Communication		4,229,038	2,889,338
Utilities and general office expenses		1,271,513	1,207,583
Professional tax		97,126	97,625
Auditors' remuneration	23.2	971,633	1,031,633
Legal and professional charges		2,192,394	1,144,870
Printing and stationery		431,330	296,545
Insurance		149,167	213,748
Travelling and conveyance		281,120	294,710
Entertainment and business promotions		504,382	202,895
Fees and subscription		1,066,550	761,521
Depreciation	6	2,438,732	1,432,554
Amortization of intangible assets	7	143,609	36,643
SECP penalty		-	825,000
Others		589,660	750,047
		56,321,288	56,204,482

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	
	2021	2020	2021	2020
	(Rupees)		(Rupees)	
Managerial remuneration	13,534,070	13,523,000	5,416,384	2,820,988
Bonus	-	-	1,609,040	348,359
	13,534,070	13,523,000	7,025,424	3,169,347
Number of persons	1	1	2	1

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

23.2 Auditors' remuneration

	For the year ended 31 December 2021	31 December 2020
	(Rupees)	
Annual audit	350,000	275,000
Half yearly review	150,000	150,000
Certifications	325,000	500,000
Out of pocket expenses	146,633	106,633
	971,633	1,031,633

24 FINANCE COST

	Note	2021	2020
		(Rupees)	
Mark-up on finance facility	24.1	**3,783**	54,902
Bank charges	24.2	**126,648**	132,243
Interest on lease liability against right of use asset		**883,153**	628,636
		1,013,584	815,781

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. 0.125 million.

25 OTHER INCOME

	2021	2020
	(Rupees)	
Income from financial assets		
Mark-up on bank balances	**4,159,902**	5,471,973
Return on NCCPL exposure margin	**3,521,108**	5,046,922
Return on PSX BMC deposit	**993,075**	1,757,254
Others	**75,654**	24,003
	8,749,739	12,300,152

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 2021	31 December 2020
	(Rupees)	
Habib Metropolitan Bank Limited - the Holding Company		
- Mark-up on bank balance	**4,055,477**	5,471,734
- Equity brokerage commission	**233,630**	217,263
- Repayment of lease obligation against right of use assets	**1,887,100**	600,000
- Finance Cost	**967,209**	815,447
Key Management Personnel		
- Salaries and benefits	**25,479,954**	20,211,345
- Equity brokerage commission	**933,916**	298,067
Ultimate Parent Company		
Habib Bank AG Zurich - Equity brokerage commission	-	6,750,522
Associated Entities - Equity Brokerage Commission		
First Habib Modaraba - (Subsidiary of Holding Company)	**24,000**	-
Habib Metro Modaraba Management - (Subsidiary of Holding Company)	**31,286**	8,850

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

	Note	31 December 2021	31 December 2020
		(Rupees)	
Habib Metropolitan Bank Limited - The Holding Company			
- Bank balances	17	216,064,920	135,897,745
- Accrued profit on a bank balance	15	433,348	570,951
- Receivable in respect of securities transactions - net		89,305	22,258
- Payable in respect of rent		175,350	600,000
Key Management Personnel			
- Advances		329,867	752,867
- Payable against sale of securities - net		(265,546)	(1,296,307)
Ultimate Parent Company			
Habib Bank AG Zurich			
- Receivable / (payable) against sale / purchase of securities		-	55,623
Associated Entities			
First Habib Modaraba			
- Payable against sale of securities		(733)	(1,033)
Habib Metro Modaraba Management Company			
- Receivable against purchase of securities		7,069	4,556
Director (Holding Company)			
- Payable against sale of securities - net		(96,236)	(12,658)

26.3 Number of employees

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

27 TAXATION

The Company has filed returns of total income for the tax years up to 2021 (up to financial year ended 31 December 2020) 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 2021	31 December 2020
	(Rupees)	
Profit before tax	8,166,042	13,994,993
Tax at the applicable tax rate of 29% (2019: 29%)	2,368,152	4,058,548
Effect of minimum tax applicable	1,833,482	-
Permanent difference	-	239,250
Deferred tax recorded on the opening balance of provision against balance due from the customers	-	(992,014)
Prior year tax	-	1,406,683
Others	(386,392)	(218,786)
	3,815,242	4,493,681

28 EARNING PER SHARE BASIC AND DILUTED

Net Profit for the period	4,350,800	9,501,312
	(Number)	
Weighted average ordinary shares during the period	30,000,000	30,000,000
	(Rupees)	
Earning per share - basic and diluted	0.15	0.32

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

At present the Company has five members in its Research Department (including Head of Research, one senior analysts, two 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, 2021, the personnel employed in the Research Department have drawn an aggregate salary and benefits amounting to Rs. 5.06 million which comprises basic salary, medical allowance and other benefits and bonus as per the Company's policy.

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

	Liabilities	Equity			Total
	Trade and other payables (includes the lease related liability refer note 19)	Issued, subscribed and paid up capital	Unappropriated profit	Unrealised gain on revaluation of investments	
	(Rupees)				
Balance as at 1 January 2021	153,906,706	300,000,000	25,959,167	9,856,701	489,722,574
Changes from financing cash flows					
Liability-related					
Changes in trade and other payables	15,395,970	-	-	-	15,395,970
Profit for the year	-	-	4,350,800	-	4,350,800
Deficit on revaluation of investments - net of deferred tax	-	-	-	(1,699,486)	(1,699,486)
	15,395,970	-	4,350,800	(1,699,486)	18,047,284
Balance as at 31 December 2021	**169,302,676**	**300,000,000**	**30,309,967**	**8,157,215**	**507,769,858**

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 2021	31 December 2020
	(Rupees)	
Receivable from customers	**48,003,569**	63,076,972
Loans to employees	**1,284,787**	1,536,038
Deposits - long and short term	**78,040,390**	128,640,390
Other receivables	**95,213**	228,692
Accrued Profit	**962,749**	1,422,211
Bank balances	**220,880,279**	137,514,432
Financial Instruments exposed to credit risk	**349,266,987**	332,418,735

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 2021		31 December 2020	
	Gross	Impairment	Gross	Impairment
	(Rupees)			
Past due 1-14 days	39,393,791	-	53,952,319	-
Past due 15 days -90 days	4,398,405	-	5,727,684	-
Past due 91 days -180 days	2,406,537	(271,659)	1,040,472	(980,644)
Past due 181 days -365 days	493,831	(493,831)	645,009	(645,009)
More than 365 days	1,311,005	(1,311,005)	1,711,488	(1,711,488)
	48,003,569	(2,076,495)	63,076,972	(3,337,141)

Bank balances

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

	Rating		Rating Agency
	Short Term	Long Term	
Habib Metropolitan Bank Limited	A-1+	AA+	PACRA
MCB Bank Limited	A-1+	AAA	PACRA
Habib Bank Limited	A-1+	AAA	JCR-VIS
Meezan Bank Limited	A-1+	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 2021		31 December 2020	
	(Rupees)	%	(Rupees)	%
Banks	221,903,213	63.53%	138,579,617	41.69%
Mutual Funds	2,617,046	0.75%	4,015,837	1.21%
Other Financial Institutions	114,250,017	32.71%	132,624,084	39.90%
Individuals and others	10,496,711	3.01%	57,199,197	17.20%
	349,266,987	100.00%	332,418,735	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 2021			
	Carrying amount	Contractual cash flows	Six months or less	Above six months
	(Rupees)			
Financial liabilities				
Trade and other payables	169,802,634	171,784,538	162,065,351	9,719,187
	169,802,634	171,784,538	162,065,351	9,719,187

	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	7,197,883
	151,032,289	152,659,814	146,770,637	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 2021	31 December 2020
	(Rupees)	
Fixed rate investments		
- Deposit with NCCPL against the exposure	**60,000,000**	110,500,000
- Deposit with PSX under BMC requirement	**16,500,000**	16,500,000
- Investment in treasury bills	**98,509,367**	98,410,469
- Bank balance in profit and loss sharing account	**97,868,630**	32,355,897

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 2021				
	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		-	-	-	**22,040,604**	**22,040,604**
Receivable from customers		-	-	-	**45,927,074**	**45,927,074**
Loans to employees		-	-	-	**1,284,787**	**1,284,787**
Short-term investments	**10.39%**	**98,509,367**	-	-	-	**98,509,367**
Deposits	**5.07% - 6%**	**76,500,000**	-	-	**1,540,390**	**78,040,390**
Accrued profit		-	-	-	**962,749**	**962,749**
Other receivables		-	-	-	**95,213**	**95,213**
Bank balances	**7.25%**	**97,868,630**	-	-	**123,011,649**	**220,880,279**
		272,877,997	-	-	**194,862,466**	**467,740,463**
Financial liabilities						
Trade and other payables including lease liability against right of use assets		-	-	-	**(169,802,634)**	**(169,802,634)**
On-balance sheet gap		**272,877,997**	-	-	**25,059,832**	**297,937,829**

	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	451,247,826
Financial liabilities						
Trade and other payables including lease liability against right of use assets		-	-	-	(151,032,289)	(151,032,289)
On-balance sheet gap		257,766,366	-	-	42,449,171	300,215,537

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 2021	**22,040,604**	**5% increase**	**23,142,634**	**1,102,030**	**1,102,030**
		5% decrease	**20,938,574**	**(1,102,030)**	**(1,102,030)**
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)

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

31.4 Operational risk

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

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

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

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

32. FAIR VALUE OF FINANCIAL ASSETS AND LIABILITIES

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

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

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

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

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

The different levels (methods) have been:

Level 1: Fair value measurements using quoted prices (unadjusted) in active markets for identical assets or liabilities.

Level 2: Fair value measurements using inputs other than quoted prices included within level 1 that are observable for the asset or liability, either directly (i.e. as prices) or indirectly (i.e. derived from prices).

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

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

On balance sheet	Note	31 December 2021				
		Carrying value	Fair value			
			Level 1	Level 2	Level 3	Total
		(Rupees)				
Financial assets measured at fair value						
- Short term investments						
- Market treasury bills		98,509,367	-	98,509,367	-	98,509,367
- Long term investments						
- Investment in the shares of Pakistan Stock Exchange Limited		22,040,604	22,040,604	-	-	22,040,604
						-
Financial assets not measured at fair value	32.2					
- Receivable from customers		45,927,074	-	-	-	-
- Loan to employees		1,284,787	-	-	-	-
- Deposits		78,040,390	-	-	-	-
- Other receivables		95,213	-	-	-	-
- Accrued Profit		962,749	-	-	-	-
- Bank balances		220,880,279	-	-	-	-
		467,740,463	22,040,604	98,509,367	-	120,549,971
Financial liabilities not measured at fair value	32.2					
- Trade and other payables		(169,802,634)	-	-	-	-
On Balance Sheet Gap		297,937,829	22,040,604	98,509,367	-	120,549,971

On balance sheet financial instruments		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 shares of Pakistan Stock Exchange Limited		23,755,763	23,755,763	-	-	23,755,763
		122,166,232	23,755,763	98,410,469	-	122,166,232
Financial assets not measured at fair value	32.2					
- 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	32.2					
- Trade and other payables		(151,032,289)	-	-	-	-
On Balance Sheet Gap		300,215,537	23,755,763	98,410,469	-	122,166,232

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

Investments in Market Treasury Bills are valued on the basis of the PKRVs announced by the Mutual Funds Association of Pakistan (MUFAP) in accordance with the methodology prescribed by the Securities and Exchange Commission of Pakistan.

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

33. CAPITAL RISK MANAGEMENT

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

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

33.1 Base minimum capital

Pursuant to the promulgation of the Stock Exchanges (Corporatisation, Demutualization and Integration) Act, 2012 (the Act), all trading right entitlement certificate (TRE) certificate holders of Pakistan Stock Exchange (PSX), in compliance with the Schedule-I of Chapter 19: Risk Management Regulations of the PSX Rule Book, are required to maintain a Base Minimum Capital (BMC). As at 31 December 2020 and as per slabs given under the above mentioned regulations, the Company is required to maintain a BMC of Rs. 28 million with PSX. The Company is in compliance with the aforementioned requirement as at 31 December 2021.

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*		280,880,279
Trade debts	As per book value Less: Overdue for more than 14 days	*34.3*	45,927,074 (6,533,283)	39,393,791
Market treasury bills	At market value			98,509,367
		A		**418,783,437**
Current liabilities				
Trade payables	As per book value Less: Overdue for more than 30 days	*34.4*	155,947,551 (95,090,412)	60,857,139
Other liabilities	As per book value	*34.5*		
	- Trade payables overdue for more than 30 days		95,090,412	
	- Payable to NCCPL		-	
	- Payable to Workers' Welfare Fund		2,548,365	
	- Accrued expenses		3,486,579	
	- Provision for compensated absences		1,516,000	
	- Sindh Sales Tax payable		130,490	
	- Liability against right of use assets		1,523,105	104,294,951
		B		**165,152,090**
Net Capital Balance as at 31 December 2021		***A - B***		**253,631,347**

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 2021.

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

	31 December 2021 (Rupees)
Bank balances pertaining to:	
- Habib Metropolitan Financial Services Limited - Current Account	881,947
- Habib Metropolitan Financial Services Limited - Profit and loss Sharing Account	97,868,630
- Clients - Current Account	122,129,702
- Margin with NCCPL against exposure	60,000,000
	280,880,279

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 2021 (Rupees)
i) Trade receivable	45,927,074
ii) Over due for more than 14 days	(6,533,283)
iii) Balance generated with in 14 days and / or not yet due	39,393,791

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 STATEMENT OF LIQUID CAPITAL

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

S. No.	Head of Account	Value (Rupees)	Hair Cut / Adjustments	Net Adjusted Value (Rupees)
1. Assets				
1.1	Property & Equipments	9,519,452	100.00%	-
1.2	Intangible Assets	727,167	100.00%	-
1.3	Investment in Government Securities	98,509,367	-	98,509,367
	Investment in Debt Securities			
	If listed then:			
	i. 5% of the balance sheet value in the case of tenure upto 1 year.	-	5.00%	-
	ii. 7.5% of the balance sheet value, in the case of tenure from 1-3 years.	-	7.50%	-
	iii. 10% of the balance sheet value, in the case of tenure of more than 3 years.	-	10.00%	-
1.4	**If unlisted then:**			
	i. 10% of the balance sheet value in the case of tenure upto 1 year.	-	10.00%	-
	ii. 12.5% of the balance sheet value, in the case of tenure from 1-3 years.	-	12.50%	-
	iii. 15% of the balance sheet value, in the case of tenure of more than 3 years.	-	15.00%	-
	Investment in Equity Securities			
	i. If listed 15% or VaR of each securities on the cutoff date as computed by the Securities Exchange for respective securities whichever is higher.	22,040,604	3,857,106	18,183,498
	ii. If unlisted, 100% of carrying value.	-	-	-
	iii.Subscription money against Investment in IPO/offer for Sale: Amount paid as subscription money provided that shares have not been allotted or are not included in the investments of securities broker.	-	-	-
1.5	iv.100% Haircut shall be applied to Value of Investment in any asset including shares of listed securities that are in Block, Freeze or Pledge status as on reporting date. (July 19, 2017) Provided that 100% haircut shall not be applied in case of investment in those securities which are Pledged in favor of Stock Exchange / Clearing House against Margin Financing requirements or pledged in favor of Banks against Short Term financing arrangements. In such cases, the haircut as provided in schedule III of the Regulations in respect of investment in securities shall be applicable (August 25, 2017)	-	-	-
1.6	Investment in subsidiaries	-	-	-

S. No.	Head of Account	Value (Rupees)	Hair Cut / Adjustments	Net Adjusted Value (Rupees)
	Investment in associated companies/undertaking			
1.7	i. If listed 20% or VaR of each securities as computed by the Securities Exchange for respective securities whichever is higher.	-	-	-
	ii. If unlisted, 100% of net value.	-	100.00%	-
1.8	Statutory or regulatory deposits/basic deposits with the exchanges, clearing house or central depository or any other entity.	18,000,000	100.00%	-
1.9	Margin deposits with exchange and clearing house.	60,000,000	-	60,000,000
1.10	Deposit with authorized intermediary against borrowed securities under SLB.	-	-	-
1.11	Other deposits and prepayments	575,284	100.00%	-
1.12	Accrued interest, profit or mark-up on amounts placed with financial institutions or debt securities etc.(Nil)	962,749	-	962,749
	100% in respect of markup accrued on loans to directors, subsidiaries and other related parties	-	100.00%	-
1.13	Dividends receivables.	-	-	-
	Amounts receivable against Repo financing.			
1.14	Amount paid as purchaser under the REPO agreement. (***Securities purchased under repo arrangement shall not be included in the investments.)***	-	-	-
1.15	i. Short Term Loan To Employees: Loans are Secured and Due for repayment within 12 months	-	-	-
	ii. Receivables other than trade receivables	33,806,695	1,412,000	32,394,695
	Receivables from clearing house or securities exchange(s)			
1.16	i.100% value of claims other than those on account of entitlements against trading of securities in all markets including MtM gains.	2,773,976	100.00%	-
	ii. Receivable on entitlements against trading of securities in all markets including MtM gains.	32,393,380	-	32,393,380
	Receivables from customers			
	i. In case receivables are against margin financing, the aggregate if (i) value of securities held in the blocked account after applying VAR based Haircut, (ii) cash deposited as collateral by the finance (iii) market value of any securities deposited as collateral after applying VaR based haircut.	-	-	-
	i. Lower of net balance sheet value or value determined through adjustments.			
	ii. Incase receivables are against margin trading, 5% of the net balance sheet value.	-	5.00%	-
	ii. Net amount after deducting haircut			
	iii. Incase receivables are against securities borrowings under SLB, the amount paid to NCCPL as collateral upon entering into contract,	-	-	-
1.17	***iii. Net amount after deducting haircut***			
	iv. Incase of other trade receivables not more than 5 days overdue, 0% of the net balance sheet value.	3,968,014	-	3,968,014
	iv. Balance sheet value			
	v. Incase of other trade receivables are overdue, or 5 days or more, the aggregate of (i) the market value of securities purchased for customers and held in sub-accounts after applying VAR based haircuts, (ii) cash deposited as collateral by the respective customer and (iii) the market value of securities held as collateral after applying VaR based haircuts.	8,768,848	3,638,267	3,638,267
	v. Lower of net balance sheet value or value determined through adjustments			
	vi. 100% haircut in the case of amount receivable from related parties.	99,351	100.00%	-
	Cash and Bank balances			
1.18	I. Bank Balance-proprietary accounts	98,750,577	-	98,750,577
	ii. Bank balance-customer accounts	122,129,702	-	122,129,702
	iii. Cash in hand	-		-
1.19	**Total Assets**	**513,025,166**		**470,930,249**
1. Liabilities				
	Trade Payables			
2.1	i. Payable to exchanges and clearing house	-	-	-
	ii. Payable against leveraged market products	-	-	-
	iii. Payable to customers	155,947,551	-	155,947,551
	Current Liabilities			
	i. Statutory and regulatory dues	2,927,337	-	2,927,337
	ii. Accruals and other payables	4,754,097	-	4,754,097
	iii. Short-term borrowings	-	-	-
	iv. Current portion of subordinated loans	-	-	-
2.2	v. Current portion of long term liabilities	1,523,105	-	1,523,105
	vi. Deferred Liabilities	-	-	-
	vii. Provision for bad debts	2,076,495	-	2,076,495
	viii. Provision for taxation	-	-	-
	ix. Other liabilities as per accounting principles and included in the financial statements	-	-	-

S. No.	Head of Account	Value (Rupees)	Hair Cut / Adjustments	Net Adjusted Value (Rupees)
	Non-Current Liabilities			-
	i. Long-Term financing	-	-	-
	a. Long-Term financing obtained from financial institution: Long term portion of financing obtained from a financial institution including amount due against finance lease	-	-	-
	b. Other long-term financing	-	-	-
	ii. Staff retirement benefits	-	-	-
2.3	**iii. Advance against shares for Increase in Capital of Securities broker:** 100% haircut may be allowed in respect of advance against shares if: a. The existing authorized share capital allows the proposed enhanced share capital b. Board of Directors of the company has approved the increase in capital c. Relevant Regulatory approvals have been obtained d. There is no unreasonable delay in issue of shares against advance and all regulatory requirements relating to the increase in paid up capital have been completed. e. Auditor is satisfied that such advance is against the increase of capital.	-	-	-
	iv. Other liabilities as per accounting principles and included in the financial statements	7,329,399	-	7,329,399
	Subordinated Loans	-	-	-
2.4	i. 100% of Subordinated loans which fulfill the conditions specified by SECP are allowed to be deducted: The Schedule III provides that 100% haircut will be allowed against subordinated Loans which fulfill the conditions specified by SECP. In this regard, following conditions are specified: a. Loan agreement must be executed on stamp paper and must clearly reflect the amount to be repaid after 12 months of reporting period b. No haircut will be allowed against short term portion which is repayable within next 12 months. c. In case of early repayment of loan, adjustment shall be made to the Liquid Capital and revised Liquid Capital statement must be submitted to exchange.	-	-	-
	ii. Subordinated loans which do not fulfill the conditions specified by SECP	-	-	-
2.5	**Total Liabilities**	174,557,984		174,557,984
3.	**Ranking Liabilities Relating to :**			
3.1	**Concentration in Margin Financing** The amount calculated client-to- client basis by which any amount receivable from any of the finances exceed 10% of the aggregate of amounts receivable from total finances.	-	-	-
3.2	**Concentration in securities lending and borrowing** The amount by which the aggregate of: (i) Amount deposited by the borrower with NCCPL (Ii) Cash margins paid and (iii) The market value of securities pledged as margins exceed the 110% of the market value of shares borrowed	-	-	-
3.3	**Net underwriting Commitments** **(a) in the case of right issues :** if the market value of securities is less than or equal to the subscription price; the aggregate of: (i) the 50% of Haircut multiplied by the underwriting commitments and (ii) the value by which the underwriting commitments exceeds the market price of the securities. In the case of rights issues where the market price of securities is greater than the subscription price, 5% of the Haircut multiplied by the net underwriting	-	-	-
	(b) in any other case : 12.5% of the net underwriting commitments	-	-	-
3.4	**Negative equity of subsidiary** The amount by which the total assets of the subsidiary (excluding any amount due from the subsidiary) exceed the total liabilities of the subsidiary	-	-	-
3.5	**Foreign exchange agreements and foreign currency positions** 5% of the net position in foreign currency.Net position in foreign currency means the difference of total assets denominated in foreign currency less total liabilities denominated in foreign currency	-	-	-
3.6	Amount Payable under REPO	-	-	-

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S. No.	Head of Account	Value (Rupees)	Hair Cut / Adjustments	Net Adjusted Value (Rupees)
	Repo adjustment			
3.7	**In the case of financier/purchaser** the total amount receivable under Repo less the 110% of the market value of underlying securities. **In the case of finance/seller** the market value of underlying securities after applying haircut less the total amount received ,less value of any securities deposited as collateral by the purchaser after applying haircut less any cash deposited by the purchaser.	-	-	-
3.8	**Concentrated proprietary positions** If the market value of any security is between 25% and 51% of the total proprietary positions then 5% of the value of such security .If the market of a security exceeds 51% of the proprietary position, then 10% of the value of such security	-	-	-
3.9	**Opening Positions in futures and options** i. In case of customer positions, the total margin requirements in respect of open positions less the amount of cash deposited by the customer and the value of securities held as collateral/ pledged with securities exchange after applying VaR haircuts	-	-	-
	ii. In case of proprietary positions , the total margin requirements in respect of open positions to the extent not already met	-	-	-
3.10	**Short sell positions** i. Incase of customer positions, the market value of shares sold short in ready market on behalf of customers after increasing the same with the VaR based haircuts less the cash deposited by the customer as collateral and the value of securities held as collateral after applying VAR based Haircuts	-	-	-
	ii. Incase of proprietary positions, the market value of shares sold short in ready market and not yet settled increased by the amount of VAR based haircut less the value of securities pledged as collateral after applying haircuts.	-	-	-
3.11	**Total Ranking Liabilities**	-		-
	Liquid Capital	338,467,182		296,372,265

35.1 **Summary of Liquid Capital**

	31 December 2021 (Rupees)
(i) Adjusted value of assets (Serial number 1.19)	470,930,249
(ii) Less: Adjusted value of liabilities (Serial number 2.5)	174,557,984
(iii) Less: Total ranking liabilities (Serial number 3.11)	-
	296,372,265

36 **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.

37 **DATE OF AUTHORISATION FOR ISSUE**

These financial statements were authorised for issue by the Board of Directors of the Company on 18-February 2022.

Manzar Mushtaq

Chief Executive Officer

Director

Habib Metropolitan Financial Services Limited

Pattern of Shareholding

As on 31 December 2021

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