



KPMG Taseer Hadi & Co.
Chartered Accountants

**Habib Metropolitan Financial Services
Limited**

Condensed Interim Financial
Information
For the half year ended
30 June 2011



KPMG Taseer Hadi & Co.
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Independent Auditors' Report on review of Interim Financial Information to the Members

Introduction

We have reviewed the accompanying condensed interim balance sheet of Habib Metropolitan Financial Services Limited ("the Company") as at 30 June 2011 and the related condensed interim profit and loss account, condensed interim statement of comprehensive income, condensed interim statement of cash flows, condensed interim statement of changes in equity and notes to the accounts for the six months period ended 30 June 2011 (hereinafter referred to as the "interim financial information"). Management is responsible for the preparation and presentation of this interim financial information in accordance with approved accounting standards as applicable in Pakistan for interim financial reporting. Our responsibility is to express a conclusion on this interim financial information based on our review.

Scope of Review

We conducted our review in accordance with International Standard on Review Engagements 2410, "Review of Interim Financial Information Performed by the Independent Auditor of the Entity". A review of interim financial information consists of making inquiries, primarily of persons responsible for financial and accounting matters, and applying analytical and other review procedures. A review is substantially less in scope than an audit conducted in accordance with the International Standards on Auditing and consequently does not enable us to obtain assurance that we would become aware of all significant matters that might be identified in an audit. Accordingly, we do not express an audit opinion.

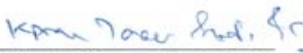
Conclusion

Based on our review, nothing has come to our attention that causes us to believe that the accompanying interim financial information is not prepared, in all material respects, in accordance with approved accounting standards as applicable in Pakistan for interim financial reporting.

The figures for the quarter ended 30 June 2011 and 30 June 2010 in the condensed interim profit and loss account and condensed interim statement of comprehensive income have not been reviewed and we do not express a conclusion on them.

Date: 18 August 2011

Karachi


KPMG Taseer Hadi & Co.
Chartered Accountants
Aryn Pirani

Habib Metropolitan Financial Services Limited
Condensed Interim Balance Sheet

As at 30 June 2011

	Note	30 June 2011 (Un-audited)	31 December 2010 (Audited)
ASSETS			
NON-CURRENT ASSETS			
Operating fixed assets	6	78,913	-
Intangible asset - Karachi Stock Exchange Membership Card		34,750,000	34,750,000
Long term deposits		1,000,000	1,000,000
Deferred tax asset	7	614,136	758,964
		<u>36,443,049</u>	<u>36,508,964</u>
CURRENT ASSETS			
Short-term investments	8	145,794,323	155,326,691
Receivable from customers	9	36,683,064	24,407,605
Advances, deposits, prepayments and other receivables	10	2,844,662	3,782,421
Taxation-net		3,191,545	1,719,941
Bank balances	11	121,665,940	143,764,078
		<u>310,179,534</u>	<u>329,000,736</u>
	Rupees	<u>346,622,583</u>	<u>365,509,700</u>
EQUITY AND LIABILITIES			
SHARE CAPITAL AND RESERVES			
Authorised capital			
30,000,000 (31 December 2010: 30,000,000) ordinary shares of Rs. 10/- each		<u>300,000,000</u>	<u>300,000,000</u>
Issued, subscribed and paid up capital			
30,000,000 (31 December 2010: 30,000,000) ordinary shares of Rs. 10/- each fully paid in cash	12	300,000,000	300,000,000
Unappropriated profit		7,489,431	2,475,186
Deficit on revaluation of available-for-sale investments - net of deferred tax		(17,934)	(289,678)
		<u>307,471,497</u>	<u>302,185,508</u>
CURRENT LIABILITIES			
Creditors, accrued and other liabilities	13	39,151,086	63,324,192
CONTINGENCY AND COMMITMENTS			
	14		
	Rupees	<u>346,622,583</u>	<u>365,509,700</u>

The annexed notes 1 to 19 form an integral part of this condensed interim financial information.


CHIEF EXECUTIVE


DIRECTOR

Habib Metropolitan Financial Services Limited
Condensed Interim Profit and Loss Account (Un-Audited)

For the quarter and six months period ended 30 June 2011

	Note	Quarter ended 30 June 2011	Six months period ended 30 June 2011	Quarter ended 30 June 2010	Six months period ended 30 June 2010
Operating revenue- equity brokrag service commission		2,466,190	5,836,491	2,973,607	5,914,417
Income from investments					
- Profit on treasury bills		3,340,429	6,399,221	-	-
- Gain / (loss) on sale of quoted securities		2,427,488	2,486,631	(60)	(63,433)
		5,767,917	8,885,852	(60)	(63,433)
Administrative and operating expenses	15	(7,206,254)	(14,307,325)	(7,453,987)	(14,159,537)
Operating profit / (loss)		1,027,853	415,018	(4,480,440)	(8,308,553)
Other income	16	3,241,794	6,267,431	7,189,118	14,728,782
Financial charges		(101,771)	(232,819)	(131,144)	(254,894)
Workers' welfare fund		(30,473)	(70,561)	(556,713)	(628,470)
Profit before taxation		4,137,403	6,379,069	2,020,821	5,536,865
Taxation					
- Current		(524,394)	(1,210,263)	(1,080,642)	(2,127,784)
- Prior		-	-	(6,016,132)	(6,016,132)
- Deferred		(75,858)	(154,561)	227,209	151,334
		(600,252)	(1,364,824)	(6,869,565)	(7,992,582)
Profit / (loss) after taxation	Rupees	3,537,151	5,014,245	(4,848,744)	(2,455,717)

The annexed notes 1 to 19 form an integral part of this condensed interim financial information.





CHIEF EXECUTIVE



DIRECTOR

Habib Metropolitan Financial Services Limited
 Condensed Interim Statement of Comprehensive Income (Un-Audited)
 For the quarter and six months period ended 30 June 2011

	Quarter ended 30 June 2011	Six months period ended 30 June 2011	Quarter ended 30 June 2010	Six months period ended 30 June 2010
Net profit / (loss) for the period	3,537,151	5,014,245	(4,848,744)	(2,455,717)
Other comprehensive income / (loss):				
- Deficit on revaluation of available-for-sale investments - net of deferred tax	(17,934)	(17,934)	-	-
- Transfer to profit and loss account upon disposal of available-for-sale investments	289,678	289,678	-	-
	271,744	271,744	-	-
Total comprehensive income / (loss) for the period	3,808,895	5,285,989	(4,848,744)	(2,455,717)

Rupees

The annexed notes 1 to 19 form an integral part of this condensed interim financial information.

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 CHIEF EXECUTIVE


 DIRECTOR

Habib Metropolitan Financial Services Limited
 Condensed Interim Statement of Cash Flows (Un-Audited)
 For the six months period ended 30 June 2011

	Note	30 June 2011	30 June 2010
Cash flows from operating activities			
Profit before taxation		6,379,069	5,536,865
Adjustments for:			
Profit on bank account		(6,085,443)	(14,122,826)
Profit on treasury bills		(6,399,221)	-
Gain / (loss) on sale of quoted securities		(2,486,631)	63,433
Depreciation expense		1,158	-
		(14,970,137)	(14,059,393)
(Increase) / decrease in current assets			
Receivable from customers		(12,275,459)	2,862,370
Advances, deposits, prepayments and other receivables		438,391	(1,677,821)
		(11,837,068)	1,184,549
(Decrease) in current liabilities			
Creditors, accrued and other liabilities		(24,400,163)	(1,303,378)
		(44,828,299)	(8,641,357)
Profit received on bank account		6,584,812	16,525,413
Income tax paid		(2,682,017)	(3,117,723)
		3,902,795	13,407,690
Net cash flows from operating activities		(40,925,504)	4,766,333
Cash flows from investing activities			
Sale of investments		322,975,013	10,117,197
Purchase of investments		(304,294,633)	(10,180,630)
Investments in operating fixed assets		(80,071)	-
Net cash flows from investing activities		18,600,309	(63,433)
Net (decrease) / increase in cash and cash equivalent		(22,325,195)	4,702,900
Cash and cash equivalent at beginning of the period		143,764,078	271,856,899
Cash and cash equivalent at end of the period	18 Rupees	<u>121,438,883</u>	<u>276,559,799</u>

The annexed notes 1 to 19 form an integral part of this condensed interim financial information.


 CHIEF EXECUTIVE


 DIRECTOR

Habib Metropolitan Financial Services Limited
 Condensed Interim Statement of Changes in Equity (Un-Audited)
 For the six months period ended 30 June 2011

	Issued, subscribed and paid up capital	Unrealized loss on revaluation of investments	Unappropriated profit	Total
Balance as at 1 January 2010	300,000,000	-	11,144,442	311,144,442
<i>Total comprehensive income for the period - profit for the period</i>	-	-	(2,455,717)	(2,455,717)
Balance as at 30 June 2010	300,000,000	-	8,688,725	308,688,725
<i>Total comprehensive income for the period</i>				
Profit for the period	-	-	4,286,461	4,286,461
Total other comprehensive income	-	(289,678)	-	(289,678)
	-	(289,678)	4,286,461	3,996,783
<i>Transactions with owners of the Company, directly recognised in equity</i>				
Interim cash dividend (Rs.0.35 per share) for the year ended 31 December 2010	-	-	(10,500,000)	(10,500,000)
Balance as at 31 December 2010	300,000,000	(289,678)	2,475,186	302,185,508
<i>Total comprehensive income for the period</i>				
Profit for the period	-	-	5,014,245	5,014,245
Total other comprehensive income	-	271,744	-	271,744
	-	271,744	5,014,245	5,285,989
Balance as at 30 June 2011	300,000,000	(17,934)	7,489,431	307,471,497

Rupees

The annexed notes 1 to 19 form an integral part of this condensed interim financial information.


 CHIEF EXECUTIVE


 DIRECTOR

Habib Metropolitan Financial Services Limited
Notes to the Condensed Interim Financial Information (Un-Audited)
For the six months period ended 30 June 2011

1. THE COMPANY AND ITS OPERATIONS

Habib Metropolitan Financial Services Limited (the Company) was incorporated in Pakistan on 28 September 2007 as a public limited company under the Companies Ordinance, 1984. The Company is a wholly owned subsidiary of Habib Metropolitan Bank Limited (the holding company). The Company is a corporate member of the Karachi Stock Exchange (Guarantee) Limited and engaged in equity brokerage services.

The registered office of the Company is located at 1st floor, GPC 2, Block 5, Khekashan Clifton, Karachi.

2. BASIS OF PRESENTATION

2.1 Statement of compliance

This condensed interim financial information has been prepared in accordance with approved accounting standards as applicable in Pakistan for interim financial reporting. The disclosures in the condensed interim financial information does not include all of the information required for full annual financial statements, and should be read in conjunction with the financial statements for the year ended 31 December 2010.

2.2 Functional and presentation currency

This condensed interim financial information is presented in Pak Rupees which is the functional and presentation currency of the Company. All financial information presented in Pakistani rupee has been rounded off to the nearest rupees.

3. SIGNIFICANT ACCOUNTING POLICIES

The accounting policies and the methods of computation adopted in the preparation of these condensed interim financial information are the same as those applied in the preparation of the annual financial statements for the year ended 31 December 2010. During the period, the company adopted the accounting policy for the operating fixed assets as follows:

Operating fixed assets

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

Depreciation is calculated on a straight-line basis over the estimated useful life of the asset at the rates specified in note 6. Depreciation on additions during the year 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 cost 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 Company and the cost of the item can be measured reliably. All other repairs and maintenance are charged to the profit and loss account.

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An item of property and equipment is derecognized upon disposal or when no future economic benefits are expected from its use or disposal. Any gain or loss arising on derecognition of the asset is recognized in the profit and loss account in the year the asset is derecognized. 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.

Gain and loss on disposal of assets is included in income currently.

4. ESTIMATES

The preparation of condensed interim financial information requires management to make judgments, estimates and assumptions that affect the application of accounting policies and the reported amounts of assets and liabilities, income and expense. Actual results may differ from these estimates.

The significant judgments made by management in applying the accounting policies and the key sources of estimation uncertainty were the same as those that applied to the annual financial statements as for the year ended 31 December 2010.

However, in applying the accounting policy of operating fixed assets as disclosed in note 3 to this condensed interim financial information, management determines the estimated useful lives and related depreciation charge for its fixed assets. The Company reviews the value of the assets for possible impairment on an annual basis. Any change in the estimates in future years might affect the carrying amounts of the respective items of fixed assets and the profit and loss account.

5. FINANCIAL RISK MANAGEMENT

The Company's financial risk management objectives and policies are consistent with those that disclosed in the annual financial statements as at and for the year ended 31 December 2010.

6. OPERATING FIXED ASSETS

Particulars	As at 30 June 2011			
	Cost	Depreciation	Rate	Written down value
Office equipment	10,763	31	15%	10,732
Furniture and fixtures	14,326	44	15%	14,282
Computer equipments	41,083	156	25%	40,927
Motor vehicles	13,900	928	15%	12,972
	<u>Rupees 80,072</u>	<u>1,159</u>		<u>78,913</u>

7. DEFERRED TAX ASSET

	30 June 2011 (Un-audited)	31 December 2010 (Audited)
<i>Taxable temporary differences</i>		
Operating fixed assets	(2,626)	-
<i>Deductable temporary differences</i>		
Pre-operating expenses	607,106	758,892
Defecit on revaluation of investment	9,656	72
	616,762	758,964
Kpmu	<u>614,136</u>	<u>758,964</u>

8. SHORT-TERM INVESTMENTS	30 June	31 December
Available-for-sale	2011	2010
	(Un-audited)	(Audited)
Treasury bills (3-6 months) - face value of Rs. 100,000 each	145,821,913	72,845,992
Open end mutual fund	-	50,000,000
Listed ordinary shares	-	32,770,450
	<u>145,821,913</u>	<u>155,616,442</u>
Unrealised (loss) / gain on revaluation of investments		
Treasury bills	(27,590)	3,385
Open end mutual fund	-	(280,561)
Listed ordinary shares	-	(12,575)
	<u>(27,590)</u>	<u>(289,751)</u>
Fair value as at	<i>Rupees</i> <u><u>145,794,323</u></u>	<u><u>155,326,691</u></u>

9. RECEIVABLE FROM CUSTOMERS (unsecured, considered good)

These represent balances due from customers in respect of brokerage services provided for securities transactions.

**10. ADVANCES, DEPOSITS, PREPAYMENTS
AND OTHER RECEIVABLES**

Advance to employees (unsecured)		442,306	322,065
Deposits	<i>10.1</i>	1,100,000	200,000
Prepayments		102,881	340,388
Accrued profit on bank account		1,015,138	1,514,506
Receivable against redemption of mutual fund units		-	1,351,593
Other receivables		184,337	53,869
	<i>Rupees</i>	<u><u>2,844,662</u></u>	<u><u>3,782,421</u></u>

10.1 This represents deposit held under the Karachi Stock Exchange exposure rules.

11. BANK BALANCES

Profit and loss sharing account		118,745,062	136,394,160
Current account		2,920,878	7,369,918
	<i>Rupees</i>	<u><u>121,665,940</u></u>	<u><u>143,764,078</u></u>

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Represent bank accounts with the holding company. Profit and loss sharing account carries profit at the rate of 10.75% (31 December 2010: 10.75%) per annum.

12. ISSUED, SUBSCRIBED AND PAID UP CAPITAL.

As of the balance sheet date, 29,999,997 (31 December 2010: 29,999,997) shares were held by the holding company and 3 (31 December 2010: 3) shares were held by directors of the Company as the nominees of the holding company.

13. CREDITORS, ACCRUED AND OTHER LIABILITIES

	30 June 2011 (Un-audited)	31 December 2010 (Audited)
Payable to National Clearing Company of Pakistan Limited	-	13,167,104
Due to customers in respect of securities transactions	37,221,018	49,199,809
Payable to Workers' Welfare Fund	319,954	249,393
Accrued expenses	1,224,821	468,169
Book overdrawn balance	13.1 227,057	-
Sales tax payable	158,236	239,717
	<i>Rupees</i> <u>39,151,086</u>	<u>63,324,192</u>

13.1 This represents the cheque issued in excess of the bank balance which were met through deposit subsequent to the period end.

14. CONTINGENCY AND COMMITMENTS

14.1 Bank guarantee on behalf of the company (given by the holding company in favour of Karachi Stock Exchange)

	<i>Rupees</i> <u>25,000,000</u>	<u>25,000,000</u>
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14.2 Commitments for ijarah arrangements

- Not later than one year	194,541	1,706,900
- Later than one year and not later than five years	60,888	137,160
	<i>Rupees</i> <u>255,429</u>	<u>1,844,060</u>

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15. ADMINISTRATIVE AND OPERATING EXPENSES

	Quarter ended 30 June 2011	Six months period ended 30 June 2011	Quarter ended 30 June 2010	Six months period ended 30 June 2010
	----- (Un-audited) -----			
Salaries and benefits	4,886,105	9,510,379	4,607,969	8,861,619
Ijarah payments	667,646	1,588,827	958,221	1,913,679
Rent	321,053	643,158	322,068	644,118
Repairs and maintenance	156,276	287,447	165,166	315,139
KSE clearing house, CDC and NCCPL charges	210,473	513,966	307,487	562,580
Communication	174,473	338,534	153,874	306,385
Vehicle running expenses	215,181	383,620	171,703	325,791
Utilities	137,916	203,045	164,668	287,557
Professional tax	25,713	51,425	306,750	306,750
Direct and indirect tax consultancy	44,760	102,870	-	-
Printing and stationery	28,124	84,338	64,367	108,684
Auditors' remuneration	61,985	81,215	15,650	65,650
Legal and professional charges	45,000	90,000	45,000	90,000
Insurance expenses	27,584	55,583	28,829	59,985
Travelling and conveyance	20,140	40,308	16,870	34,300
Entertainment and business promotions	38,468	69,209	31,889	81,984
Fees and subscription	32,127	54,477	11,027	27,877
Depreciation expense	922	1,158	-	-
Others	112,308	207,766	82,449	167,439
	<i>Rupees</i>	<u>7,206,254</u>	<u>14,307,325</u>	<u>7,453,987</u>
		<u>14,159,537</u>		

16. OTHER INCOME

Profit on a bank balance	3,161,666	6,085,443	7,164,422	14,122,826
Other	80,129	181,988	24,696	605,956
	<i>Rupees</i>	<u>3,241,794</u>	<u>6,267,431</u>	<u>7,189,118</u>
				<u>14,728,782</u>

17. TRANSACTIONS AND BALANCES WITH RELATED PARTIES

The Company has related party relationships with holding company, companies with common directorship, associated companies, directors of the Company, holding company and other associated companies 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.

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18. CASH AND CASH EQUIVALENT

	30 June 2011 (Un-audited)	30 June 2010 (Un-audited)
Bank Balances	121,665,940	276,670,390
Book overdrawn balance	(227,057)	(110,591)
<i>Rupees</i>	<u>121,438,883</u>	<u>276,559,799</u>

19. DATE OF AUTHORISATION FOR ISSUE

This condensed interim financial information was authorised for issue by the Board of Directors of the Company on 18 August 2011.

K. Prasad



CHIEF EXECUTIVE


DIRECTOR