



KPMG Taseer Hadi & Co.
Chartered Accountants

**Habib Metropolitan Financial Services
Limited**

Condensed Interim Financial
Information (Un-audited)
For the half year ended
30 June 2013



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

Introduction

We have reviewed the accompanying condensed interim balance sheet of **Habib Metropolitan Financial Services Limited** ("the Company") as at 30 June 2013 and the related condensed interim profit and loss account, condensed interim statement of comprehensive income, condensed interim cash flow statement, condensed interim statement of changes in equity and notes to the condensed interim financial information for the six months period then ended (herein-after 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 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.

Date: 19 August 2013

Karachi

KPMG Taseer Hadi & Co.
Chartered Accountants
Amyr Pirani

Habib Metropolitan Financial Services Limited
Condensed Interim Balance Sheet
As at 30 June 2013

	Note	30 June 2013 (Un-audited)	31 December 2012 (Audited)
ASSETS			
NON-CURRENT ASSETS			
Operating fixed assets		7,089	10,008
Intangible assets	6	1,185,628	1,143,850
Investment in Karachi Stock Exchange Limited	7	34,750,000	34,750,000
Long term deposits	8	1,034,390	1,034,390
Deferred tax asset	9	8,426	141,973
		<u>36,985,533</u>	<u>37,080,221</u>
CURRENT ASSETS			
Short-term investments	10	149,286,140	148,823,428
Receivable from customers	11	84,443,362	21,929,704
Advances, deposits, prepayments and other receivables	12	8,497,850	7,928,211
Taxation - net		1,576,337	871,924
Bank balances	13	375,251,189	126,954,809
		<u>619,054,878</u>	<u>306,508,076</u>
		<u>656,040,411</u>	<u>343,588,297</u>
EQUITY AND LIABILITIES			
SHARE CAPITAL AND RESERVES			
Authorised capital 30,000,000 (31 December 2012: 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 2012: 30,000,000) ordinary shares of Rs. 10 each fully paid in cash	14	300,000,000	300,000,000
Unappropriated profit		7,473,233	536,593
Surplus on revaluation of available-for-sale investments - net of deferred tax		12,765	49,225
		<u>307,485,998</u>	<u>300,585,818</u>
CURRENT LIABILITIES			
Creditors, accrued expenses and other liabilities	15	348,554,413	22,002,479
Dividend Payable		-	21,000,000
CONTINGENCY AND COMMITMENTS			
	16	<u>656,040,411</u>	<u>343,588,297</u>

The annexed notes 1 to 20 form an integral part of these financial statements.

Mansoor
Mansoor Mushtaq
CHIEF EXECUTIVE

Rabbis
DIRECTOR

Habib Metropolitan Financial Services Limited
 Condensed Interim Profit and Loss Account (Un-Audited)
 For the six months period ended 30 June 2013

	Note	Six months period ended	
		30 June 2013	30 June 2012
		(Rupees)	
Brokerage revenue		19,150,654	9,865,546
Income from investments			
- Profit on treasury bills		6,633,955	7,704,174
- Gain on sale of quoted securities		119,046	1,317,317
		6,753,001	9,021,491
Administrative expenses	17	(18,301,387)	(15,293,061)
		7,602,268	3,593,976
Other income	18	3,439,336	6,410,042
Financial charges - bank charges		(153,252)	(207,613)
Workers' welfare fund		(217,767)	(223,028)
Profit before taxation		10,670,585	9,573,377
Taxation			
- Current		(3,580,763)	(3,495,597)
- Deferred		(153,182)	(151,212)
		(3,733,945)	(3,646,809)
Profit after taxation		6,936,640	5,926,568

The annexed notes 1 to 20 form an integral part of these financial statements.

Manzar

Manzar Mushtaq
 CHIEF EXECUTIVE

[Signature]
 DIRECTOR

Habib Metropolitan Financial Services Limited
 Condensed Interim Statement of Comprehensive Income (Un-Audited)
 For the six months period ended 30 June 2013

	<u>Six months period ended</u>	
	<u>30 June</u> 2013	<u>30 June</u> 2012
	(Rupees)	
Net profit for the period	6,936,640	5,926,568
Other comprehensive income / (loss):		
Items that are or may be reclassified subsequently to profit or loss:		
Unrealised gain / (loss) on re-measurement of available for sale investments	12,765	(110,014)
- Transfer to profit and loss account upon disposal of available-for-sale investments	(49,225)	2,440,332
	(36,460)	2,330,318
Total comprehensive income for the period	<u>6,900,180</u>	<u>8,256,886</u>

The annexed notes 1 to 20 form an integral part of these financial statements.

Manzar

Manzar Mushtaq
 CHIEF EXECUTIVE

[Signature]
 DIRECTOR

Habib Metropolitan Financial Services Limited
Condensed Interim Statement of Cash Flows (Un-Audited)
For the six months period ended 30 June 2013

	Note	30 June 2013	30 June 2012
(Rupees)			
Cash flows from operating activities			
Profit before taxation		10,670,585	9,573,377
Adjustments for:			
Profit on bank accounts		(3,294,977)	(5,852,331)
Profit on treasury bills		(6,633,955)	(7,704,174)
Gain on sale of quoted securities		(119,046)	(1,317,317)
Depreciation and amortization		231,563	9,222
		(9,816,415)	(14,864,599)
(Increase) / decrease in current assets			
Receivable from customers		(62,513,658)	(24,248,404)
Advances, deposits, prepayments and other receivables		(857,583)	1,758,196
		(63,371,241)	(22,490,208)
Increase / (decrease) in current liabilities			
Creditors, accrued and other liabilities		327,456,043	(82,876,377)
		264,938,972	(110,657,807)
Profit received on bank account		3,582,922	5,995,539
Income tax paid		(4,285,181)	(3,660,969)
		(702,259)	2,334,569
Net cash flows from operating activities		264,236,713	(108,323,237)
Cash flows from investing activities			
Sale of investments		695,297,964	1,081,175,477
Purchase of investments		(689,063,768)	(980,237,511)
Intangible Assets		(270,000)	-
Investments in operating fixed assets		(420)	-
Net cash flows from investing activities		5,963,776	100,937,964
Cash flows from financing activities			
Net cash used in financing activities - dividend paid		(21,000,000)	-
Net increase / (decrease) in cash and cash equivalent		249,200,489	(7,385,273)
Cash and cash equivalent at beginning of the period		125,756,725	118,426,241
Cash and cash equivalent at end of the period		374,957,214	111,040,968
Cash and cash equivalent comprises of:			
Bank balances	13	375,251,189	111,339,126
Bank overdrawn bank balances	15	(293,975)	(298,157)
		374,957,214	111,040,968

The annexed notes 1 to 20 form an integral part of these financial statements.

Manzar Mustaq

Manzar Mustaq
CHIEF EXECUTIVE

[Signature]
DIRECTOR

Habib Metropolitan Financial Services Limited
 Condensed Interim Statement of Changes in Equity (Un-Audited)
 For the six months period ended 30 June 2013

	Issued, subscribed and paid up capital	Deficit on revaluation of available-for- sale investments	Unappropriated profit	Total
	----- (Rupees) -----			
Balance as at 1 January 2012	300,000,000	(2,440,332)	10,300,786	307,860,454
<i>Total comprehensive income for the period</i>				
- Profit for the period	-	-	5,926,568	5,926,568
- Total other comprehensive income	-	2,330,318	-	2,330,318
	-	2,330,318	5,926,568	8,256,886
Balance as at 30 June 2012	300,000,000	(110,014)	16,227,354	316,117,340
<i>Total comprehensive income for the period</i>				
- Profit for the period	-	-	-	-
- Total other comprehensive income	-	159,239	5,309,239	5,468,478
	-	159,239	5,309,239	5,468,478
- Transactions with owners recorded directly in equity.				
- Interim Dividend			(21,000,000)	(21,000,000)
Balance as at 31 December 2012	300,000,000	49,225	536,593	300,585,818
<i>Total comprehensive income for the period</i>				
- Profit for the period	-	-	6,936,640	6,936,640
- Total other comprehensive income	-	(36,460)	-	(36,460)
	-	(36,460)	6,936,640	6,900,180
Balance as at 30 June 2013	300,000,000	12,765	7,473,233	307,485,998

The annexed notes 1 to 20 form an integral part of these financial statements.

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Manzar Meeshtag
 CHIEF EXECUTIVE

[Signature]
 DIRECTOR

Habib Metropolitan Financial Services Limited
Notes to the Condensed Interim Financial Information (Un-Audited)
For the six months period ended 30 June 2013

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 engaged in the business of stock brokerage and fund placements. The Company holds a Trading Rights Entitlement (TRE) Certificate from Karachi Stock Exchange Limited (KSEL). 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 2012.

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 Pakistan 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 2012.

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 2012.

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 2012.

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6. INTANGIBLE ASSETS

		30 June 2013 (Un-audited)	31 December 2012 (Audited)
(Rupees)			
Software and application	6.1	1,185,628	1,143,850
Trading Rights Entitlement (TRE) Certificate	6.2	-	-
		<u>1,185,628</u>	<u>1,143,850</u>

6.1 Particulars	Written down value as at 31 December 2012	Addition	Amortization	Written down value as at 30 June 2013	Rate
Online trading software	647,500	270,000	145,500	772,000	30%
KSEL gateway application for online trading	496,350	-	82,722	413,628	30%
	<u>1,143,850</u>	<u>270,000</u>	<u>228,222</u>	<u>1,185,628</u>	

- 6.2 The TRE Certificate acquired on surrender of stock exchange membership card is stated at nil value. For details please refer to Note 7.

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

7. INVESTMENT IN KARACHI STOCK EXCHANGE LIMITED - AVAILABLE FOR SALE

		30 June 2013 (Un-audited)	31 December 2012 (Audited)
(Rupees)			
Investment in Karachi Stock Exchange Limited	7.1	<u>34,750,000</u>	<u>34,750,000</u>

- 7.1 This represents ordinary shares of Karachi Stock Exchange Limited (KSEL) acquired in pursuance of corporatization and demutualization of KSEL as a public company limited by shares. As per the arrangements the authorized and paid-up capital of KSEL is Rs. 10,000,000,000 and Rs. 8,014,766,000 respectively with a par value of Rs. 10 each. The paid-up capital of KSEL is equally distributed among 200 members (termed as "initial shareholders" of the exchange after corporatization) of KSEL by issuance of 4,007,383 to each initial shareholder in the following manner:

- 40% of the total shares allotted (i.e. 1,602,953 shares) are transferred in the House Account - CDC of each initial shareholder;
- 60% of the total shares (i.e. 2,404,430 shares) have been deposited in a sub-account in Company's name under KSEL's participant ID with CDC which will remain blocked until they are divested to strategic investor(s), general public and financial institution.

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Right to receive distributions and sale proceed against 60% shares in the blocked account shall vest in the initial shareholder, provided that bonus and right shares (if any) shall be transferred to blocked account and disposed off with the blocked shares.

Right to vote against blocked shares shall be suspended till the time of sale.

The shares of KSEL shall be listed within such time as the SECP may prescribe in consultation with the Board of Directors of KSEL.

The above shares and Trading right Entitlement (TRE) Certificate were received against surrender of Stock Exchange Membership Card. As the fair value of both the asset transferred and asset obtained can not be determined with reasonable accuracy and the value of TRE Certificate is estimated to be not material in view of the conditions described in Note 6, the entire carrying value of Stock Exchange Membership Card in Company's books has been allocated to shares of KSEL. No gain or loss has been recorded on the exchange.

- 7.2 During the period KSEL through a notice instructed all TRE Certificate holders to maintain / comply with Base Minimum Capital (BMC) requirement under regulations Governing Risk Management of KSEL ("the Regulations") in the form calculated in the schedule – 1 to the above Regulations. Total BMC requirement determined by the Board of Directors of KSEL in their meeting held on December 10, 2012 was Rs. 30.955 million for each individual TRE certificate holder.

Accordingly, the company has complied with the above requirement in the following manner:

1. Creating mortgage or charge over trading right entitlement certificate (TREC) amounting to Rs. 15 million being notional value assigned / decided by KSEL.
2. Pledging / Lien marked over 40% shares (No. of shares 1,602,953) of KSEL amounting to Rs. 15.955 million.

8. LONG TERM DEPOSITS

		30 June 2013 (Un-audited)	31 December 2012 (Audited)
		(Rupees)	
Karachi Stock Exchange Limited (KSEL)	8.1	700,000	700,000
National Clearing Company of Pakistan Limited (NCCPL)		200,000	200,000
Central Depository Company of Pakistan Limited (CDC)		100,000	100,000
Karachi Electric Supply Corporation (KESC)		34,390	34,390
		<u>1,034,390</u>	<u>1,034,390</u>

- 8.1 Represents deposit held under the KSE exposure rules.

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9. DEFERRED TAX ASSET - net

	30 June 2013 (Un-audited)	31 December 2012 (Audited)
	(Rupees)	
<i>Taxable temporary difference</i>		
Surplus on revaluation of investment	6,872	26,505
<i>Deductible temporary difference</i>		
Pre-operating expenses	-	152,025
Operating fixed assets	15,298	16,453
	<u>15,298</u>	<u>168,478</u>
	<u>8,426</u>	<u>141,973</u>

10. SHORT-TERM INVESTMENTS

Available-for-sale - Market treasury bill

- Amortized cost	10.1	149,266,503	148,747,698
- Market value		<u>149,286,140</u>	<u>148,823,428</u>
- Surplus / (deficit) on revaluation of investment		<u>19,637</u>	<u>75,730</u>
- Related deferred tax liability @ 35% on surplus on revaluation of investment		<u>(6,872)</u>	<u>(26,505)</u>

10.1 Treasury bill amounting to Rs 100 million (face value) is held as collateral by Karachi Stock Exchange.

11. RECEIVABLE FROM CUSTOMERS (unsecured, considered good)

Trade debts	11.1	59,820,978	12,715,443
Receivable from National Clearing Company of Pakistan		23,647,519	9,098,671
Receivable from Karachi Stock Exchange		974,865	115,590
		<u>84,443,362</u>	<u>21,929,704</u>

11.1 Subsequent to 30 June 2013 trade debts amounting to Rs. 57.384 million have cleared.

12. ADVANCES, DEPOSITS, PREPAYMENTS AND OTHER RECEIVABLES

Advances to employees (unsecured)		1,330,699	757,786
Deposits	12.1	5,500,000	5,500,000
Prepayments		770,688	458,522
Accrued profit on bank balance		477,750	765,694
Other receivables		418,713	446,209
		<u>8,497,850</u>	<u>7,928,211</u>

12.1 This represents deposit held under the KSE exposure rules.

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13. BANK BALANCES

	30 June 2013 (Un-audited)	31 December 2012 (Audited)
	(Rupees)	
Profit and loss sharing accounts:		
- Habib Metropolitan Bank Limited - Holding company	13.1 71,671,817	122,253,429
- Meezan Bank Limited	<u>5,392</u>	<u>5,103</u>
	<u>71,677,209</u>	<u>122,258,532</u>
Current accounts:		
- Habib Metropolitan Bank Limited - Holding company	<u>303,529,263</u>	<u>4,668,686</u>
- MCB Bank Limited	<u>44,717</u>	<u>27,591</u>
	<u>303,573,980</u>	<u>4,696,277</u>
	<u><u>375,251,189</u></u>	<u><u>126,954,809</u></u>

13.1 Profit and loss sharing accounts carries profit at the rate of 7.50% (31 December 2012: 8.00%) per annum.

14. ISSUED, SUBSCRIBED AND PAID UP CAPITAL

As of the balance sheet date, 29,999,997 (31 December 2012: 29,999,997) shares were held by the holding company and 3 (31 December 2012: 3) shares were held by directors of the Company as the nominees of the holding company.

	30 June 2013 (Un-audited)	31 December 2012 (Audited)
	(Rupees)	
15. CREDITORS, ACCRUED EXPENSES AND OTHER LIABILITIES		
Due to customers in respect of securities transactions	344,394,402	19,000,430
Payable to Workers' Welfare Fund	1,236,164	1,018,397
Accrued expenses	2,017,950	612,383
Bank overdrawn bank balances	293,975	1,198,084
Sales tax payable	<u>611,922</u>	<u>173,185</u>
	<u><u>348,554,413</u></u>	<u><u>22,002,479</u></u>

16. CONTINGENCY AND COMMITMENTS

Commitments for ijarah arrangements

- Not later than one year	1,020,778	1,035,896
- Later than one year and not later than five years	<u>1,189,312</u>	<u>1,694,046</u>
	<u><u>2,210,090</u></u>	<u><u>2,729,942</u></u>

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17. ADMINISTRATIVE EXPENSES

	Six months period ended	
	30 June 2013	30 June 2012
	(Rupees)	
Salaries and benefits	12,049,158	11,033,344
Ijarah payments	525,204	204,636
Rent	637,895	637,895
Repairs and maintenance	564,854	367,055
KSE clearing house, CDC and NCCPL charges	1,399,131	756,149
Communication	756,862	523,340
Vehicle running expenses	519,834	526,524
Utilities	305,581	210,582
Professional tax	51,499	51,350
Direct and indirect tax consultancy	85,980	99,300
Printing and stationery	49,703	175,525
Auditors' remuneration	102,593	134,460
Legal and professional charges	90,000	90,000
Insurance expenses	75,318	58,996
Travelling and conveyance	82,770	45,960
Entertainment and business promotions	459,032	119,162
Fees and subscription	46,787	11,050
Depreciation and amortization	231,563	9,222
Others	267,623	238,511
	<u>18,301,387</u>	<u>15,293,061</u>

18. OTHER INCOME

Profit on a bank balance	3,294,977	5,852,331
Other	144,359	557,711
	<u>3,439,336</u>	<u>6,410,042</u>

19. 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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19.1 Details of transactions with related parties are as follows:

	Six Months period ended	
	30 June 2013	30 June 2012
	(Un-audited) (Rupees)	
Holding Company - Habib Metropolitan Bank Limited		
- Profit on bank balances	3,294,977	5,852,331
- Equity brokerage commission	480,527	100,937
- Rent expense	600,000	600,000
- Bank charges	152,702	207,613
Key Management Personnel		
- Salaries and benefits	6,247,350	5,752,230
- Equity brokerage commission	35,753	23,931
Associated Companies		
Habib Bank AG Zurich (London)		
- Equity brokerage commission	-	118,555
Habib Bank AG Zurich (Switzerland)		
- Equity brokerage commission	771,192	526,555
Habib Bank AG Zurich (UAE)		
- Equity brokerage commission	1,187,277	1,144,537
Habib Insurance Company Limited		
- Equity brokerage commission	26,093	129,323

19.2 Details of balances with related parties are as follows:

	30 June 2013	31 December 2012
	(Un-audited)	(Audited)
	(Rupees)	
Holding Company - Habib Metropolitan Bank Limited		
- Bank balances	375,201,080	126,922,115
- Accrued profit on bank balance	477,750	765,694
- Dividend Payable	-	21,000,000
Key Management Personnel		
- Advances	807,501	433,333
- (Payable) against sale of securities	(56,281)	(480,099)

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	30 June 2013 (Un-audited)	31 December 2012 (Audited)
	(Rupees)	
Associated Companies		
Habib Bank AG Zurich (Switzerland) - Receivable against purchase of securities	<u>156</u>	<u>-</u>
Habib Bank AG Zurich (UAE) - (Payable) against sale of securities	<u>(17,595,683)</u>	<u>(1,401,775)</u>
Habib Insurance Company Limited - (Payable) against sale of securities	<u>(1)</u>	<u>(8,549,684)</u>
Executive Director of Holding Company - Payable against sale of securities	<u>(213,474)</u>	<u>(162,123)</u>

20. DATE OF AUTHORISATION FOR ISSUE

These interim financial information were authorised for issue by the Board of Directors of the Company on 19 August 2013.

Manzar Mushtaq

Manzar Mushtaq
CHIEF EXECUTIVE

Adnan
DIRECTOR