Habib Metropolitan Financial Services Limited

Condensed Interim Financial Statements
For the nine months ended 30 September 2021

Habib Metropolitan Financial Services Limited
Statement of Financial Position (Un-audited)
As at 30 September 2021

	Note	30 September 2021 (Un-audited)	31 December 2020 (Audited)
		(Rupees)	
ASSETS			
Non-current assets			
Property and equipment	5	**1,733,479**	1,746,738
Right-of-use-assets	6	**8,312,441**	4,428,795
Intangible assets		**504,702**	407,776
Long term investment	7	**29,269,922**	23,755,763
Deferred tax asset - net	8	**876,978**	1,012,962
		40,697,522	31,352,034
Current assets			
Receivables from customers	9	**53,560,186**	59,739,831
Loans to employees	10	**1,127,436**	1,536,038
Deposits and prepayments	11	**78,439,201**	128,885,606
Short term investments	12	**98,744,146**	98,410,469
Accrued profit		**846,595**	1,422,211
Other receivables		**159,471**	228,692
Advance taxation - net		**32,185,278**	30,633,261
Cash and bank balances	13	**197,079,172**	137,514,432
		462,141,485	458,370,540
Total assets		**502,839,007**	489,722,574
EQUITY AND LIABILITIES			
Share capital and reserves			
Authorised capital			
30,000,000 (31 December 2018: 30,000,000) ordinary shares of Rs. 10 each		**300,000,000**	300,000,000
Issued, subscribed and paid up share capital			
30,000,000 (31 December 2018: 30,000,000) ordinary shares of Rs. 10 each fully paid in cash	14	**300,000,000**	300,000,000
Unappropriated profit		**30,977,171**	25,959,167
Surplus on revaluation of investments - net of tax		**15,337,329**	9,856,701
		346,314,500	335,815,868
Non-current liabilities			
Lease liability against right of use assets	16	**7,734,834**	4,150,586
Current liabilities			
Trade and other payables	15	**148,789,673**	149,756,120
Short term borrowing		**-**	-
Total equity and liabilities		**502,839,007**	489,722,574
CONTINGENCIES AND COMMITMENTS	17		

The annexed notes 1 to 26 form an integral part of these condensed interim financial information.

Mansar Mushtaq

Chief Executive Officer

Director

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Habib Metropolitan Financial Services Limited
Statement of Profit or Loss (Un-audited)
For the nine months period ended 30 September 2021

	Note	Nine months period ended 30 September 2021	2020
		(Rupees)	
Brokerage income	18	**39,060,143**	39,454,160
Income from investments			
- Mark-up on treasury bills		**5,349,303**	6,781,057
Administrative expenses	19	**(42,632,587)**	(40,950,063)
Finance cost		**(707,259)**	(644,147)
Provision for workers' welfare fund		**(146,006)**	(294,043)
Provision against financial assets - net		**(151,513)**	(454,644)
		(43,637,365)	(42,342,897)
Other income		**6,382,206**	9,951,586
Profit before taxation		**7,154,287**	13,843,906
Provision for taxation			
- Current		**(1,986,604)**	(4,156,222)
- Deferred		**(149,679)**	12,445
- Prior year		**-**	
		(2,136,283)	(4,143,777)
Net profit for the period		**5,018,004**	9,700,129
Earnings per share - basic and diluted	21	**0.17**	0.32

The annexed notes 1 to 26 form an integral part of these condensed interim financial information.

Mansoor Mushtaq
Chief Executive Officer

Director

Habib Metropolitan Financial Services Limited
Statement of Comprehensive Income (Un-audited)
For the nine months period ended 30 September 2021

	Nine months period ended 30 September 2021	2020
	(Rupees)	
Net profit for the period	**5,018,004**	9,700,129
Other comprehensive income:		
Items to be reclassified to profit or loss in subsequent periods		
- (Deficit) / surplus on revaluation of debt investments carried at fair value	**(47,226)**	11,422
- Related deferred tax	**13,695**	103
	(33,531)	11,525
Items not to be reclassified to profit or loss in subsequent periods		
- Surplus on revaluation of equity shares investments carried at fair value	**5,514,159**	6,443,872
Total comprehensive income for the period	**10,498,632**	16,155,526

The annexed notes 1 to 26 form an integral part of these condensed interim financial information.

Manzar Mushtaq
Chief Executive Officer

Director

Habib Metropolitan Financial Services Limited

Statement of Changes in Equity (Un-audited)

For the nine months period ended 30 September 2021

	Issued, subscribed and paid up capital	Unappropriated profit	Surplus on revaluation of investments	Total
	(Rupees)			
Balance as at 31 December 2019 (Audited)	300,000,000	16,457,855	6,095,254	322,553,109
Total comprehensive income for the period				
Net profit for the nine months period ended 30 September 2020	-	9,700,129	-	9,700,129
Other Comprehensive Income - deficit on revaluation of investments - net of tax	-	-	6,455,397	6,455,397
	-	9,700,129	6,455,397	16,155,526
Balance as at 30 September 2020 (Un-audited)	300,000,000	26,157,984	12,550,651	338,708,635
Balance as at 31 December 2020 (Audited)	**300,000,000**	**25,959,167**	**9,856,701**	**335,815,868**
Total comprehensive income for the period				
Net profit for the nine months period ended 30 September 2021	**-**	**5,018,004**	**-**	**5,018,004**
Other Comprehensive Income - surplus on revaluation of investments - net of tax	**-**	**-**	**5,480,628**	**5,480,628**
	-	**5,018,004**	**5,480,628**	**10,498,632**
Balance as at 30 Septmber 2021 (Un-audited)	**300,000,000**	**30,977,171**	**15,337,329**	**346,314,500**

The annexed notes 1 to 26 form an integral part of these condensed interim financial information.

Manzar Mushtaq

Chief Executive Officer

Director

Habib Metropolitan Financial Services Limited
Statement of Cash Flow (Un-audited)
For the nine months period ended 30 September 2021

	Note	2021	2020
		Nine months period ended 30 September	
		(Rupees)	
Cash flows from operating activities			
Profit for the year before taxation		**7,154,287**	13,843,906
Adjustments for:			
Mark-up on treasury bills		**(5,349,303)**	(6,781,057)
Increase in provision against financial assets		**151,513**	454,644
Provision for Sindh workers' welfare fund		**146,006**	294,043
Markup on lease liability against right of use asset	16.1	**673,980**	479,087
Depreciation	19	**1,831,514**	1,062,562
Amortization	19	**78,074**	28,087
		(2,468,216)	(4,462,634)
Decrease / (increase) in current assets			
Receivable from customers		**6,028,132**	(33,841,859)
Loans and advances		**408,602**	386,856
Deposits and prepayments		**50,446,405**	(94,311)
Accrued profit		**575,616**	(132,086)
Other receivables		**69,221**	(137,391)
		57,527,976	(33,818,791)
(Decrease) / increase in current liabilities			
Trade and other payables		**(1,808,755)**	118,821,734
Cash generated from / (used in) operations		**60,405,292**	94,384,215
Income tax paid		**(3,538,621)**	(3,646,731)
Net cash generated from operating activities		**56,866,671**	90,737,484
Cash flows from investing activities			
Proceeds from the maturity of investments		**300,000,000**	300,000,000
Purchase of investments - net		**(295,031,601)**	(293,551,963)
Property and equipment acquired during the period		**(477,400)**	(563,960)
Intangible acquired during the period		**(175,000)**	(375,000)
Net cash generated from investing activities		**4,315,999**	5,509,077
Cash flows from financing activities			
Repayment of liability against right of use assets		**(1,617,930)**	(981,530)
Net cash flows used in financing activities		**(1,617,930)**	(981,530)
Net increase / (decrease) in cash and cash equivalent		**59,564,740**	95,265,031
Cash and cash equivalent at beginning of the period		**137,514,432**	182,534,977
Cash and cash equivalent at end of the period		**197,079,172**	277,800,008
CASH AND CASH EQUIVALENTS			
Cash and bank balances		**197,079,172**	277,800,008
		197,079,172	277,800,008

The annexed notes 1 to 26 form an integral part of these condensed interim financial information.

Manzar Mushtaq

Chief Executive Officer

Director

1 STATUS AND NATURE OF BUSINESS

1.1 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 holding 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.

1.2 Impact of COVID-19 on the condensed interim financial statements

The COVID-19 pandemic has spread rapidly all across the world and has not only endangered human lives but has also adversely impacted the global economy. In March 2020, the Government of Pakistan announced a temporary lock down as a measure to reduce the spread of the COVID-19. The management has taken all necessary steps to ensure smooth and adequate continuation of its business by following standard operating procedures (SOPs).

According to management's assessment, there are no material implications of COVID-19 that require specific disclosure in these condensed interim financial statements.

2 BASIS OF PREPARATION

2.1 Statement of compliance

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

- International Accounting Standard (IAS) 34, Interim Financial Reporting, issued by the International Accounting Standards Board (IASB) as notified under the Companies Act, 2017;

- Provisions of the Companies Act, 2017 and directives issued by the Securities and Exchange Commission of Pakistan (SECP).

Where the provisions of the Companies Act, 2017 and directives issued by the SECP differ with the requirements of IAS 34, the provisions of the Companies Act, 2017 and directives issued by the SECP have been followed.

2.2 Basis of measurement

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

These condensed interim financial statements of the Company do not include all of the information required for annual financial statements and should be read in conjunction with the audited annual financial statements of the Company as at and for the year ended 31 December 2020. However, selected explanatory notes are included to explain events and transactions that are significant to an understanding of the changes in the Company's financial position and performance since the last annual audited financial statements.

2.3 Functional and presentation currency

These condensed interim financial statements are presented in Pakistan rupees which is also the Company's functional currency and all financial information presented has been rounded off to the nearest rupees.

2.4 Use of estimates and judgment

The preparation of the condensed interim financial information 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. However, 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 audited annual financial statements for the year ended 31 December 2020.

2.5 Financial Risk Management

The Company's financial risk management objectives and policies are consistent with those that are disclosed in the audited annual financial statements as at and for the year ended 31 December 2020.

3 SIGNIFICANT ACCOUNTING POLICIES

The significant accounting policies have been applied consistently to all periods presented in these condensed interim financial information and are the same as those applied to the audited annual financial statements for the year ended 31 December 2020.

4 STANDARDS, INTERPRETATIONS OF AND AMENDMENTS TO ACCOUNTING AND REPORTING STANDARDS AS APPLICABLE IN PAKISTAN

4.1 Standards, interpretations and amendments to accounting standards that are not yet effective

Following are certain amendments and interpretations to the accounting and reporting standards which are mandatory for the Company's annual accounting period beginning on or after 01 September 2021. However, these do not have any significant impact on the Company's financial reporting:

- Interest Rate Benchmark Reform - Phase 2 which amended IFRS 9, IAS 39, IFRS 7, IFRS 4 and IFRS 16. The amendments introduce a practical expedient to account for modifications of financial assets or financial liabilities if a change results directly from IBOR reform and occurs on an 'economically equivalent' basis. In these cases, changes will be accounted for by updating the effective interest rate. A similar practical expedient will apply under IFRS 16 for lessees when accounting for lease modifications required by IBOR reform. The amendments also allow a series of exemptions from the regular, strict rules around hedge accounting for hedging relationships directly affected by the interest rate benchmark reforms. The amendments apply retrospectively with earlier application permitted. Hedging relationships previously discontinued solely because of changes resulting from the reform will be reinstated if certain conditions are met.

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

The practical expedient introduced in the 2020 amendments only applied to rent concessions for which any reduction in lease payments affected payments originally due on or before 30 June 2021. In light of persistence of economic challenges posed by the COVID-19 pandemic, the Board has extended the practical expedient for COVID-19 related rent concessions by one year i.e. permitting lessees to apply it to rent concessions for which any reduction in lease payments affects only payments originally due on or before 30 June 2022.

Rent concessions are eligible for the practical expedient if they occur as a direct consequence of the COVID-19 pandemic and if all the following criteria are met:

- The change in lease payments results in revised consideration for the lease that is substantially the same as, or less than, the consideration for the lease immediately preceding the change;
- Any reduction in lease payments affects only payments originally due on or before 30 June 2022; an
- There is no substantive change to the other terms and conditions of the lease.

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

Annual Improvements to IFRS standards 2018-2020:

- 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.

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

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

- Reference to the Conceptual Framework (Amendments to IFRS 3) - 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) effective for the annual period beginning on or after 1 January 2022. These amendments in the standards have been added to further clarify when a liability is classified as current. The standard also amends the aspect of classification of liability as non-current by requiring the assessment of the entity's right at the end of the reporting period to defer the settlement of liability for at least twelve months after the reporting period. An entity shall apply those amendments retrospectively in accordance with IAS 8.

- 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 recognise 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 recognised from the beginning of the earliest comparative period presented, with any cumulative effect recognised 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.

- Sale or Contribution of Assets between an Investor and its Associate or Joint Venture (Amendments to IFRS 10 and IAS 28) - The amendment amends accounting treatment on loss of control of business or assets. The amendments also introduce new accounting for less frequent transaction that involves neither cost nor full step-up of certain retained interests in assets that are not businesses. The effective date for these changes has been deferred indefinitely until the completion of a broader review.

5 PROPERTY AND EQUIPMENT

	30 September 2021 (Un-audited)	31 December 2020 (Audited)
	(Rupees)	
Operating property and equipment	**1,733,479**	1,746,738

5.1 The following property and equipment have been added during the nine months period ended 30 September:

	30 September 2021	30 September 2020
	(Un-audited) (Rupees)	
Office equipment	**29,250**	317,400
Furniture and fixtures	**58,800**	-
Computer equipment	**389,350**	246,560
	477,400	563,960

6 RIGHT-OF-USE ASSETS

	30 September 2021 (Un-audited)	31 December 2020 (Audited)
	(Rupees)	
Opening Balance	**4,428,795**	5,314,554
Modification	**5,224,501**	-
Depreciation	**(1,340,855)**	(885,759)
Closing Balance	**8,312,441**	4,428,795

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

30 September 2021 (Un-audited)	31 December 2020 (Audited)		Note	30 September 2021 (Un-audited)	31 December 2020 (Audited)
(Number of shares)				(Rupees)	
1,602,953	1,602,953	Cost of investment		**13,900,000**	13,900,000
-	-	Surplus on revaluation of investment		**15,369,922**	9,855,763
1,602,953	1,602,953	Closing balance	*7.1*	**29,269,922**	23,755,763

7.1 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 and are classified as "Pledged" in the Central Depository Company (CDC) report of the Company.

7.2 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 fulfill the BMC requirement and
iii) Shares of PSX (1,602,953 shares) pledged in favour of the exchange.

8 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 (Audited)	Recognised in profit and loss	Recognised in OCI	Balance as at 30 September 2021 (Un-audited)
				(Rupees)			
Taxable Temporary difference:							
Property and equipment	(211,278)	118,230	-	(93,048)	**36,438**	-	**(56,610)**
Intangible assets	(2,268)	(401)	-	(2,669)	**(1,555)**	-	**(4,224)**
(Surplus) / deficit on revaluation of investments - net	(889)	-	506	(383)	**-**	**13,695**	**13,312**
	(214,435)	117,829	506	(96,100)	**34,883**	**13,695**	**(47,522)**
Deductible Temporary difference:							
Lease liability against right of use asset	-	141,291	-	141,291	**115,103**	-	**256,394**
Provision against Receivable from Customer	-	967,771	-	967,771	**(299,665)**		**668,106**
	-	1,109,062	-	1,109,062	**(184,562)**	-	**924,500**
	(214,435)	1,226,891	506	1,012,962	**(149,679)**	**13,695**	**876,978**

9 RECEIVABLES FROM CUSTOMERS

	Note	30 September 2021 (Un-audited)	31 December 2020 (Audited)
		(Rupees)	
Trade receivables from the customers		**55,116,501**	60,323,867
Less: Provision against receivable from customers	*9.2*	**(2,303,814)**	(3,337,141)
		52,812,687	**56,986,726**
Receivable from NCCPL			
- ready market		**-**	-
- future market		**747,499**	2,753,105
		53,560,186	59,739,831

9.1 Details of the maximum aggregate amount due from the related parties outstanding at any time during the period (month-end balances) are as under:

Habib Bank AG Zurich	**55,622**	2,025,219
Habib Metropolitan Bank Limited	**170,556**	195,501

9.2 Provision against the balance receivable from the customers

Opening balance	**3,337,141**	3,420,739
Charged / (reversed)	**151,513**	(83,598)
Bad debts written off	**(1,184,840)**	-
Closing balance	**2,303,814**	3,337,141

9.3 Aging analysis

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

	Note	30 September 2021 (Un-audited) Amount	Custody value
		(Rupees)	
Up to five days	*9.3.1*	**37,188,013**	**3,446,841,131**
More than five days	*9.3.1*	**17,928,488**	**429,109,643**
		55,116,501	**3,875,950,774**

9.3.1 These custody values are shown at values on the basis of VAR notified by National Clearing Company of Pakistan Limited (NCCPL).

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10 LOANS TO EMPLOYEES

	30 September 2021 (Un-audited)	31 December 2020 (Audited)
Unsecured, considered good	(Rupees)	
Loans to Key Management Personnel	**615,266**	752,867
Loans to other employees	**512,170**	783,171
	1,127,436	1,536,038

10.1 Above are unsecured interest free balances and are adjustable against the monthly salaries.

11 DEPOSITS AND PREPAYMENTS

	Note	30 September 2021 (Un-audited)	31 December 2020 (Audited)
		(Rupees)	
Deposits with:			
- NCCPL against the exposure	*11.1*	**60,000,000**	110,500,000
- PSX under BMC requirement	*11.2*	**16,500,000**	16,500,000
- NCCPL for deliverable future contracts, ready contracts and initial deposit	*11.3*	**1,400,000**	1,400,000
- NCCPL for provisional trading deposit		**-**	100,000
- Central Depository Company of Pakistan Limited	*11.4*	**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		**398,811**	245,216
		78,439,201	128,885,606

11.1 This represents margin deposit with NCCPL in accordance with the provisions of the Securities Act, 2015. These deposits carry mark-up at the rate of 4.94%(31 December 2020: 4.61%) per annum.

11.2 This represents deposit with PSX to fulfil the base minimum capital requirement. These deposits carry mark-up at the rate of 6% (31 December 2020: 4.61%) per annum.

11.3 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.

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

12 SHORT TERM INVESTMENTS - at fair value through OCI

	30 September 2021 (Un-audited)	31 December 2020 (Audited)
	(Rupees)	
Market treasury bills		
Amortised cost	**98,790,051**	98,409,148
(Deficit) / surplus on revaluation	**(45,905)**	1,321
Market value	**98,744,146**	98,410,469

12.1 Government securities

Name of security	Maturity Date	Yield (IRR) %	As at 01 January 2021	Purchased during the period	Matured during the period	As at 30 September 2021	Carrying value as at 30 September 2021 (before revaluation)	Market value as at 30 September 2021
			(Units)				(Rupees)	
Treasury Bills - 3 months (face value of Rs 5,000)	2 Dec 2021	7.2103%	**20,000**	60,000	60,000	**20,000**	**98,790,051**	**98,744,146**

12.2 Market treasury bills have been placed as collateral with the NCCPL on account of ready market exposure in the current period.

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

13 CASH AND BANK BALANCES

	Note	30 September 2021 (Un-audited)	31 December 2020 (Audited)
		(Rupees)	
Cash		**25,000**	-
Profit and loss sharing accounts:			
- Habib Metropolitan Bank Limited - The Holding Company	13.1	**71,803,046**	32,349,327
- Habib Bank Limited		**2,619,126**	-
- Meezan Bank Limited		**6,670**	6,570
		74,428,842	32,355,897
Current accounts:			
- Habib Metropolitan Bank Limited - The Holding Company	13.2	**122,105,011**	103,548,418
- MCB Bank Limited		**520,319**	1,610,117
		122,625,330	105,158,535
		197,079,172	137,514,432

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

13.2 This includes Rs. 122.10 million pertaining to client fund balance.

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

	30 September 2021 (Un-audited)	31 December 2020 (Audited)
	(Rupees)	
Customer assets held in the designated bank accounts	**122,100,011**	103,543,418
Customer assets held in the CDC	**4,783,207,382**	4,776,359,322

14 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 2020: 3) shares were held by directors of the Company, as the nominees of the Holding Company.

15 TRADE AND OTHER PAYABLES

	Note	30 September 2021 (Un-audited)	31 December 2020 (Audited)
		(Rupees)	
Due to customers in respect of securities transactions		**119,961,813**	100,696,111
Payable to NCCPL		**17,797,274**	31,638,398
Payable to workers' welfare fund	15.1	**2,527,716**	2,381,711
Accrued expenses		**6,612,671**	13,781,774
Sindh sales tax payable		**428,476**	492,706
Lease liability against right of use assets - current portion		**1,461,723**	765,420
		148,789,673	149,756,120

15.1 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.1.86 million out of which Company has paid SWWF of Rs. 1.12 million.

16 Liability against right of use assets

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

	30 September 2021 (Un-audited)	31 December 2020 (Audited)
	(Rupees)	
Balance at the beginning	**4,916,006**	5,596,076
Modification	**5,224,501**	-
Interest expense	**673,980**	628,636
Rentals	**(1,617,930)**	(1,308,706)
Balance at the end	**9,196,557**	4,916,006

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

	30 September 2021 (Un-audited)	31 December 2020 (Audited)
Current	**1,461,723**	765,420
Non - Current	**7,734,834**	4,150,586
	9,196,557	4,916,006

17 CONTINGENCIES AND COMMITMENTS

There were no contingencies and commitments as at 30 September 2021 or 31 December 2020

18 BROKERAGE INCOME

	Note	For the nine month period ended 30 September 2021	2020
		(Un-audited) (Rupees)	
Brokerage income	*18.1,18.2 & 18.3*	**39,060,143**	39,454,160

18.1 Disaggregation revenue

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

	2021	2020
- Corporate customers	**16,555,033**	19,970,271
- Individual customers	**22,505,110**	19,483,889
	39,060,143	39,454,160

18.2 This includes brokerage from related parties amounting to 1.025 million (31 December 2020: Rs. 6.967 million).

18.3 Brokerage income includes Rs. 0.59 million (30 September 2020: Rs.7.01 million) from customers outside the country.

19 ADMINISTRATIVE EXPENSES

	Note	For the nine month period ended 30 September 2021	2020
		(Un-audited) (Rupees)	
Salaries and benefits	*19.1*	**26,166,006**	28,187,699
Repairs and maintenance		**1,762,135**	1,823,312
Pakistan Stock Exchange (PSX) clearing house, CDC and NCCPL charges		**3,181,632**	3,217,317
Communication		**3,132,492**	1,760,393
Utilities		**499,578**	430,016
Professional tax		**69,376**	76,812
Direct and indirect tax consultancy fees		**1,705,439**	625,030
PSX system audit fee		**177,000**	159,840
Printing and stationery		**288,620**	182,455
Auditors' remuneration		**902,731**	821,633
Legal and professional charges		**352,560**	135,000
Insurance		**95,667**	157,498
Travelling and conveyance		**257,840**	153,620
Entertainment and business promotions		**402,273**	171,876
Fees and subscription		**902,200**	559,090
Depreciation		**1,831,514**	1,062,562
Amortization of intangible assets		**78,074**	28,087
SECP Penalty		**-**	825,000
Others		**827,450**	572,823
		42,632,587	40,950,063

19.1 This includes remuneration of the Chief Executive and an executive which is as follows:

	Chief Executive (CEO) For the nine months period ended 30 September 2021	2020	Executive For the nine months period ended 30 September 2021	2020
	(Rupees)		(Rupees)	
Managerial remuneration	**10,139,950**	10,155,200	**2,001,818**	2,114,619
Bonus	**-**	-	**832,380**	232,240
	10,139,950	10,155,200	**2,834,198**	2,346,859

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20 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.

20.1 Details of transactions during the period are other than those which have been disclosed else where in these condensed interim financial information is as follows:

	For the nine month period ended 30 September	
	2021	2020
	(Un-audited) (Rupees)	
Habib Metropolitan Bank Limited - the Holding Company		
- Mark-up on bank balance	2,883,193	4,112,344
- Equity brokerage commission	177,439	174,537
- Repayment of lease obligation against right of use asset	1,536,400	900,000
- Finance cost	29,925	164,726
Key Management Personnel		
- Salaries and benefits	18,140,883	12,502,059
- Equity brokerage commission	824,031	273,005
Ultimate Parent Company		
Habib Bank AG Zurich (Switzerland) - Equity brokerage commission	-	6,750,522
Associated Companies - Equity Brokerage Commission		
First Habib Modaraba - (Subsidiary of Holding Company)	24,000	40,412
Habib Metro Modaraba Management Company (Subsidiary of Holding Company)	9,375	1,335

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

	30 September 2021 (Un-audited)	31 December 2020 (Audited)
	(Rupees)	
Habib Metropolitan Bank Limited - The Holding Company		
- Bank balances	193,908,057	135,897,745
- Accrued profit on a bank balance	302,713	570,951
- Receivable / (payable) in respect of securities transactions	30,646	22,258
- Payable in respect of rent	-	1,069,000
Key Management Personnel		
- Advances	615,266	752,867
- Receivable/(payable) against sale of securities	80,124	(1,296,307)
Ultimate Parent Company		
Habib Bank AG Zurich (Switzerland)		
- (Payable) / receivable against sale / purchase of securities	-	55,623
Associated Companies		
First Habib Modaraba		
- Receivable / (payable) against sale of securities	(1,033)	(1,033)
Habib Metropolitan Modaraba Management Company		
- Receivable / (payable) against sale of securities	-	4,556
Director (Holding Company)		
- Payable against sale of securities	(93,615)	(12,658)

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	For the nine month period ended 30 September	
	2021	2020
	(Un-audited)	
21 EARNINGS PER SHARE BASIC AND DILUTED	**(Rupees)**	
Net profit for the period	**5,018,004**	9,700,129
	(Number)	
Weighted average ordinary shares during the period	**30,000,000**	30,000,000
	(Rupees)	
Earnings per share - basic and diluted	**0.17**	0.32

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

At present the Company employs five members in its Research Department (including Head of Research, one senior analysts, two junior analyst and one data base manager). 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 period ended 30 September 2021, the personnel employed in the Research Department have drawn an aggregate salary and benefits amounting to Rs. 4.09 million which comprises basic salary, medical allowance and other benefits as per the Company's policy.

23 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 materiality 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 price.

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 in the company to classify fair value measurements using a fair value hierarchy that reflects the significance of the inputs used in making the measurements. The fair value hierarchy has the following levels:

The different levels (methods) have been

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

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

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

Fair value of the financial assets that are traded in active markets are based on quoted market prices. The following table shows fair values of financial assets and financial liabilities, including their levels in the fair value hierarchy. These financial assets and financial liabilities, except investment in PSX, are short term and their fair value approximates their carrying value.

On balance sheet	30 September 2021 (Un-audited)				
	Carrying value	Fair value			
		Level 1	Level 2	Level 3	Total
	(Rupees)				
Financial assets measured at fair value					
- Short term investments					
- Market treasury bills	**98,744,146**	-	**98,744,146**	-	**98,744,146**
- Long term investments					
- Investment in the shares of Pakistan Stock Exchange Limited	**29,269,922**	**29,269,922**	-	-	**29,269,922**
					-
Financial assets not measured at fair value					
- Receivable from customers	**53,560,186**	-	-	-	-
- Loan to employees	**1,127,436**	-	-	-	-
- Deposits	**78,040,390**	-	-	-	-
- Other receivables	**159,471**	-	-	-	-
- Accrued Profit	**846,595**	-	-	-	-
- Bank balances	**197,079,172**	-	-	-	-
	458,827,318	**29,269,922**	**98,744,146**	-	**128,014,068**
Financial liabilities not measured at fair value					
- Trade and other payables	**(153,568,315)**	-	-	-	-
On Balance Sheet Gap	**305,259,003**	**29,269,922**	**98,744,146**	-	**128,014,068**

On balance sheet financial instruments	31 December 2020 (Audited)				
	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
					-
Financial assets not measured at fair value					
- Receivable from customers	59,739,831	-	-	-	-
- Loan to employees	1,536,038	-	-	-	-
- Deposits	128,640,390	-	-	-	-
- Other receivables	228,692	-	-	-	-
- Accrued Profit	1,422,211	-	-	-	-
- Bank balances	137,514,432	-	-	-	-
	451,247,826	23,755,763	98,410,469	-	122,166,232
Financial liabilities not measured at fair value					
- Trade and other payables	(151,032,289)	-	-	-	-
On Balance Sheet Gap	300,215,537	23,755,763	98,410,469	-	122,166,232

23.1 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.

24 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.

25 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 30 September 2021 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 30 September 2021.

26 DATE OF AUTHORISATION FOR ISSUE

These condensed interim financial information were authorised for issue by the Board of Directors of the Company on 18 October 2021.

Manzar Mushtaq

Chief Executive Officer

Director