# Habib Metropolitan Financial Services Limited

## Condensed Interim Financial Information
## For the nine months ended 30 September 2022

# Habib Metropolitan Financial Services Limited

## Condensed Interim Statement of Financial Position

*As at 30 September 2022*

| | Note | 30 September 2022 (Un-audited) | 31 December 2021 (Audited) |
|---|---|---|---|
| | | (Rupees) | |
| **ASSETS** | | | |
| **Non-current assets** | | | |
| Property and equipment | 5 | **9,153,350** | 9,519,452 |
| Intangible assets | | **539,129** | 727,167 |
| Long term investment | 6 | **15,789,087** | 22,040,604 |
| Deferred tax asset - net | 7 | **-** | 1,292,035 |
| | | **25,481,566** | 33,579,258 |
| **Current assets** | | | |
| Receivables from customers | 8 | **19,519,425** | 45,927,074 |
| Loans to employees | 9 | **1,619,275** | 1,284,787 |
| Deposits and prepayments | 10 | **80,600,045** | 78,575,284 |
| Short term investments | 11 | **98,659,425** | 98,509,367 |
| Accrued profit | | **2,575,103** | 962,749 |
| Other receivables | | **81,679** | 95,213 |
| Advance taxation - net | | **33,518,718** | 31,134,660 |
| Cash and bank balances | 12 | **160,118,822** | 220,880,279 |
| | | **396,692,492** | 477,369,413 |
| **Total assets** | | **422,174,058** | 510,948,671 |
| **EQUITY AND LIABILITIES** | | | |
| **Share capital and reserves** | | | |
| Authorised capital | | | |
| 30,000,000 (31 December 2021: 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 2021: 30,000,000) ordinary shares of Rs. 10 each fully paid in cash | 13 | **300,000,000** | 300,000,000 |
| Unappropriated profit | | **26,882,509** | 30,309,967 |
| Surplus on revaluation of investments - net of tax | | **1,930,706** | 8,157,215 |
| | | **328,813,215** | 338,467,182 |
| **Non-current liabilities** | | | |
| Liability against right of use assets | | **5,803,254** | 7,329,399 |
| Deferred tax liability - net | 7 | **26,626** | - |
| **Current liabilities** | | | |
| Trade and other payables | 14 | **87,530,963** | 165,152,090 |
| Short term borrowing | 15 | **-** | - |
| **Total equity and liabilities** | | **422,174,058** | 510,948,671 |
| **CONTINGENCIES AND COMMITMENTS** | 16 | | |

The annexed notes 1 to 27 form an integral part of these condensed interim financial information.

**Chief Executive Officer**

**Director**

# Habib Metropolitan Financial Services Limited

## Condensed Interim Statement of Profit or Loss (Un-audited)

*For the nine months period ended 30 September 2022*

| | *Note* | **Nine months period ended 30 September** | |
|---|---|---|---|
| | | **2022** | 2021 |
| | | **(Rupees)** | |
| Brokerage income | *17* | **25,819,738** | 39,060,143 |
| Income from investments | | | |
| - Mark-up on treasury bills | | **9,123,835** | 5,349,303 |
| Administrative expenses | *18* | **(47,718,531)** | (42,632,587) |
| Finance cost | | **(583,785)** | (707,259) |
| Provision for Workers' Welfare Fund | | **(3,409)** | (146,006) |
| Provision / (reversal) against financial assets - net | | **(467,882)** | (151,513) |
| | | **(48,773,607)** | (43,637,365) |
| Other income | *19* | **13,246,748** | 6,382,206 |
| (Loss) / Profit before taxation | | **(583,286)** | 7,154,287 |
| Provision for taxation | | | |
| - Current | | **(1,535,726)** | (1,986,604) |
| - Deferred | *7* | **(1,308,446)** | (149,679) |
| | | **(2,844,172)** | (2,136,283) |
| Net (loss) / profit for the period | | **(3,427,458)** | 5,018,004 |
| Earnings per share - basic and diluted | *22* | **(0.11)** | 0.17 |

The annexed notes 1 to 27 form an integral part of these condensed interim financial information.

**Chief Executive Officer**

**Director**

# Habib Metropolitan Financial Services Limited

## Condensed Interim Statement of Comprehensive Income (Un-audited)

*For the nine months period ended 30 September 2022*

| | Nine months period ended 30 September | |
|---|---|---|
| | **2022** | 2021 |
| | **(Rupees)** | |
| Net (loss) / profit for the period | **(3,427,458)** | 5,018,004 |
| Other comprehensive (loss) / income: | | |
| **Items to be reclassified to profit or loss in subsequent periods** | | |
| - Surplus / (deficit) on revaluation of debt investments carried at fair value | **35,223** | (47,226) |
| - Related deferred tax | **(10,215)** | 13,695 |
| | **25,008** | (33,531) |
| **Items not to be reclassified to profit or loss in subsequent periods** | | |
| - (Deficit) / surplus on revaluation of equity shares investments carried at fair value | **(6,251,517)** | 5,514,159 |
| **Total comprehensive (loss) / income for the period** | **(9,653,967)** | 10,498,632 |

The annexed notes 1 to 27 form an integral part of these condensed interim financial information.

**Chief Executive Officer**

**Director**

# Habib Metropolitan Financial Services Limited

## Condensed Interim Statement of Changes in Equity (Un-audited)

*For the nine months period ended 30 September 2022*

| | Issued, subscribed and paid up capital | Unappropriated profit | Surplus on revaluation of investments | Total |
|---|---|---|---|---|
| | (Rupees) | | | |
| **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 |
| **Balance as at 31 December 2021 (Audited)** | **300,000,000** | **30,309,967** | **8,157,215** | **338,467,182** |
| ***Total comprehensive income for the period*** | | | | |
| Net loss for the nine months period ended 30 September 2022 | - | **(3,427,458)** | - | **(3,427,458)** |
| Other Comprehensive Income - Deficit on revaluation of investments - net of tax | - | - | **(6,226,509)** | **(6,226,509)** |
| | - | **(3,427,458)** | **(6,226,509)** | **(9,653,967)** |
| **Balance as at 30 September 2022 (Un-audited)** | **300,000,000** | **26,882,509** | **1,930,706** | **328,813,215** |

The annexed notes 1 to 27 form an integral part of these condensed interim financial information.

**Chief Executive Officer**

**Director**

# Habib Metropolitan Financial Services Limited

## Condensed Interim Statement of Cash Flow (Un-audited)

*For the nine months period ended 30 September 2022*

| | Note | Nine months period ended 30 September 2022 | 2021 |
|---|---|---|---|
| | | (Rupees) | |
| **Cash flows from operating activities** | | | |
| (Loss) / profit for the period before taxation | | **(583,286)** | 7,154,287 |
| **Adjustments for:** | | | |
| Mark-up on treasury bills | | **(9,123,835)** | (5,349,303) |
| Increase in against financial assets | | **467,882** | 151,513 |
| Provision for Sindh Workers' Welfare Fund | | **3,409** | 146,006 |
| Markup on lease liability against right of use asset | | **548,419** | 673,980 |
| Depreciation | *18* | **1,714,021** | 1,831,514 |
| Amortization | *18* | **188,038** | 78,074 |
| Gain on derecognition of Leased - Right of use asset | | **(50,466)** | - |
| | | **(6,252,532)** | (2,468,216) |
| *Decrease / (increase) in current assets* | | | |
| Receivable from customers | | **25,939,767** | 6,028,132 |
| Loans to employees | | **(334,488)** | 408,602 |
| Deposits and prepayments | | **(2,024,761)** | 50,446,405 |
| Accrued profit | | **(1,612,354)** | 575,616 |
| Other receivables | | **13,534** | 69,221 |
| | | **21,981,698** | 57,527,976 |
| *(Decrease) / increase in current liabilities* | | | |
| Trade and other payables | | **(77,741,116)** | (1,808,755) |
| | | **(62,595,236)** | 60,405,292 |
| Income tax paid | | **(3,919,783)** | (3,538,621) |
| **Net cash flows from operating activities** | | **(66,515,019)** | 56,866,671 |
| **Cash flows from investing activities** | | | |
| Proceeds from the maturity of investments | | **300,000,000** | 300,000,000 |
| Purchase of investments - net | | **(290,991,000)** | (295,031,601) |
| Property and equipment acquired during the period | | **(1,642,217)** | (477,400) |
| Intangible acquired during the period | | **-** | (175,000) |
| **Net cash flows from investing activities** | | **7,366,783** | 4,315,999 |
| **Cash flows from financing activities** | | | |
| Repayment of liability against right of use assets | | **(1,613,221)** | (1,617,930) |
| **Net cash flows from financing activities** | | **(1,613,221)** | (1,617,930) |
| **Net (decrease) / increase in cash and cash equivalent** | | **(60,761,457)** | 59,564,740 |
| **Cash and cash equivalent at beginning of the period** | | **220,880,279** | 137,514,432 |
| **Cash and cash equivalent at end of the period** | | **160,118,822** | 197,079,172 |
| **CASH AND CASH EQUIVALENTS** | | | |
| Cash and bank balances | | **160,118,822** | 197,079,172 |
| | | **160,118,822** | 197,079,172 |

The annexed notes 1 to 27 form an integral part of these condensed interim financial information.

**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 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

2.1.1 These condensed interim financial information 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 information 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 2021. However, selected explanatory notes are included to explain events and transactions that are significant for 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 2021.

### 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 2021.

## 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 2021.

## 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 effective in the current period

There are certain new standards, amendments and interpretations to the accounting and reporting standards as applicable in Pakistan which are mandatory for the Company's annual accounting period beginning on or after 01 January 2022 but are considered not to be relevant or do not have any significant impact on the Company's financial reporting and are therefore not detailed in these condensed interim financial information.

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

The following International Financial Reporting Standards (IFRS Standards) as notified under the Companies Act, 2017 and the amendments and interpretations thereto will be effective for accounting periods beginning on or after 1 October 2022:

- Classification of liabilities as current or non-current (Amendments to IAS 1) 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. Convertible debt may need to be reclassified 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's expectation and discretion at the reporting date to refinance or to reschedule payments on a long-term basis are no longer relevant for the classification of a liability as current or non-current. 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) 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 an entity 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, with earlier application permitted, 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) 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 PROPERTY AND EQUIPMENT

| | *Note* | **30 September 2022 (Un-audited)** | 31 December 2021 (Audited) |
|---|---|---|---|
| | | **(Rupees)** | |
| Owned - Property and equipment | *5.1* | **1,367,833** | 1,653,963 |
| Advance against purchase of vehicle | | **1,500,000** | - |
| Leased - Right of use asset | | **6,285,517** | 7,865,489 |
| | | **9,153,350** | 9,519,452 |

**5.1** The following property and equipment have been added during the nine months period ended 30 September 2022.

| | **30 September 2022 (Un-audited)** | 2021 |
|---|---|---|
| | **(Rupees)** | |
| Office equipment | **42,120** | 29,250 |
| Furniture and fixtures | **14,197** | 58,800 |
| Computer equipment | **85,900** | 237,100 |
| Advance against purchase of vehicle | **1,500,000** | - |
| | **1,642,217** | 325,150 |

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

| **30 September 2022 (Un-audited)** | 31 December 2021 (Audited) | | *Note* | **30 September 2022 (Un-audited)** | 31 December 2021 (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 | | **1,889,087** | 8,140,604 |
| **1,602,953** | 1,602,953 | Closing balance | *6.1* | **15,789,087** | 22,040,604 |

**6.1** 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.

**6.2** At 30 September 2022, the required BMC amounted to Rs. 28.72 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. 18.5 million to fulfill the BMC requirement and
iii) Shares of PSX (1,602,953 shares) pledged in favour of the exchange.

## 7 DEFERRED TAX ASSET / (LIABILITY) - net

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

| | Balance as at 1 January 2021 | Recognised in profit and loss | Recognised in OCI | Balance as at 31 December 2021 (Audited) | Recognised in profit and loss | Recognised in OCI | Balance as at 30 September 2022 (Un-audited) |
|---|---|---|---|---|---|---|---|
| | (Rupees) | | | | | | |
| **Taxable Temporary difference:** | | | | | | | |
| Surplus on revaluation of investments - net | (383) | - | (6,402) | (6,785) | - | (10,215) | (17,000) |
| Intangible assets | (2,669) | (899) | - | (3,568) | (6,058) | - | (9,626) |
| | (3,052) | (899) | (6,402) | (10,353) | (6,058) | (10,215) | (26,626) |
| **Deductible Temporary difference:** | | | | | | | |
| Property and equipment | (93,048) | 67,378 | - | (25,670) | 25,670 | - | - |
| Provision for leave encashment | - | 439,640 | - | 439,640 | (439,640) | - | - |
| Liability against right of use asset - net | 141,291 | 144,943 | - | 286,234 | (286,234) | - | - |
| Provision against receivable from customer | 967,771 | (365,587) | - | 602,184 | (602,184) | - | - |
| | 1,016,014 | 286,374 | - | 1,302,388 | (1,302,388) | - | - |
| | 1,012,962 | 285,475 | (6,402) | 1,292,035 | (1,308,446) | (10,215) | (26,626) |

The Company, as a measure of prudence, has not recognized deferred tax asset of Rs. 1.53 million on deductible temporary differences.

## 8 RECEIVABLES FROM CUSTOMERS

| | Note | 30 September 2022 (Un-audited) | 31 December 2021 (Audited) |
|---|---|---|---|
| | | (Rupees) | |
| Trade receivables from the customers | 8.1 | 21,833,967 | 12,836,213 |
| Less: Provision against receivable from customers | 8.2 | (2,544,377) | (2,076,495) |
| | | 19,289,590 | 10,759,718 |
| Receivable from NCCPL | | | |
| - ready market | | 19,467 | 32,393,380 |
| - future market | | 210,368 | 2,773,976 |
| | | 19,519,425 | 45,927,074 |

8.1 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 Metropolitan Bank Limited | 664,773 | 170,556 |

8.2 **Provision against the balance receivable from the customers**

| | | |
|---|---|---|
| Opening balance | 2,076,495 | 3,337,141 |
| Charged / (reversed) | 467,882 | (75,806) |
| Bad debts previously provided written off | - | (1,184,840) |
| Closing balance | 2,544,377 | 2,076,495 |

8.3 **Aging analysis**

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

| | 30 September 2022 (Un-audited) | |
|---|---|---|
| | Amount | Custody value *(Note 8.3.1)* |
| | (Rupees) | |
| Up to five days | 12,063,824 | 885,860,373 |
| More than five days | 9,770,143 | 1,360,421,206 |
| | 21,833,967 | 2,246,281,579 |

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

## 9 LOANS TO EMPLOYEES

| | 30 September 2022 (Un-audited) | 31 December 2021 (Audited) |
|---|---|---|
| | (Rupees) | |
| Unsecured, considered good | | |
| 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). | | |
| Loans to Key Management Personnel | 529,867 | 329,867 |
| Loans to other employees | 1,089,408 | 954,920 |
| | 1,619,275 | 1,284,787 |

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

## 10 DEPOSITS AND PREPAYMENTS

| | Note | 30 September 2022 (Un-audited) | 31 December 2021 (Audited) |
|---|---|---|---|
| | | (Rupees) | |
| Deposits with: | | | |
| - NCCPL against the exposure | 10.1 | **59,900,000** | 60,000,000 |
| - PSX under BMC requirement | 10.2 | **18,500,000** | 16,500,000 |
| - NCCPL for deliverable future contracts, ready contracts and initial deposit | 10.3 | **1,400,000** | 1,400,000 |
| - Central Depository Company of Pakistan Limited | 10.4 | **100,000** | 100,000 |
| - K-Electric Company Limited | | **34,390** | 34,390 |
| - Pakistan Beverage Limited | | **6,000** | 6,000 |
| | | **79,940,390** | 78,040,390 |
| Prepayments | | **659,655** | 534,894 |
| | | **80,600,045** | 78,575,284 |

10.1 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 12.21% (31 December 2021: 5.07% ) per annum.

10.2 This represents deposit with PSX to fulfil the base minimum capital requirement. These deposits carry mark-up at the rate of 7.5% (31 December 2021: 6% ) per annum.

10.3 This represents amount of Rs. 1 million (31 December 2021: Rs. 1 million) on account of basic deposit for deliverable future contracts market, Rs. 0.2 million (31 December 2021: Rs. 0.2 million) for ready market and Rs. 0.2 million (31 December 2021: Rs. 0.2 million) as initial deposit with NCCPL.

10.4 This represent amount of Rs.100,000 (31 December 2021: Rs.100,000) on account of deposit with CDC at the commencement of brokerage business.

## 11 SHORT TERM INVESTMENTS - at fair value through OCI

| | 30 September 2022 (Un-audited) | 31 December 2021 (Audited) |
|---|---|---|
| | (Rupees) | |
| **Market treasury bills** | | |
| Amortised cost | **98,600,806** | 98,485,971 |
| Surplus on revaluation | **58,619** | 23,396 |
| Market value | **98,659,425** | 98,509,367 |

### 11.1 Government securities

| Name of security | Maturity Date | Yield (IRR) % | As at 01 January 2022 | Purchased during the period | Matured during the period | As at 30 September 2022 | Carrying value as at 30 September 2022 (before revaluation) | Market value as at 30 September 2022 |
|---|---|---|---|---|---|---|---|---|
| | | | ---------- (Units) ---------- | | | | ---------- (Rupees) ---------- | |
| Treasury Bills - 3 months (face value of Rs 5,000) | 3-Nov-22 | 15.6955% | **20,000** | 40,000 | 40,000 | **20,000** | **98,600,806** | **98,659,425** |

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

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

## 12 CASH AND BANK BALANCES

| | Note | 30 September 2022 (Un-audited) | 31 December 2021 (Audited) |
|---|---|---|---|
| | | (Rupees) | |
| Profit and loss sharing accounts: | | | |
| - Habib Metropolitan Bank Limited - The Holding Company | 12.1 | **90,356,030** | 93,930,218 |
| - Habib Bank Limited | | **1,360,025** | 3,931,742 |
| - Meezan Bank Limited | | **6,670** | 6,670 |
| | | **91,722,725** | 97,868,630 |
| Current accounts: | | | |
| - Habib Metropolitan Bank Limited - The Holding Company | 12.2 | **68,223,458** | 122,134,702 |
| - MCB Bank Limited | | **147,639** | 876,947 |
| | | **68,371,097** | 123,011,649 |
| | | **160,118,822** | 220,880,279 |

12.1 This represents balance maintained in a profit and loss sharing account, carrying mark-up at 13.50 % per annum (31 December 2021: 7.25%) per annum.

12.2 This includes Rs. 68.22 million pertaining to client fund balance.

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

| | 30 September 2022 (Un-audited) | 31 December 2021 (Audited) |
|---|---|---|
| | (Rupees) | |
| Customer assets held in the designated bank accounts | **68,218,458** | 122,129,702 |
| Customer assets held in the CDC | **3,717,383,409** | 5,152,785,639 |

## 13 ISSUED, SUBSCRIBED AND PAID UP CAPITAL

As of the balance sheet date, 29,999,997 (31 December 2021: 29,999,997) shares were held by the Holding Company and 3 (31 December 2021: 3) shares were held by directors of the Company, as the nominees of the Holding Company.

## 14 TRADE AND OTHER PAYABLES

| | Note | 30 September 2022 (Un-audited) | 31 December 2021 (Audited) |
|---|---|---|---|
| | | (Rupees) | |
| Due to customers in respect of securities transactions | | **67,530,276** | 155,947,551 |
| Payable to NCCPL | | **7,401,666** | - |
| Payable to Workers' Welfare Fund | *14.1* | **2,551,774** | 2,548,365 |
| Accrued expenses | | **8,252,772** | 5,002,579 |
| Sindh sales tax payable | | **154,790** | 130,490 |
| Liability against right of use assets - current portion | | **1,639,685** | 1,523,105 |
| | | **87,530,963** | 165,152,090 |

14.1 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 2014 amounting to Rs. 1.790 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 to the date, the Company has created provision of SWWF amounting to Rs.2.746 million out of which Company has paid SWWF of Rs. 1.984 million.

## 15 SHORT TERM BORROWING

| | Note | 30 September 2022 (Un-audited) | 31 December 2021 (Audited) |
|---|---|---|---|
| | | (Rupees) | |
| Habib Metropolitan Bank Limited - The Holding Company | *15.1* | - | - |

15.1 The company has obtained running finance facility from the Holding Company having credit limit up to Rs. 350 million (31 December 2021: Rs. 350 million). This carries mark up at the rate of 3 months KIBOR plus 2% per annum (31 December 2021: 3 months KIBOR plus 2% per annum) payable quarterly. This facility matured on 30 June 2022 and is being renewed. 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 period end the facility had not been utilised.

## 16 CONTINGENCIES AND COMMITMENTS

There were no contingencies and commitments as at 30 September 2022.

## 17 BROKERAGE INCOME

| | Note | For the nine month period ended 30 September | |
|---|---|---|---|
| | | 2022 | 2021 |
| | | (Un-audited) (Rupees) | |
| Brokerage income | *17.1, 17.2 & 17.3* | **25,819,738** | 39,060,143 |

### 17.1 Disaggregation revenue

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

| | | |
|---|---|---|
| - Corporate customers | **12,498,863** | 16,555,033 |
| - Individual customers | **13,320,875** | 22,505,110 |
| | **25,819,738** | 39,060,143 |

**17.2** This includes brokerage from related parties amounting to Rs. 1.352 million.(30 September 2021: Rs. 1.025 million).

**17.3** Brokerage income includes Rs. 0.881 million (30 September 2021: Rs. 0.59 million) from customers outside the country.

## 18 ADMINISTRATIVE EXPENSES

| | Note | For the nine month period ended 30 September | |
|---|---|---|---|
| | | 2022 | 2021 |
| | | (Un-audited) (Rupees) | |
| Salaries and benefits | *18.1* | **32,124,421** | 26,166,006 |
| Rent | | **90,651** | - |
| Repairs and maintenance | | **1,373,477** | 1,762,135 |
| Pakistan Stock Exchange (PSX) clearing house, CDC and NCCPL charges | | **2,355,282** | 3,181,632 |
| Communication | | **3,547,447** | 3,132,492 |
| Utilities and office general expenses | | **1,156,485** | 926,379 |
| Professional tax | | **84,600** | 69,376 |
| Auditors' remuneration | | **908,664** | 902,731 |
| Legal and professional charges | | **1,063,405** | 2,234,999 |
| Printing and stationery | | **228,780** | 288,620 |
| Insurance | | **958,917** | 95,667 |
| Travelling and conveyance | | **151,852** | 257,840 |
| Entertainment and business promotions | | **595,386** | 402,273 |
| Fees and subscription | | **858,945** | 902,200 |
| Depreciation | | **1,714,021** | 1,831,514 |
| Amortization of intangible assets | | **188,038** | 78,074 |
| Others | | **318,160** | 400,649 |
| | | **47,718,531** | 42,632,587 |

**18.1** This includes remuneration of the Chief Executive and executives which is as follows:

| | Chief Executive (CEO) For the nine months period ended 30 September | | Executive For the nine months period ended 30 September | |
|---|---|---|---|---|
| | 2022 | 2021 | 2022 | 2021 |
| | (Rupees) | | (Rupees) | |
| Managerial remuneration | **10,181,978** | 10,155,200 | **5,649,190** | 4,048,909 |
| Bonus | **-** | - | **568,330** | 1,609,040 |
| | **10,181,978** | 10,155,200 | **6,217,520** | 5,657,949 |
| Number of persons | **2** | 1 | **3** | 2 |

## 19 OTHER INCOME

| | Note | For the nine month period ended 30 September 2022 | 2021 |
|---|---|---|---|
| | | (Un-audited) (Rupees) | |
| **Income from financial assets** | | | |
| Mark-up on bank balances | | **6,968,390** | 2,895,330 |
| Return on NCCPL exposure margin | | **4,615,214** | 2,702,660 |
| Return on PSX BMC deposit | | **1,192,165** | 735,490 |
| Others | *19.1* | **470,979** | 48,726 |
| | | **13,246,748** | 6,382,206 |

**19.1** This includes Rs. 0.42 million (30 September 2021: Rs. 0.01 million) earned on the transfer of physical shares into the electronic form.

## 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 2022 | 2021 |
|---|---|---|
| | (Un-audited) (Rupees) | |
| **Habib Metropolitan Bank Limited - the Holding Company** | | |
| - Mark-up on bank balance | **6,872,243** | 2,883,193 |
| - Equity brokerage commission | **685,242** | 177,439 |
| - Repayment of lease obligation against right of use asset | **1,613,221** | 1,536,400 |
| - Finance cost | **34,767** | 29,925 |
| **Key Management Personnel** | | |
| - Salaries and benefits | **16,492,267** | 18,140,883 |
| - Equity brokerage commission | **181,559** | 824,031 |
| **Ultimate Parent Company** | | |
| Habib Bank AG Zurich - Equity brokerage commission | **65,092** | - |
| **Associated Companies - Equity Brokerage Commission** | | |
| First Habib Modaraba - (Subsidiary of Holding Company) | **420,029** | 24,000 |
| Habib Metro Modaraba Management Company (Subsidiary of Holding Company) | **-** | 9,375 |

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

| | 30 September 2022 (Un-audited) | 31 December 2021 (Audited) |
|---|---|---|
| | (Rupees) | |
| **Habib Metropolitan Bank Limited - The Holding Company** | | |
| - Bank balances | **158,579,488** | 216,064,920 |
| - Accrued profit on a bank balance | **1,007,195** | 433,348 |
| - (Payable) / receivable in respect of securities transactions - net | **(3,331)** | 89,305 |
| - Payable in respect of rent | **-** | 175,350 |
| **Key Management Personnel** | | |
| - Advances | **529,867** | 329,867 |
| - Payable against sale of securities - net | **605,638** | 265,546 |
| **Associated Companies** | | |
| First Habib Modaraba | | |
| - Payable against sale of securities - net | **733** | 733 |
| Habib Metropolitan Modaraba Management Company | | |
| - Receivable against sale of securities - net | **7,069** | 7,069 |
| **Directors (Holding Company)** | | |
| - Payable against sale of securities - net | **240,433** | 96,236 |

## 21 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.

## 22 EARNINGS PER SHARE BASIC AND DILUTED

| | For the nine month period ended 30 September | |
|---|---|---|
| | **2022** | 2021 |
| | **(Un-audited)** | |
| | **(Rupees)** | |
| Net (loss) / profit for the period | **(3,427,458)** | 5,018,004 |
| | **(Number)** | |
| Weighted average ordinary shares during the period | **30,000,000** | 30,000,000 |
| | **(Rupees)** | |
| Earnings per share - basic and diluted | **(0.11)** | 0.17 |

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

As at 30 September 2022 the Company employed 04 members in its Research Department (including 03 analysts, 01 data base manager). All members report to the 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 six months period ended 30 September 2022, the personnel employed in the Research Department have drawn an aggregate salary and benefits amounting to Rs. 3.32 million which comprises basic salary, medical allowance, other benefits and bonus as per the Company's policy.

## 24 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 value 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 | Note | 30 September 2022 (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 | | **98,659,425** | - | **98,659,425** | - | **98,659,425** |
| **- Long term investments** | | | | | | |
| - Investment in the shares of Pakistan Stock Exchange Limited | | **15,789,087** | **15,789,087** | - | - | **15,789,087** |
| | | | | | | - |
| **Financial assets not measured at fair value** | *24.2* | | | | | |
| - Receivable from customers | | **19,519,425** | - | - | - | - |
| - Loan to employees | | **1,619,275** | - | - | - | - |
| - Deposits | | **79,940,390** | - | - | - | - |
| - Other receivables | | **81,679** | - | - | - | - |
| - Accrued Profit | | **2,575,103** | - | - | - | - |
| - Bank balances | | **160,118,822** | - | - | - | - |
| | | **378,303,206** | **15,789,087** | **98,659,425** | - | **114,448,512** |
| **Financial liabilities not measured at fair value** | *24.2* | | | | | |
| - Trade and other payables | | **(90,627,653)** | - | - | - | - |
| **On Balance Sheet Gap** | | **287,675,553** | **15,789,087** | **98,659,425** | - | **114,448,512** |

| On balance sheet financial instruments | | 31 December 2021 (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 | | 98,509,367 | - | 98,509,367 | - | 98,509,367 |
| **- Long term investments** | | | | | | |
| - Investment in shares of Pakistan Stock Exchange Limited | | 22,040,604 | 22,040,604 | - | - | 22,040,604 |
| | | | | | | - |
| **Financial assets not measured at fair value** | *24.2* | | | | | |
| - 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** | *24.2* | | | | | |
| - Trade and other payables | | (169,802,634) | - | - | - | - |
| **On Balance Sheet Gap** | | 297,937,829 | 22,040,604 | 98,509,367 | - | 120,549,971 |

**24.1 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.

**24.2** 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 value are reasonable approximations of the fair values.

## 25 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.

## 26 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 2022 and as per slabs given under the above mentioned regulations, the Company is required to maintain a BMC of Rs. 28.72 million with PSX. The Company is in compliance with the aforementioned requirement as at 30 September 2022.

## 27 DATE OF AUTHORISATION FOR ISSUE

These condensed interim financial information were authorised for issue by the Board of Directors of the Company on 17 October 2022.

**Chief Executive Officer**

**Director**