

# Habib Metro Modaraba

(An Islamic Financial Institution)



## Half yearly Accounts

For the period ended  
December 31, 2022  
(Un-audited)

**HABIBMETRO**  
Modaraba Management

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## Corporate Information

### MODARABA MANAGEMENT COMPANY

Habib Metropolitan Modaraba Management Company (Private) Limited

### BOARD OF DIRECTORS

Syed Rasheed Akhtar	- Chairman (Non-Executive Independent Director)
Mr. Muhammad Shoaib Ibrahim	- Chief Executive Officer
Mr. Usman Nurul Abedin	- Non-Executive Director
Mr. Saeed Uddin Khan	- Non-Executive Independent Director
Mr. Mohammad Shams Izhar	- Non-Executive Director
Dr. Irum Saba	- Non-Executive Director

### LEGAL ADVISOR

S & B Durrani Law Associates

### SHARIAH ADVISOR

Alhmd Shariah Advisory Services (Private) Limited

### AUDIT COMMITTEE

Mr. Saeed Uddin Khan	- Chairman
Syed Rasheed Akhtar	- Member
Mr. Mohammad Shams Izhar	- Member
Mr. Muhammad Babar	- Secretary

### AUDITOR

Crowe Hussain Chaudhury & Co  
Chartered Accountants

### HUMAN RESOURCE COMMITTEE

Mr. Saeed Uddin Khan	- Chairman
Syed Rasheed Akhtar	- Member
Mr. Mohammad Shams Izhar	- Member
Mr. Muhammad Jehanzeb	- Secretary

### BANKERS

Habib Metropolitan Bank Limited (Islamic Banking)  
Soneri Bank Limited (Islamic Banking)  
Meezan Bank Limited  
Dubai Islamic Bank Pakistan Limited

### COMPANY SECRETARY

Ms. Aeraj Abeer

### REGISTERED OFFICE

3<sup>rd</sup> Floor, Al Manzoor Building  
Dr. Ziauddin Ahmed Road, Karachi  
Tel : 021-32635949-51  
UAN : 111-346-346  
Web : [www.habibmetromodaraba.com](http://www.habibmetromodaraba.com)  
Email : [hmm@habibmetromodaraba.com](mailto:hmm@habibmetromodaraba.com)

### REGISTRAR

CDC Share Registrar Services Limited  
Share Registrar Department  
CDC House, 99-B, Block "B",  
S.M.C.H.S  
Main Shahrah-e-Faisal,  
Karachi,  
Pakistan. Tel: 111-111-500

## Directors' Report

On behalf of the Board of Directors, it is our great pleasure to present the un-audited accounts of the Habib Metro Modaraba for the six months ended December 31, 2022.

### Business Operation

Despite of several economic issues, the first half of financial year has ended with profit after tax of Rs. 17.3 million as compared to Rs. 7.5 million for the previous corresponding period. Balance sheet footing of the Modaraba stood at Rs.368.5 million as at December 31, 2022 as compared to Rs. 351.42 for the previously corresponding period.

### Economic Outlook

Currently, Pakistan's economic outlook presents a depressing picture. The first six months of 2022-23 have witnessed considerable uncertainty about country's economic prospects. The large negative impact of the 2022 floods with higher international commodity prices, devaluation of the rupee, decreasing foreign exchange reserve and restrictions on imports have led towards stagflation. The inflation rate has risen to historical peak levels of around 27% in January, 2023, especially of food prices.

The impact of the floods on output of the agricultural sector has been very large. Few major crops have shown declining trends particularly cotton crops. A number of major industries have reduced their output including Textile, Steel, Chemical, Automobile and others. A major factor contributing to the fall in these industries is the shortage of imported intermediate inputs and raw materials due to the restriction and controls imposed on the LCs for import. Continuous upward rise in policy rate of State Bank of Pakistan has also intensified difficulties in businesses. In January, 2023, rate further increase by 1% to 17% and there is expectation of further rise in policy rate due to increasing inflation trends.

The country's current account deficit declined during the first half of this fiscal year (FY23) mainly due to lower import bill. Government's measures to curtail the rising import have put a positive impact on the country's external account. However, due to restriction on LCs for import of raw materials, the crisis has further intensified in industries across the country and severely disrupted supply chain of production.

### Current status of merger of Habib Metro Modaraba

Recently, the Honorable High Court has allowed our merger petition of Habib Metro Modaraba (HMM) with and into First Habib Modaraba (FHM). Now relevant department of both Modarabas are in process to complete remaining formalities of merger such as closing of Certificate Holders book of HMM for issuance new Certificate of FHM as per Swapping ratio, delisting of HMM from PSX and amalgamation of books of HMM with FHM.

### Acknowledgment

We would like to express our sincere thanks and gratitude for the continued support and guidance provided by Securities & Exchange Commission of Pakistan and Registrar Modaraba, customers of the Modaraba for their patronage and Certificate holders, investors who have remained committed to HMM. I also appreciate dedication, high level of professionalism and hard work of employees of HMM for smooth operations and achieving satisfactory results in extremely difficult business environment.

**For and on behalf of Board of Directors**

**Syed Rasheed Akhtar**  
Director

**Muhammad Shoaib Ibrahim**  
Chief Executive Officer

**Karachi: 22<sup>nd</sup> February, 2023**

## ڈائریکٹرز رپورٹ

یہ ہمارے لئے باعث مسرت ہیکہ ہم بورڈ آف ڈائریکٹرز کی جانب سے ۳۱ دسمبر، ۲۰۲۲ کو ختم ہونے والی ششماہی مدت اختتام پر حبیب میٹرو مضاربہ کی غیر محتسب شدہ کھاتے پیش کریں۔

### کاروباری سرگرمیاں:

متعدد معاشی مسائل و تنازعات کے باوجود، سال کا پہلا ششماہی ۱.۳ ملین روپے بعد از ٹیکس منافع پر اختتام پذیر ہوا جو کہ پچھلے سال اسی مدت میں ۵.۷ ملین روپے تھا۔ مضاربہ کی بیلنس شیٹ کی بنیاد ۳۱ دسمبر ۲۰۲۲ کو ۳۶۸.۵ ملین روپے پر ہے جو کہ پچھلے سال اسی مدت میں ۳۵۱.۲۲ ملین روپے تھا۔

### معاشی جائزہ:

اس وقت پاکستان کا معاشی منظر نامہ مایوس کن تصویر پیش کر رہا ہے۔ ۲۰۲۲-۲۳ کے پہلے چھ مہینوں میں ملک کے معاشی بحالی کے امکانات کے بارے میں کافی غیر یقینی صورتحال دیکھی گئی ہے۔ ۲۰۲۲ کے سیلاب کے بڑے منفی اثرات، اشیاء کی بین الاقوامی قیمتوں میں اضافہ، روپے کی قدر میں کمی، غیر ملکی زر مبادلہ کے ذخائر میں کمی اور دہائیوں پر پابندیاں معیشت جمود کی طرف لے گئی ہیں۔ مہنگائی کی شرح جنوری ۲۰۲۳ میں خاص طور پر خوراک / کھانے پینے کی قیمتوں میں تقریباً ۲ فیصد کی تاریخی بلند ترین سطح پر پہنچ گئی ہے۔

زرعی شعبے کی پیداوار پر سیلاب کے اثرات، بہت زیادہ رہے ہیں۔ چند بڑی فصلوں خاص طور پر کپاس کی فصل میں کمی کارجان دیکھا گیا ہے۔ ٹیکسٹائل، اسٹیل، کیمیکل، آٹو موٹائل اور دیگر سمیت متعدد بڑی صنعتوں نے اپنی پیداوار میں کمی کی ہے۔ ان صنعتوں میں زوال کا ایک بڑا عنصر امپورٹڈ انٹرمیڈیٹ ان پٹ اور خام مال کی کمی ہے جس کی وجہ سے درآمد کے لیے ایل سی پر عائد پابندی اور کنٹرول ہیں۔ اسٹیٹ بینک آف پاکستان کی پالیسی ریٹ میں مسلسل اضافے نے کاروبار میں بھی مشکلات بڑھادی ہیں۔ جنوری ۲۰۲۳ میں، شرح مزید ۱.۷٪ سے ۱.۷٪ تک بڑھ جاتی ہے اور افراط زر کے بڑھتے ہوئے رجحانات کی وجہ سے پالیسی ریٹ میں مزید اضافے کی توقع ہے۔

رواں مالی سال (FY23) کی پہلی ششماہی کے دوران ملک کے کرنٹ اکاؤنٹ خسارے میں کمی آئی جس کی بنیادی وجہ درآمدی بلوں میں کمی ہے۔ بڑھتی ہوئی درآمدات کو کم کرنے کے حکومتی اقدامات نے ملک کے بیرونی کھاتے پر مثبت اثر ڈالا ہے۔ تاہم، خام مال کی درآمد کے لیے ایل سی پر پابندیوں کی وجہ سے ملک بھر کی صنعتوں میں بحران مزید شدت اختیار کر گیا ہے اور پیداوار کی سپلائی چین کو بری طرح متاثر کر دیا ہے۔

### حبیب میٹرو مضاربہ کے انضمام کی حالیہ صورتحال:

حال ہی میں، معزز عدالت نے ہماری حبیب میٹرو مضاربہ (HMM) کے فرسٹ حبیب مضاربہ کے ساتھ انضمام کی درخواست کی اجازت دی ہے۔ انضمام کی اسکیم کے مطابق، انضمام کی موثر تاریخ یکم جولائی ۲۰۲۲ ہے۔ اب دونوں اداروں کا متعلقہ محکمہ انضمام کی بقیہ رسمی کارروائیوں جیسے کہ HMM کے سرٹیفکیٹ ہولڈرز کی کتاب کو بند کر کے تبدیل کرنے کے تناسب کے مطابق FHM کا نیا سرٹیفکیٹ جاری کرنے کے عمل میں ہے۔ پاکستان اسٹاک ایکسچینج (PSX) سے HMM کی ڈی لسٹنگ اور HMM کی کتابوں کو FHM کے ساتھ ملانا۔ ضم شدہ ادارے کے طور پر اکاؤنٹس ۳۱ مارچ ۲۰۲۳ کی قریبی سہ ماہی میں شائع کیے جائیں گے۔

### اظہار تشکر:

بورڈ آف ڈائریکٹرز کی طرف سے ہم سیکورٹیز اینڈ ایکسچینج کمیشن آف پاکستان کا، رجسٹرار مضاربہ کے بہت ہی مشکور ہیں جنہوں نے ہماری مسلسل رہنمائی اور سرپرستی کی، اپنے قابل قدر کسٹمرز کا، اپنے سرٹیفکیٹ ہولڈرز کا کہ انہوں نے ہم پر بھروسہ کیا اور حبیب میٹرو مضاربہ کے ساتھ بنے رہے۔ اور ہم حبیب میٹرو مضاربہ ملازمین کی اعلیٰ پائے کی پیشہ ورانہ مہارت اور مسلسل بے انتہا محنت کا جس کی وجہ سے ہم نے انتہائی مشکل ترین حالات میں بھی اطمینان بخش نتائج حاصل کئے۔

بورڈ آف ڈائریکٹرز کیلئے اور ان کی جانب سے

سید رشید اختر

ڈائریکٹر

محمد شعیب ابراہیم

چیف ایگزیکٹو آفیسر

کراچی: ۲۲ فروری ۲۰۲۳

# Independent Auditors' Report on Review of Condensed Interim Financial Information to the Certificate Holders

Report on Review of Condensed Interim Financial Statements

## Introduction

We have reviewed the accompanying condensed interim balance sheet of Habib Metro Modaraba ("the Modaraba"), as at December 31, 2022 and the related condensed interim profit and loss account, condensed interim statement of comprehensive income, condensed interim statement of changes in equity, condensed interim statement of cash flows and notes to the condensed interim financial statements for the six-months period then ended (here-in-after referred to as the "interim financial statements"). The Modaraba Management Company is responsible for the preparation and presentation of these interim financial statements in accordance with accounting and reporting standards as applicable in Pakistan for interim financial reporting. Our responsibility is to express a conclusion on these interim financial statements 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 statement 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 statements as at and for the half year ended December 31, 2022 is not prepared, in all material respects, in accordance with approved accounting and reporting standards as applicable in Pakistan for interim financial reporting.

## Emphasis of Matter

We draw attention to the note 1.2 to the interim financial statements, which describes the amalgamation of the Modaraba with and into First Habib Modaraba (FHM) under section 279 to 282 Companies Act, 2017.

Our opinion is not modified in respect of the above matters.

## Other Matters

The figures of the condensed interim statement of profit and loss and condensed interim statement of comprehensive income for the three months period ended December 31, 2022 and December 31, 2021 have not been reviewed, as we are required to review only the cumulative figures for the six months period ended December 31, 2022.

The financial statements of the Modaraba for the period ended 31 December 2021 were reviewed by another firm of chartered accountants who expressed unmodified conclusion dated 23 February 2022.

The engagement partner on the review resulting in this independent auditor's report is Imran Shaikh.

Chartered Accountants

Karachi

Date: 24 February 2023

UDIN: RR20221 020707oQCFwAy

## CONDENSED INTERIM BALANCE SHEET

AS AT DECEMBER 31, 2022

	Note	December 31, 2022 (Un-audited) Rupees	June 30, 2022 (Audited) Rupees
<b>ASSETS</b>			
<b>NON CURRENT ASSETS</b>			
Property and equipment	4	817,829	1,125,555
Diminishing musharaka financing	5	120,114,731	201,813,420
Deferred tax asset		504,864	381,271
		<b>121,437,424</b>	203,320,246
<b>CURRENT ASSETS</b>			
Current portion of diminishing musharaka financing	5	72,304,199	85,898,911
Short term prepayments and other receivables		1,663,987	2,250,065
Accrued profit		2,059,921	664,839
Taxation - net	6	706,580	4,092,515
Cash and bank balances	7	170,359,070	74,337,470
		<b>247,093,757</b>	167,243,801
		<b>368,531,181</b>	370,564,046
<b>TOTAL ASSETS</b>			
<b>EQUITY AND LIABILITIES</b>			
<b>SHARE CAPITAL AND RESERVES</b>			
Authorized capital			
30,000,000 Modaraba certificates of Rs. 10/- each		300,000,000	300,000,000
Issued, subscribed and paid-up certificate capital	8	300,000,000	300,000,000
Statutory reserve	9	15,511,779	15,511,779
Unappropriated profit		21,629,521	17,797,120
		<b>337,141,300</b>	333,308,899
<b>CURRENT LIABILITIES</b>			
Creditors, accrued and other liabilities	10	31,220,028	37,133,901
Unclaimed profit distribution		169,853	121,246
		<b>31,389,881</b>	37,255,147
<b>TOTAL EQUITY AND LIABILITIES</b>			
		<b>368,531,181</b>	370,564,046
<b>CONTINGENCIES AND COMMITMENTS</b>			
	11		

The annexed notes from 1 to 21 form an integral part of this condensed interim financial statements.

For Habib Metropolitan Modaraba Management Company (Private) Limited  
(Modaraba Management Company)

Chief Financial Officer

Chief Executive Officer

Director

Director

## CONDENSED INTERIM PROFIT AND LOSS ACCOUNT (UN-AUDITED) FOR THE PERIOD ENDED DECEMBER 31, 2022

		Half year ended December 31, 2022 Rupees	Half year ended December 31, 2021 Rupees	Quarter ended December 31, 2022 Rupees	Quarter ended December 31, 2021 Rupees
	<b>Note</b>				
<b>INCOME</b>					
Income from diminishing musharaka financing		23,215,065	16,672,612	11,363,133	9,092,705
Profit on Modaraba's deposit accounts		9,366,931	1,907,384	5,734,934	955,772
Other financing income		1,595,605	478,770	559,647	134,816
Gain on disposal of fixed asset		-	776,718	-	776,718
		<b>34,177,601</b>	19,835,484	<b>17,657,714</b>	10,960,011
<b>EXPENSES</b>					
Amortization of preliminary expenses and floatation costs	6	-	1,322,724	-	661,363
Administrative expenses		6,190,379	6,915,592	3,836,409	3,395,315
Financial charges		104,014	77,364	73,390	54,723
		<b>6,294,393</b>	8,315,680	<b>3,909,799</b>	4,111,401
		<b>27,883,208</b>	11,519,804	<b>13,747,915</b>	6,848,610
Modaraba management company's fee	12	2,788,321	1,151,980	1,374,792	684,861
Sales tax on Modaraba management company's fee		362,482	149,757	177,180	89,032
Provision for Workers' Welfare Fund		494,648	204,361	241,782	121,494
Profit before taxation		<b>24,237,757</b>	10,013,706	<b>11,954,161</b>	5,953,223
Taxation	13	6,905,356	2,550,900	3,466,707	1,373,361
Profit after taxation		<b>17,332,401</b>	7,462,806	<b>8,487,455</b>	4,579,862
Earnings per certificate - basic and diluted	14	<b>0.58</b>	0.26	<b>0.28</b>	0.12

The annexed notes from 1 to 21 form an integral part of this condensed interim financial statements.

**For Habib Metropolitan Modaraba Management Company (Private) Limited  
(Modaraba Management Company)**

Chief Financial Officer

Chief Executive Officer

Director

Director



## CONDENSED INTERIM STATEMENT OF COMPREHENSIVE INCOME (UN-AUDITED)

FOR THE PERIOD ENDED DECEMBER 31, 2022

	Half year ended December 31, 2022 Rupees	Half year ended December 31, 2021 Rupees	Quarter ended December 31, 2022 Rupees	Quarter ended December 31, 2021 Rupees
Profit after taxation	17,332,401	7,462,806	8,487,455	4,579,862
Other comprehensive income	-	-	-	-
Total comprehensive income for the period	<u>17,332,401</u>	<u>7,462,806</u>	<u>8,487,455</u>	<u>4,579,862</u>

The annexed notes from 1 to 21 form an integral part of this condensed interim financial statements.

**For Habib Metropolitan Modaraba Management Company (Private) Limited  
(Modaraba Management Company)**

Chief Financial Officer

Chief Executive Officer

Director

Director

## CONDENSED INTERIM CASH FLOW STATEMENT (UN-AUDITED)

FOR THE PERIOD ENDED DECEMBER 31, 2022

		Half year ended December 31, 2022	Half year ended December 31, 2021
	Note	Rupees	Rupees
<b>CASH FLOWS FROM OPERATING ACTIVITIES</b>			
Cash generated from operations	18	23,549,483	17,911,296
Diminishing musharaka financing - net		81,698,689	(21,214,659)
Income tax paid		(3,545,800)	(126,690)
Financial charges paid		(104,014)	(77,364)
<b>Net cash generated from operating activities</b>		<b>101,598,357</b>	<b>(3,507,417)</b>
<b>CASH FLOWS FROM INVESTING ACTIVITIES</b>			
Additions to property and equipment		-	(34,575)
Disposal of property and equipment		-	1,300,002
Investment-net		-	40,000,000
Profit received on Modaraba's deposits accounts		7,971,849	1,967,694
<b>Net cash flows from investing activities</b>		<b>7,971,849</b>	<b>43,233,121</b>
<b>CASH FLOWS FROM FINANCING ACTIVITIES</b>			
Dividend paid		(13,548,607)	(12,023,482)
<b>Net cash used in financing activities</b>		<b>(13,548,607)</b>	<b>(12,023,482)</b>
Net increase in cash and cash equivalents during the period		96,021,599	27,702,222
Cash and cash equivalent at the beginning of the period		74,337,470	10,879,709
<b>Cash and cash equivalent at the end of the period</b>	7	<b>170,359,070</b>	<b>38,581,931</b>

The annexed notes from 1 to 21 form an integral part of this condensed interim financial statements.

**For Habib Metropolitan Modaraba Management Company (Private) Limited  
(Modaraba Management Company)**

Chief Financial Officer

Chief Executive Officer

Director

Director

## CONDENSED INTERIM STATEMENT OF CHANGES IN EQUITY (UN-AUDITED) FOR THE PERIOD ENDED DECEMBER 31, 2022

	Issued, subscribed and paid-up certificate capital	*Statutory reserve	Unappropriated profit	Total
	Rupees			
<b>Balance as at July 01, 2021 (Audited)</b>	<b>300,000,000</b>	<b>11,876,005</b>	<b>15,254,023</b>	<b>327,130,028</b>
Transaction with owners				
Profit distribution during the year ended June 30, 2021 @ Re. 0.40 per certificate	-	-	(12,000,000)	(12,000,000)
Total comprehensive income for the period				
Profit for the period	-	-	7,462,806	7,462,806
Other comprehensive income	-	-	-	-
	-	-	7,462,806	7,462,806
<b>Balance as at December 31, 2021 (Un-audited)</b>	<b>300,000,000</b>	<b>11,876,005</b>	<b>10,716,829</b>	<b>322,592,834</b>
<b>Balance as at July 01, 2022 (Audited)</b>	<b>300,000,000</b>	<b>15,511,779</b>	<b>17,797,120</b>	<b>333,308,899</b>
Transaction with owners				
Profit distribution during the year ended June 30, 2022 @ Re. 0.45 per certificate	-	-	(13,500,000)	(13,500,000)
Total comprehensive income for the period				
Profit for the period	-	-	17,332,401	17,332,401
Other comprehensive income	-	-	-	-
	-	-	17,332,401	17,332,401
<b>Balance as at December 31, 2022 (Un-audited)</b>	<b>300,000,000</b>	<b>15,511,779</b>	<b>21,629,521</b>	<b>337,141,300</b>

\*Statutory reserve represents profit set aside to comply with the Modaraba Regulations, 2021 issued by Securities and Exchange Commission of Pakistan.

The annexed notes from 1 to 21 form an integral part of this condensed interim financial statements.

**For Habib Metropolitan Modaraba Management Company (Private) Limited  
(Modaraba Management Company)**

Chief Financial Officer

Chief Executive Officer

Director

Director

## NOTES TO THE CONDENSED INTERIM FINANCIAL STATEMENTS (UN-AUDITED) FOR THE PERIOD ENDED DECEMBER 31, 2022

### 1 NATURE AND STATUS OF BUSINESS

**1.1** Habib Metro Modaraba (the Modaraba) is a multipurpose, perpetual modaraba floated under the Modaraba Companies and Modaraba (Floatation and Control) Ordinance, 1980 and the Rules framed there under and is managed by Habib Metropolitan Modaraba Management Company (Private) Limited (the Modaraba Management Company). After receiving certificate of minimum subscription, the Modaraba commenced its business operations with effect from October 06, 2017. The address of registered office is 3rd Floor, Al-Manzoor Building, I.I. Chundrigar Road, Karachi.

The Modaraba is listed on the Pakistan Stock Exchange Limited. The Modaraba is engaged in Residual Value car financing model on diminishing musharaka basis, providing financing for solar power equipments and other related business.

At the reporting date, sixty percent and ten percent modaraba certificates are held by Habib Metropolitan Bank Limited (the Holding Company) and Habib Metropolitan Modaraba Management Company (Private) Limited (the Management Company) respectively.

**1.2** The Board of Directors of the Management Company, being the modaraba management company of Habib Metro Modaraba ("HMM"), have approved and entered into Scheme of Arrangement dated July 22, 2022 for the merger, by way of amalgamation, of Modaraba with and into First Habib Modaraba (FHM) under Sections 279 to 282 Companies Act, 2017. As a consequence of which, the entire undertaking of the Modaraba shall stand transferred to and vested in FHM which shall continue to be managed by the Management Company of FHM while the Modaraba shall be dissolved and will cease to exist without winding up. The Management Company has filed a petition in this regard before the High Court of Sindh.

The registrar Modarabas and Securities and Exchange Companies (SECP) of Pakistan has already issued a no objection for the scheme of arrangement. The Modaraba has also obtained an approval from the secured creditors.

Further, inline with the initial orders by the Court, the meetings of the certificate holder of modaraba has been held wherein the requisite majority of the certificate holder have approved the Scheme of Arrangement.

Since all the assets and liabilities will be transferred to FHM, at book values therefore, as per the scheme, no adjustment is expected to the carrying amounts of assets and liabilities of the Modaraba.

Subsequent to the period ended December 31, 2022, the Honourable Court has approved the merger petition vide its order dated February 07, 2023 without any amendments in the petition filed.

### 2 BASIS OF PREPARATION

#### 2.1 Statement of compliance

**2.1.1** This condensed interim financial statements has 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, Islamic Financial Accounting Standards (IFAS) as notified under the provisions of the Companies Act, 2017 and made applicable to Modarabas, Modaraba Companies and Modaraba (Floatation and Control) Ordinance, 1980, the Modaraba Companies and Modaraba Rules, 1981 and directives issued by the Securities and Exchange Commission of Pakistan (SECP) [the Modaraba Regulations].

Wherever the requirements of 'the Modaraba Regulations' differ from the requirements of International Accounting Standard (IAS) 34 - Interim Financial Reporting and Islamic Financial Accounting Standards (IFAS) as notified under the provisions of the Companies Act, 2017 and made applicable to Modarabas, requirements of 'the Modaraba Regulations' have been followed.

**2.1.2** The disclosures made in this condensed interim financial statements have, however, been limited based on the requirements of IAS 34. This condensed interim financial information does not include all the information and disclosures required in a full set of financial statements and should be read in conjunction with the annual published audited financial statements of the Modaraba for the year ended June 30, 2022.

## NOTES TO THE CONDENSED INTERIM FINANCIAL STATEMENTS (UN-AUDITED) FOR THE PERIOD ENDED DECEMBER 31, 2022

- 2.1.3** The comparative year presented in these condensed interim financial statements has been extracted from the annual audited financial statements of the Modaraba for the year ended June 30, 2022, whereas the comparative condensed interim statement of profit or loss, condensed interim statement of comprehensive income, condensed interim statement of cash flows, condensed interim statement of changes in equity of the Modaraba are extracted from the unaudited condensed interim financial statement for the period ended December 31, 2021.
- 2.1.4** These condensed interim financial statements are un-audited, but has been reviewed by the auditors. Further, the figures of the condensed interim statement of profit or loss and condensed interim statement of comprehensive income for the quarter ended December 31, 2021 and December 31, 2022 have not been reviewed.
- 2.1.5** The SECP has issued directive (vide SRO 431 (I) / 2007 dated May 22, 2007) that Islamic Financial Accounting Standard 2 (IFAS-2) shall be followed in preparation of the condensed interim financial statements by Companies and Modarabas while accounting for Lease Financing transactions as defined by the said standard. The Modaraba has adopted the said standard.
- 2.1.6** These condensed interim financial statements are being submitted to the certificate holders if requested as required by listing Regulations of Pakistan Stock Exchange vide section 237 of the Companies Act, 2017.

### 2.2 Basis of measurement

This condensed interim financial statements has been prepared under the historical cost convention.

This condensed interim financial statements has been prepared following accrual basis of accounting except for cash flow information.

Permissible Islamic financial products including Murabaha (as a liability) and Musharaka have been used by the Modaraba, in line with similar industry practices. The accounting and presentation of the same are in line with the substance of the transaction and are limited to the extent of actual amount of facility utilized and mutually agreed profit thereon. Accordingly, purchases, sales and Musharaka profits / reserves are not reflected in this condensed interim financial statements.

### 2.3 Functional and presentation currency

These condensed interim financial statements is presented in Pakistani Rupees which is also the Modaraba's functional and presentation currency. All amounts have been rounded to the nearest rupee, unless otherwise stated.

## 3 SIGNIFICANT ACCOUNTING POLICIES

- 3.1** The principal accounting policies applied in the presentation of these condensed interim financial statements are same as those applied in the preparation of annual financial statements of the Modaraba as at and for the year ended June 30, 2022.
- 3.2** There are certain standards, interpretations and amendments to approved accounting standards which have been published and are mandatory for the Modaraba's accounting period beginning on or after July 01, 2021. These standards, interpretations and amendments are either not relevant to the Modaraba's operations or are not expected to have a significant effect on these condensed interim financial statements.
- 3.3** The Modaraba's financial risk management objectives and policies are consistent with that disclosed in annual audited financial statements of the Modaraba for the year ended June 30, 2022.

**NOTES TO THE CONDENSED INTERIM FINANCIAL STATEMENTS (UN-AUDITED)**  
FOR THE PERIOD ENDED DECEMBER 31, 2022

**4 PROPERTY AND EQUIPMENT**

	Leasehold improvements	Furniture and fixtures	Office equipment	Vehicle	Total
	Rupees				
<b>Owned assets</b>					
<b>Net carrying value basis</b>					
<b>Period ended December 31, 2022 (Un-audited)</b>					
Opening net book value	826,148	18,566	238,736	42,105	1,125,555
Additions (at cost)	-	-	-	-	-
Deletions (NBV)	-	-	-	-	-
Depreciation	(253,533)	(4,977)	(44,449)	(4,767)	(307,726)
<b>Closing net book value</b>	<b>572,615</b>	<b>13,589</b>	<b>194,287</b>	<b>37,338</b>	<b>817,829</b>
<b>Period ended December 31, 2022 (Un-audited)</b>					
Cost	3,042,445	262,871	1,379,455	2,051,200	6,735,971
Accumulated depreciation	(2,469,830)	(249,282)	(1,185,168)	(2,013,862)	(5,918,142)
<b>Net book value</b>	<b>572,615</b>	<b>13,589</b>	<b>194,287</b>	<b>37,338</b>	<b>817,829</b>
<b>Owned assets</b>					
<b>Net carrying value basis</b>					
<b>Year ended June 30, 2022 (Audited)</b>					
Opening net book value	1,295,762	71,140	171,513	713,395	2,251,810
Additions (at cost)	34,575	-	214,635	-	249,210
Deletions (NBV)	-	-	-	(523,284)	(523,284)
Depreciation	(504,189)	(52,574)	(147,412)	(148,006)	(852,181)
<b>Closing net book value</b>	<b>826,148</b>	<b>18,566</b>	<b>238,736</b>	<b>42,105</b>	<b>1,125,555</b>
<b>Year ended June 30, 2022 (Audited)</b>					
Cost	3,042,445	262,871	1,379,455	2,051,200	6,735,971
Accumulated depreciation	(2,216,297)	(244,305)	(1,140,719)	(2,009,095)	(5,610,416)
<b>Net book value</b>	<b>826,148</b>	<b>18,566</b>	<b>238,736</b>	<b>42,105</b>	<b>1,125,555</b>
<b>Annual rate of depreciation (% per annum)</b>	16.67%	20%	25% - 33.33%	16.67%	

	Note	December 31, 2022 (Un-audited) Rupees	June 30, 2022 (Audited) Rupees
<b>5 DIMINISHING MUSHARAKA FINANCING</b>			
Secured			
Diminishing musharaka financing	5.1	191,541,059	259,153,845
Advance against diminishing musharaka financing	5.2	1,165,125	28,591,655
Less: Provision for expected credit loss		(287,254)	(33,169)
		<b>192,418,930</b>	287,712,331
Less: Current portion of diminishing musharaka		(72,304,199)	(85,898,911)
		<b>120,114,731</b>	201,813,420

**5.1** This represents diminishing musharaka financing for a term of 3 to 5 years in order to provide residual value car financing on diminishing musharaka basis.

**5.2** This represents amount paid to supplier for booking of vehicle for diminishing musharaka financing.

## NOTES TO THE CONDENSED INTERIM FINANCIAL STATEMENTS (UN-AUDITED) FOR THE PERIOD ENDED DECEMBER 31, 2022

	Note	December 31, 2022 (Un-audited) Rupees	June 30, 2022 (Audited) Rupees
<b>6 TAXATION - NET</b>			
Advance tax - net	6.1 & 6.2	<u>706,580</u>	<u>4,092,515</u>
<b>6.1</b>	This includes advance tax amounting to Rs. Nil (June 30, 2022: Rs. 3.08 million) pertaining to vehicles purchased for diminishing musharaka financing. The amounts are adjustable against diminishing musharaka contracts upon receipt of refunds from tax authorities.		
<b>6.2</b>	This includes the advance tax deducted by the various withholding agents amounting to Rs. 1.20 million (June 30, 2022: Rs. 2.78) million under various sections of the Income Tax Ordinance, 2001.		

	Note	December 31, 2022 (Un-audited) Rupees	June 30, 2022 (Audited) Rupees
<b>7 CASH AND BANK BALANCES</b>			
Cash in hand		10,000	-
Stamps in hand		41,200	11,200
Cash with banks in:			
Modaraba's deposit account	7.1	170,171,995	74,130,652
Current accounts		<u>135,875</u>	<u>195,617</u>
		<u>170,359,070</u>	<u>74,337,469</u>
<b>7.1</b>	This account carry profit at rates ranging from 9.75% to 14.50% (June 30, 2022 : 6.4% to 8.00%) per annum.		

## 8 ISSUED, SUBSCRIBED AND PAID-UP CERTIFICATE CAPITAL

Modaraba certificates of Rs. 10 each, issued as fully paid in cash

	December 31, 2022	June 30, 2022	Note	December 31, 2022 Rupees	June 30, 2022 Rupees
<b>Number of certificates</b>					
	30,000,000	30,000,000	8.1 & 8.2	<u>300,000,000</u>	<u>300,000,000</u>
<b>8.1</b>	Habib Metropolitan Modaraba Management Company (Private) Limited (the Management Company) held 3,000,000 (10%) (June 30, 2022: 3,000,000) certificates of Rs. 10 each as at December 31, 2022.				
<b>8.2</b>	Habib Metropolitan Bank Limited, held 18,000,000 (60%) (June 30, 2022: 18,000,000) certificates of Rs.10 each as at December 31, 2022.				

**NOTES TO THE CONDENSED INTERIM FINANCIAL STATEMENTS (UN-AUDITED)**  
FOR THE PERIOD ENDED DECEMBER 31, 2022

<b>9 RESERVE</b>	<b>Note</b>	<b>December 31, 2022 (Un-audited) Rupees</b>	<b>June 30, 2022 (Audited) Rupees</b>
Capital reserve			
Statutory reserve	9.1	<b>15,511,779</b>	15,511,779
Revenue reserve			
Unappropriated profit		<b>21,629,521</b>	17,797,120
		<b>37,141,300</b>	<b>33,308,899</b>

**9.1** Modaraba Regulations, 2021 issued by Securities and Exchange Commission of Pakistan (SECP) requires creation of reserve fund to which shall be credited:

a) an amount not less than 20% and not more than 50% of its after tax profits till such time the reserve fund equals the amount of paid-up capital; and

b) a sum not less than 5% and not more than 20% of its after tax profits, thereafter.

<b>10 CREDITORS, ACCRUED AND OTHER LIABILITIES</b>	<b>Note</b>	<b>December 31, 2022 (Un-audited) Rupees</b>	<b>June 30, 2022 (Audited) Rupees</b>
Provision for Sindh Workers' Welfare Fund	10.1	<b>672,508</b>	674,289
Adjustable against Diminishing Musharaka	10.2	<b>9,222,500</b>	9,222,500
Accrued expenses		<b>2,119,185</b>	2,244,650
Management fee payable		<b>2,788,321</b>	2,883,722
Sales tax on management fee payable		<b>1,399,482</b>	1,037,000
Residual value received in advance		<b>2,200,461</b>	2,758,290
Other liabilities	10.3	<b>10,220,702</b>	17,813,450
Audit fee payable		<b>409,000</b>	500,000
Insurance and takaful payable		<b>2,187,869</b>	-
		<b>31,220,028</b>	<b>37,133,901</b>

**10.1** As a consequence of the 18th amendment to the Constitution of Pakistan, in May 2015, the Sindh Workers' Welfare Fund Act, 2014 (SWWF Act) had been passed by the Government of Sindh as a result of which every industrial establishment located in the Province of Sindh, the total income of which in any accounting year is not less than Rs. 0.5 million, is required to pay Sindh Workers' Welfare Fund (SWWF) in respect of that year a sum equal to two percent of such income, to the Sindh Revenue Board (SRB).

The matter was taken up by the Modaraba Association of Pakistan (MAP) with SRB collectively on behalf of various modaraba management companies (including the Management Company of the Modaraba) whereby it was contested that modarabas should be excluded from the ambit of the SWWF Act as these were not industrial establishments due to their nature of business. The SRB held that modarabas were included in the definition of financial institutions as per the Financial Institution (Recovery of Finances) Ordinance, 2001 and were, hence, required to register and pay SWWF under the SWWF Act.

The Modaraba received a notice vide letter no. SRB /AC-37/2019-20/80 dated August 19, 2019, wherein, the SRB has advised the Modaraba to pay off all its liabilities falling due under the SWWF Act. As per SWWF Act, Workers' Welfare Fund (WWF) levy is required to be paid on total income accruing after December 31, 2013. As the Modaraba has its operations all across Pakistan therefore total income declared in its tax return is a cumulative sum of income for all provinces but the management understands that the SWWF Act is limited only to the province of Sindh and till the time there is any mechanism available for apportionment of total income



## NOTES TO THE CONDENSED INTERIM FINANCIAL STATEMENTS (UN-AUDITED) FOR THE PERIOD ENDED DECEMBER 31, 2022

relevant to the province of Sindh, no WWF liability to SRB can be paid out. On these grounds and foreseeing the expected WWF demand along with penal actions from SRB, the Modaraba filed an appeal with the Honorable Sindh High Court (SHC). However, as per the order of Honourable SHC dated March 16, 2020 the Modaraba has deposited an amount of Rs. 1.252 million for the period from October 06, 2017 to December 31, 2022 to Sindh Worker Welfare Fund (SWWF) based on the income pertaining to Sindh.

- 10.2** This relates to withholding tax deposited pertaining to vehicles purchased for diminishing musharaka financing. The amounts are adjustable against diminishing musharaka financing upon receipt of refunds from tax authorities.
- 10.3** It includes maintenance service charges and sundry creditors amounting to Rs. 6.880 million and Rs. 0.8270 million (2022: Rs. 5.94 million and Rs. 3.60 million) respectively.

### 11 CONTINGENCIES AND COMMITMENTS

#### 11.1 Contingencies

There were no contingencies as at the end of reporting periods.

#### 11.2 Commitments

Commitments in respect of diminishing Musharaka financing amounting to Nil (June 30, 2022: Rs. 10.55 million).

### 12 MODARABA MANAGEMENT COMPANY'S FEE

As per section 18 of Modaraba Companies and Modaraba (Floatation and Control) Ordinance, 1980, the remuneration of the Modaraba Management Company in respect of the Modaraba floated by it shall be a fixed percentage of the net annual profits of the Modaraba and shall not exceed ten percentage of the net profits as prescribed.

In accordance with the Modaraba Companies and Modaraba Rules, 1981, the Modaraba Management Company has charged 10% of profits during the period which is payable to the Modaraba Management Company amounting to Rs. 2.788 million (December 31, 2021: 1.152 million). Furthermore, during the current period, an amount of Rs. 0.362 million (December 31, 2021: 0.150 million) at the rate of 13% was charged on account of sales tax on management fee levied under Sindh Sales Tax on Services Act, 2011.

	<b>December 31, 2022 (Un-audited) Rupees</b>	<b>December 31, 2021 (Un-audited) Rupees</b>
<b>13 TAXATION-NET</b>		
Current tax expense	7,028,949	2,903,974
Deferred tax income	(123,593)	(353,074)
	<u><b>6,905,356</b></u>	<u><b>2,550,900</b></u>

The tax exemption by virtue of Clause 100 of Part I of the Second Schedule to the Income Tax Ordinance, 2001 had been withdrawn through Tax Laws (Second amendment), 2021 dated March 21, 2021 which was subsequently adopted in Finance Act, 2021. Accordingly, provision is recognized in these condensed interim financial statements.

Provision for current taxation is based on taxable income for the period at the current rates of taxation after taking into account applicable tax credits, rebates and exemptions available, if any.

	<b>December 31, 2022 (Un-audited) Rupees</b>	<b>December 31, 2021 (Un-audited) Rupees</b>
<b>14 EARNINGS PER CERTIFICATE - BASIC AND DILUTED</b>		
The earnings per certificate as required under IAS 33 "Earnings per share" is given below:		
Profit for the period	17,332,401	7,462,806
Weighted average number of certificates outstanding	30,000,000	30,000,000
Earnings per certificate - Basic and diluted (Rupees)	<u><b>0.58</b></u>	<u><b>0.25</b></u>

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There were no convertible potential dilutive ordinary certificates outstanding as on December 31, 2022 and December 31, 2021 which have dilutive effect on earnings per certificate.

### 15 FAIR VALUE OF FINANCIAL INSTRUMENTS

Fair value is the amount for which an asset could be exchanged, or a liability settled, between knowledgeable willing parties in an arm's length transaction. Consequently differences can arise between carrying values and the fair value estimates.

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

Financial assets which are tradable in an open market are revalued at the market prices prevailing on the balance sheet date. The estimated fair value of all other financial assets and liabilities is considered not significantly different from book value as the items are short term in nature.

The carrying values of all financial assets and liabilities reflected in the financial statements are reasonable approximation to their fair values. Fair value is determined on the basis of the objective evidence at each required date. The following table compares the carrying amounts and fair values of the Modaraba's financial assets and financial liabilities as at December 31, 2022.

	December 31, 2022 (Un-audited)		June 30, 2022 (Audited)	
	Carrying amount	Fair value	Carrying amount	Fair value
	-----Rupees-----		-----Rupees-----	
<b>Financial assets</b>				
<b>At amortised cost</b>				
Diminishing musharaka financing	120,114,731	120,114,731	201,813,420	201,813,420
Current portion of diminishing musharaka financing	72,304,199	72,304,199	85,898,911	85,898,911
Other receivables	1,663,987	1,663,987	1,282,767	1,282,767
Accrued profit	2,059,921	2,059,921	664,839	664,839
Short term investments	-	-	-	-
Cash and bank balances	170,307,869	170,307,869	74,336,270	74,336,270
<b>Financial liabilities</b>				
<b>At amortised cost</b>				
Creditors, accrued and other liabilities	25,387,800	25,387,800	29,780,600	29,780,600
Unclaimed profit distribution	169,853	169,853	121,246	121,246

#### 15.1 Fair value hierarchy

The level in the fair value hierarchy within which the financial asset or financial liability is categorised is determined on the basis of the lowest level input that is significant to the fair value measurement.

Financial assets and financial liabilities are classified in their entirety into only one of the three levels.

**Level 1:** quoted prices (unadjusted) in active markets for identical assets or liabilities.

**Level 2:** 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:** inputs for the asset or liability that are not based on observable market data (unobservable inputs).

As at December 31, 2022, no financial instruments of the Modaraba are carried at fair value.

During the period, there were no transfers between level 1 and level 2 fair value measurements and into or out of level 3 fair value measurements.

**NOTES TO THE CONDENSED INTERIM FINANCIAL STATEMENTS (UN-AUDITED)**  
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**16 RELATED PARTY TRANSACTIONS**

Parties are considered to be related if one party has the ability to control the other party or exercise significant influence over the other party in making financial or operational decisions and include a subsidiary company, associated companies with or without common directors, retirement benefit funds, directors, and key management personnel.

The Modaraba has related party relationship with its Holding Company of the Management Company, Management Company, Employee Benefit Plans, and its Key Management Personnel.

During the reporting period, a number of transactions are entered into with related parties in the normal course of business. These include financings, investments and sharing of common expenses and rental income.

The detail of transactions with related parties and balances with them, apart from compensation to executives, is given below:

**16.1 Transaction Held**

<b>Relationship with the Modaraba</b>	<b>Nature of transactions /Balances</b>	<b>December 31, 2022 (Un-audited) Rupees</b>	<b>December 31, 2021 (Un-audited) Rupees</b>
<b>Holding Company of the Management Company</b>			
Habib Metropolitan Bank Limited	Profit on Modaraba's deposit account and Islamic term deposit certificates	<b>9,366,931</b>	977,327
	Dividend payment	<b>8,100,000</b>	7,200,000
	Payment of Electricity, Building security and generator service	<b>916,971</b>	345,250
	Financial charges	<b>104,014</b>	77,364
<b>Associate Company</b>			
Habib Metro Modaraba Employee Provident Fund	Provident Fund Contribution	<b>34,950</b>	49,767
<b>Management Company</b>			
Habib Metropolitan Modaraba Management Company (Private) Limited	Management fee expense	<b>2,788,321</b>	1,151,980
	Management fee paid	<b>2,883,722</b>	1,870,470
	Dividend payment	<b>1,350,000</b>	1,200,000

**16.2 Period end balances**

		<b>December 31, 2022 (Un-audited)</b>	<b>June 30, 2022 (Audited)</b>
<b>Holding Company of the Management Company</b>			
	Bank balances	<b>170,056,827</b>	74,093,033
Habib Metropolitan Bank Limited	Accrued profit on bank accounts and Islamic term deposit certificates	<b>2,059,921</b>	664,839
	Prepaid expenses	-	799,223
<b>Management Company</b>			
Habib Metropolitan Modaraba Management Company (Private) Limited	Management fee payable	<b>2,788,321</b>	2,883,722

## NOTES TO THE CONDENSED INTERIM FINANCIAL STATEMENTS (UN-AUDITED) FOR THE PERIOD ENDED DECEMBER 31, 2022

### 16.3 Group shared services

The Modaraba has entered into arrangements with associated undertakings to share various administrative, human resource and related costs on agreed terms.

### 17 UTILIZATION OF PROCEEDS OF INITIAL PUBLIC OFFERING

The break-up of utilization of proceeds of initial public offering is being presented under the requirements of Regulation 16(i) of Chapter VIII of Public Offering Regulations, 2017. The Modaraba has utilized the proceeds from initial public offering as follows:

	<b>December 31, 2022 (Un-audited) Rupees</b>	<b>June 30, 2022 (Audited) Rupees</b>
Proceeds realized	<b>300,000,000</b>	300,000,000
Purchase of property, plant and equipment	<b>6,735,971</b>	6,636,755
Purchase of intangible assets	<b>344,565</b>	344,565
Preliminary expenses and floatation cost paid	<b>12,422,100</b>	12,422,100
Vehicles available for diminishing musharaka financing	-	200,393,688
Held for working capital, additional assets, investments etc.	<b>280,497,364</b>	80,202,892
	<b>300,000,000</b>	300,000,000
	<b>December 31, 2022 (Un-audited) Rupees</b>	<b>December 31, 2021 (Un-audited) Rupees</b>
	<b>Note</b>	
<b>18 CASH GENERATED FROM OPERATIONS</b>		
Profit before taxation	<b>24,237,757</b>	10,013,706
Adjustment of non-cash and other items:		
Depreciation	<b>307,726</b>	498,603
Amortization of preliminary expenses and floatation costs	-	1,322,724
Financial charges	<b>104,014</b>	77,364
Profit on Islamic Term Deposit Receipts (TDR)	-	-
Profit on Modaraba's deposit account	<b>(9,366,931)</b>	(1,907,384)
Loss on disposal of property and equipment	-	(776,718)
Gain on disposal of property and equipment	-	(776,718)
Movement in working capital	<b>8,266,917</b>	8,683,001
	<b>23,549,483</b>	17,911,296
<b>18.1 Movement in working capital</b>		
Increase in current assets:		
Current portion of diminishing musharaka financing	<b>13,594,712</b>	2,636,067
Short term prepayments and other receivables	<b>586,078</b>	(207,386)
Increase in current liabilities:		
Creditors, accrued and other liabilities	<b>(5,913,873)</b>	6,254,320
	<b>8,266,917</b>	8,683,001

## NOTES TO THE CONDENSED INTERIM FINANCIAL STATEMENTS (UN-AUDITED) FOR THE PERIOD ENDED DECEMBER 31, 2022

### 19 NUMBER OF EMPLOYEES

The number of employees as at period end was 4 (June 30, 2022: 4) and average number of employees during the period was 4 (June 30, 2022: 6).

### 20 CORRESPONDING FIGURES

Corresponding figures have been re-arranged and re-classified, wherever necessary, for the purpose of comparison and for better presentation. However no reclassification has been made during the period.

### 21 DATE OF AUTHORIZATION FOR ISSUE

This condensed interim financial statement was authorized for issue on February 22, 2023 by the Board of Directors of the Habib Metropolitan Modaraba Management Company (Private) Limited.

**For Habib Metropolitan Modaraba Management Company (Private) Limited  
(Modaraba Management Company)**

**Chief Financial Officer**

**Chief Executive Officer**

**Director**

**Director**