

# Habib Metro Modaraba

(An Islamic Financial Institution)



**Half Yearly Accounts  
For the period ended  
December 31, 2021  
(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

Mohsin Tayebaly & Company

### SHARIAH ADVISOR

Alhamd Shariah Advisory Services (Private) Limited

### AUDIT COMMITTEE

Mr. Saeed Uddin Khan	- Chairman
Syed Rasheed Akhtar	- Member
Mr. Mohammad Shams Izhar	- Member
Mr. Hammad Shahab	- Secretary

### AUDITOR

BDO Ebrahim & Co.  
Chartered Accountants

### HUMAN RESOURCE COMMITTEE

Syed Rasheed Akhtar	- Chairman
Mr. Saeed Uddin Khan	- Member
Mr. Mohammad Shams Izhar	- Member
Mr. Tehsin Abbas	- Secretary

### BANKERS

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

### COMPANY SECRETARY

Mr. Tehsin Abbas

### 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 (HMM) for the Half-year ended 31st December 2021.

Alhamdulillah, performance up to first half of business operations remained satisfactory. On completion of the period, we made disbursement of Rs.84.99 million as compared to Rs.63.82 million of corresponding periods of last year which increased by around 33%. The size of financing assets has been increased to Rs.303.571 million from Rs.208.466 million of the same period of last year. The profit before tax of the first half has also slightly increased to Rs.10.01 million as compared to corresponding period of last year of Rs.7.68 million. The increase in auto financing book reflects the encouraging move of acceptability of Residual Value car financing products and we are hopeful that by the end of 2nd half we will be able to further enhance our assets size both in consumer and corporate segments.

During the first half of FY2021-22, the economy of Pakistan encountered with key issues i.e., current account deficit, fiscal imbalances and low agricultural productivity. The twin deficit has become more challenging due to rise in global commodity prices and petroleum products. Due to said deficit, the Pak rupee came in pressure and led towards inflation. The said abrupt change has surprised many stakeholders because the fiscal plan was just put together in June, 2021 with high expectation of potential growth.

The State Bank of Pakistan through its Monetary Policy Statement has further increased the policy rate by 250 bps to 9.75% during the last quarter of the FY2021-22. The recent trend of high inflations, current account and trade deficit, devaluation of Pak rupees continue to pose challenges to the economy of Pakistan and will impact businesses in the current fiscal year. Growth prospects in second half of 2021-22 appears less promising than in the first half. However, good pace of exports, strong foreign remittances and stable domestic demands are encouraging indicators and may support achieving growth targets.

As reported in our last annual report, the Federal Government has withdrawn the tax exemption status of the Modaraba sector. By virtue of said directives, the income of Modaraba will be subject to tax from the current year i.e., FY 2021-22 and accordingly we have made tax provision in first half of current financial year.

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

### For and on behalf of Board of Directors

**Syed Rasheed Akhtar**  
Director

**Muhammad Shoaib Ibrahim**  
Chief Executive Officer

**Karachi: 23 February, 2022**

## ڈائریکٹر رپورٹ

یہ ہمارے لئے باعث مسرت ہیکہ ہم بورڈ آف ڈائریکٹر کی جانب سے ۳۱ دسمبر، ۲۰۲۱ کو ختم ہونے والی ششماہی مدت اختتام پر حبیب میٹرو مضاربہ کی غیر محتسب شدہ کھاتے پیش کریں۔

الحمد للہ، پہلے ہاف میں کاروباری کارکردگی بہترین رہی ہے۔ اس مدت کے اختتام پر ہم نے ۸۴،۹۹ ملین روپے کی ادائیگیاں کیں جبکہ اسی مدت میں پچھلے سال ۶۳،۸۲ ملین روپے کی ادائیگیاں کیں تھیں جو کہ پچھلے سال کے اسی مدت میں ۳۳ فیصد زیادہ ہیں۔ بہترین ادائیگیوں کے باعث مالیاتی اثاثوں کے حجم میں ۲۰۸،۳۶۶ ملین روپے سے ۳۰۳،۵۵۱ ملین روپے کا اضافہ پچھلے سال کے مقابلے میں تھا۔ پہلے ہاف قبل از ٹیکس منافع ۱۰۷،۱ ملین روپے رہا جو کہ پچھلے سال اسی مدت کے دوران ۶۸،۷ ملین روپے سے تھوڑا سا زیادہ ہے۔ آٹو فنانسنگ بنگ میں اضافے سے یہ جھلکتا ہے کہ ریز انڈل ویلیو کار فنانسنگ پروڈکٹ کی مارکیٹ بن رہی ہے اور مارکیٹ اس پروڈکٹ کو قبول کرنے کو تیار ہے اور ہم اُمید کر رہے ہیں کہ دوسرے ہاف کے اختتام تک ہم اپنے کنزیومر اور کارپوریٹ دونوں شعبوں کے مالیاتی حجم میں مزید اضافہ کر پائیں گے۔

مالی سال ۲۰۲۱-۲۲ کے پہلے ہاف میں، پاکستانی معیشت کو جن بنیادی نکات کا سامنا تھا وہ تھے کرنٹ اکاؤنٹ کا خسارہ، غیر متوازن معیشت اور زرعی پیداوار کی کمی۔ عالمگیر سطح پر اجناس اور پیٹرولیم پروڈکٹس کی قیمتوں میں اضافے نے اس کو مزید بڑھا دیا / تلگڑا کیا۔ اس خسارے کی وجہ سے پاکستانی روپیہ پر پریشر میں آیا اور افراط زر کی طرف بڑھتے گئے۔ مذکورہ اچانک تبدیلی نے بہت سے اسٹیک ہولڈرز کو حیران کر دیا ہے کیونکہ مالیاتی منصوبہ صرف جون ۲۰۲۱ میں ممکنہ ترقی کی اعلیٰ توقعات کے ساتھ رکھا گیا تھا۔

اسٹیٹ بینک آف پاکستان نے اپنے مانیٹری پالیسی اسٹیٹمنٹ کے ذریعے مالی سال ۲۰۲۱-۲۲ کی آخری سہ ماہی کے دوران پالیسی ریٹ میں مزید ۲۵۰ بی پی ایس کا اضافہ کر کے ۹،۷ فیصد کر دیا ہے۔ بلند افراط زر کا حالیہ رجحان، کرنٹ اکاؤنٹ اور تجارتی خسارہ، پاکستانی روپے کی قدر میں کمی پاکستان کی معیشت کے لیے بدستور چیلنج بنے ہوئے ہیں اور رواں مالی سال میں کاروبار کو متاثر کرے گا۔ ۲۰۲۱-۲۲ کی دوسری ششماہی میں ترقی کے امکانات پہلی ششماہی کے مقابلے میں کم امید افزا دکھائی دیتے ہیں۔ تاہم برآمدات کی اچھی رفتار، مضبوط غیر ملکی ترسیلات زر اور مستحکم گھریلو مطالبات حوصلہ افزا اشارے ہیں اور ترقی کے اہداف کے حصول میں معاون ثابت ہو سکتے ہیں۔

جیسا کہ ہماری پچھلی سالانہ رپورٹ میں بتایا گیا ہے، وفاقی حکومت نے مضاربہ سیکٹر کی ٹیکس استثنیٰ کی حیثیت واپس لے لی ہے۔ مذکورہ ہدایات کی بنا پر، مضاربہ کی آمدنی موجودہ سال یعنی مالی سال ۲۰۲۱-۲۲ سے ٹیکس کے تابع ہوگی اور اسی کے مطابق ہم نے رواں مالی سال کی پہلی ششماہی میں ٹیکس کی فراہمی کی ہے۔

بورڈ آف ڈائریکٹر کی طرف سے ہم سیکوریٹیز 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 سرٹیفیکیٹ 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 اطمینان بخش نتائج حاصل کئے۔

بورڈ آف ڈائریکٹر کیلئے اور ان کی جانب سے

سید رشید اختر

ڈائریکٹر

محمد شعیب ابراہیم

چیف ایگزیکٹو آفیسر

کراچی ۲۳ فروری ۲۰۲۲

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

### Introduction

We have reviewed the accompanying condensed interim balance sheet of Habib Metro Modaraba ("the Modaraba") as at December 31, 2021 and the related condensed interim profit and loss account, condensed interim statement of comprehensive income, condensed interim cash flow statement, condensed interim statement of changes in equity and notes to the accounts for the half year ended December 31, 2021 (here-in-after referred as the "interim financial information"). Management is responsible for the preparation and presentation of this interim financial information in accordance with approved accounting standards as applicable in Pakistan for interim financial reporting. Our responsibility is to express a conclusion on this interim financial information based on our review.

### Scope of review

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

### Conclusion

Based on our review, nothing has come to our attention that causes us to believe that the accompanying interim financial information as at and for the period ended December 31, 2021 is not prepared, in all material respects, in accordance with approved accounting standards as applicable in Pakistan for interim financial reporting.

### Other matter

The figures for the quarter ended December 31, 2021 and December, 31 2020 in the condensed interim profit and loss account and condensed interim statement of comprehensive income have not been reviewed and we do not express a conclusion on them.

Chartered Accountants  
Karachi  
Date: 24 February 2022

Chartered Accountants  
Engagement Partner: Zulfikar Ali Causer

## CONDENSED INTERIM STATEMENT OF FINANCIAL POSITION

AS AT DECEMBER 31, 2021

		December 31, 2021 (Un-audited) Rupees	June 30, 2021 (Audited) Rupees
<b>ASSETS</b>			
<b>NON CURRENT ASSETS</b>			
Property and equipment	4	1,264,498	2,251,810
Diminishing musharaka financing	5	187,877,791	166,663,132
Preliminary expenses and floatation costs	6	1,304,083	2,626,807
Deferred tax asset		353,074	-
		<b>190,799,446</b>	171,541,749
<b>CURRENT ASSETS</b>			
Short term investments	7	-	40,000,000
Current portion of diminishing musharaka financing	5	115,693,757	118,329,824
Short term prepayments and other receivables		989,007	781,621
Accrued profit		319,459	379,769
Income tax refundable	8	5,035,985	7,766,305
Cash and bank balances	9	38,581,931	10,879,709
		<b>160,620,139</b>	178,137,228
		<b>351,419,585</b>	349,678,977
<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	10	300,000,000	300,000,000
Statutory reserve	11	11,876,005	11,876,005
Unappropriated profit		10,716,829	15,254,023
		<b>322,592,834</b>	327,130,028
<b>CURRENT LIABILITIES</b>			
Creditors, accrued and other liabilities	12	28,694,310	22,439,990
Unclaimed profit distribution		132,441	108,959
		<b>28,826,751</b>	22,548,949
		<b>351,419,585</b>	349,678,977
<b>TOTAL EQUITY AND LIABILITIES</b>			
<b>CONTINGENCIES AND COMMITMENTS</b>			
	13		

The annexed notes from 1 to 24 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

DIRECTOR

DIRECTOR

## CONDENSED INTERIM STATEMENT OF PROFIT OR LOSS (Un-audited)

FOR THE PERIOD ENDED DECEMBER 31, 2021

	Note	Half year ended December 31, 2021 Rupees	Half year ended December 31, 2020 Rupees	Quarter ended December 31, 2021 Rupees	Quarter ended December 31, 2020 Rupees
<b>INCOME</b>					
Income from diminishing musharaka financing		16,672,612	13,046,102	9,092,705	6,717,442
Profit on Modaraba's deposit accounts		1,907,384	871,260	955,772	286,847
Profit on Islamic Term Deposit Receipts (TDR)		-	2,912,006	-	1,329,429
Other financing income		478,770	80,000	134,816	80,000
Other income			771,595	-	252,303
Gain on disposal of fixed asset		776,718	-	776,718	-
		<u>19,835,484</u>	<u>17,680,963</u>	<u>10,960,011</u>	<u>8,666,021</u>
<b>EXPENSES</b>					
Amortization of preliminary expenses and floatation costs	6	1,322,724	1,322,724	661,363	661,363
Administrative expenses		6,915,592	7,435,198	3,395,315	3,962,812
Financial charges		77,364	83,242	54,723	61,033
		<u>8,315,680</u>	<u>8,841,164</u>	<u>4,111,401</u>	<u>4,685,208</u>
		<u>11,519,804</u>	<u>8,839,799</u>	<u>6,848,610</u>	<u>3,980,813</u>
Modaraba management company's fee	14	1,151,980	883,980	684,861	398,081
Sales tax on Modaraba management company's fee		149,757	114,917	89,032	51,751
Provision for Workers' Welfare Fund		204,361	156,818	121,494	63,184
Profit before taxation		<u>10,013,706</u>	<u>7,684,084</u>	<u>5,953,223</u>	<u>3,467,797</u>
Taxation	15	2,550,900	-	1,373,361	-
Profit for the period		<u>7,462,806</u>	<u>7,684,084</u>	<u>4,579,862</u>	<u>3,467,797</u>
Earnings per certificate - basic and diluted	16	<u>0.25</u>	<u>0.26</u>	<u>0.15</u>	<u>0.12</u>

The annexed notes from 1 to 24 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

DIRECTOR

DIRECTOR



## CONDENSED INTERIM STATEMENT OF COMPREHENSIVE INCOME (Un-audited)

FOR THE PERIOD ENDED DECEMBER 31, 2021

	Half year ended December 31, 2021 Rupees	Half year ended December 31, 2020 Rupees	Quarter ended December 31, 2021 Rupees	Quarter ended December 31, 2020 Rupees
Profit for the period	7,462,806	7,684,084	4,579,862	3,467,797
Other comprehensive income	-	-	-	-
Total comprehensive income for the period	<u>7,462,806</u>	<u>7,684,084</u>	<u>4,579,862</u>	<u>3,467,797</u>

The annexed notes from 1 to 24 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

DIRECTOR

DIRECTOR

## CONDENSED INTERIM STATEMENT OF CASH FLOWS (Un-audited)

FOR THE PERIOD ENDED DECEMBER 31, 2021

	Note	Half year ended December 31, 2021 Rupees	Half year ended December 31, 2020 Rupees
<b>CASH FLOWS FROM OPERATING ACTIVITIES</b>			
Cash generated from / (used in) operations	20	17,911,296	(13,993,989)
Vehicles available for diminishing musharaka financing - net		-	(25,905,000)
Diminishing musharaka financing - net		(21,214,659)	8,326,441
Income tax paid		(126,690)	(38,186)
Financial charges paid		(77,364)	(83,242)
Net cash used in operating activities		(3,507,417)	(31,693,976)
<b>CASH FLOWS FROM INVESTING ACTIVITIES</b>			
Additions to property and equipment		(34,575)	(57,200)
Disposal of property and equipment		1,300,002	13,997
Investment-net		40,000,000	20,000,000
Profit received on Modaraba's deposits accounts		1,967,694	1,190,577
Profit received on Islamic Term Deposit Receipts (TDR)		-	2,912,006
Net cash flows from investing activities		43,233,121	24,059,380
<b>CASH FLOWS FROM FINANCING ACTIVITIES</b>			
Dividend paid		(12,023,482)	(20,907,947)
Net cash used in financing activities		(12,023,482)	(20,907,947)
Net increase / (decrease) in cash and cash equivalents during the period		27,702,222	(28,542,543)
Cash and cash equivalent at the beginning of the period		10,879,709	34,522,609
Cash and cash equivalent at the end of the period	9	38,581,931	5,980,066

The annexed notes from 1 to 24 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

DIRECTOR

DIRECTOR

## CONDENSED INTERIM STATEMENT OF CHANGES IN EQUITY

FOR THE PERIOD ENDED DECEMBER 31, 2021

	Issued, subscribed and paid-up certificate capital	*Statutory reserve	Unappropriated profit	Total
-----Rupees-----				
Balance as at July 01, 2020 (Audited)	300,000,000	8,624,156	23,246,627	331,870,783
Transaction with owners				
Profit distribution during the year ended June 30, 2020 @ Re. 0.700 per certificate	-	-	(21,000,000)	(21,000,000)
Total comprehensive income for the period				
Profit for the period	-	-	7,684,084	7,684,084
Other comprehensive income	-	-	-	-
	-	-	7,684,084	7,684,084
Balance as at December 31, 2020 (Un-audited)	300,000,000	8,624,156	9,930,711	318,554,867
Balance as at July 01, 2021 (Audited)	300,000,000	11,876,005	15,254,023	327,130,028
Transaction with owners				
Profit distribution during the year ended June 30, 2021 @ Re. 0.400 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
Balance as at December 31, 2021 (Un-audited)	300,000,000	11,876,005	10,716,829	322,592,834

\*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 24 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

DIRECTOR

DIRECTOR

## NOTES TO THE CONDENSED INTERIM FINANCIAL STATEMENTS

FOR THE PERIOD ENDED DECEMBER 31, 2021

### 1 NATURE AND STATUS OF BUSINESS

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.

### 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, 2021.

**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, 2021, 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, 2020.

**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, 2020 and December 31, 2021 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.

## NOTES TO THE CONDENSED INTERIM FINANCIAL STATEMENTS

FOR THE PERIOD ENDED DECEMBER 31, 2021

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, 2021.

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, 2021.

### 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, 2021 (Un-audited)</b>					
Opening net book value	1,295,762	71,140	171,513	713,395	2,251,810
Additions (at cost)	34,575	-	-	-	34,575
Deletions (NBV)	-	-	-	(523,284)	(523,284)
Depreciation	(250,653)	(26,288)	(78,423)	(143,239)	(498,603)
<b>Closing net book value</b>	<b>1,079,684</b>	<b>44,852</b>	<b>93,090</b>	<b>46,872</b>	<b>1,264,498</b>
<b>Period ended December 31, 2021 (Un-audited)</b>					
Cost	3,042,445	262,871	1,164,820	2,051,200	6,521,336
Accumulated depreciation	(1,962,761)	(218,019)	(1,071,730)	(2,004,328)	(5,256,838)
<b>Net book value</b>	<b>1,079,684</b>	<b>44,852</b>	<b>93,090</b>	<b>46,872</b>	<b>1,264,498</b>
<b>Owned assets</b>					
<b>Net carrying value basis</b>					
<b>Year ended June 30, 2021 (Audited)</b>					
Opening net book value	1,797,071	123,714	370,782	1,031,567	3,323,134
Additions (at cost)	-	-	42,000	57,200	99,200
Deletions (NBV)	-	-	-	(31,039)	(31,039)
Depreciation	(501,309)	(52,574)	(241,269)	(344,333)	(1,139,485)
<b>Closing net book value</b>	<b>1,295,762</b>	<b>71,140</b>	<b>171,513</b>	<b>713,395</b>	<b>2,251,810</b>
<b>Year ended June 30, 2021 (Audited)</b>					
Cost	3,007,870	262,871	1,164,820	2,051,200	6,486,761
Accumulated depreciation	(1,712,108)	(191,731)	(993,307)	(1,337,805)	(4,234,951)
<b>Net book value</b>	<b>1,295,762</b>	<b>71,140</b>	<b>171,513</b>	<b>713,395</b>	<b>2,251,810</b>
<b>Annual rate of depreciation (% per annum)</b>	<b>16.67%</b>	<b>20%</b>	<b>25% - 33.33%</b>	<b>16.67%</b>	

## NOTES TO THE CONDENSED INTERIM FINANCIAL STATEMENTS

FOR THE PERIOD ENDED DECEMBER 31, 2021

	Note	December 31, 2021 (Un-audited) Rupees	June 30, 2021 (Audited) Rupees
<b>5 DIMINISHING MUSHARAKA FINANCING</b>			
Secured			
Diminishing musharaka financing	5.1	271,905,863	230,126,231
Advance against diminishing musharaka financing	5.2	31,665,685	54,866,725
Less: Current portion of diminishing musharaka financing		(115,693,757)	(118,329,824)
		<u>187,877,791</u>	<u>166,663,132</u>
<b>5.1</b>	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.		
<b>5.2</b>	This represents amount paid to supplier for booking of vehicle for diminishing musharaka financing.		
<b>6 PRELIMINARY EXPENSES AND FLOATATION COSTS</b>			
Preliminary expenses and floatation costs	6.1	2,626,807	5,250,688
Amortization during the period		(1,322,724)	(2,623,881)
		<u>1,304,083</u>	<u>2,626,807</u>
<b>6.1</b>	This represents expenses incurred in respect of issue of the Modaraba certificates to the public and includes cost of organization and floatation of the Modaraba, cost of printing, publication and distribution of the prospectus, underwriting expenses, commission to the bankers to the issue and brokerage and other ancillary cost. Preliminary expenses and floatation costs are being amortized on prorata basis over the period of 5 years as per Third Schedule of Modaraba Companies and Modaraba Rules, 1981.		
<b>7 SHORT TERM INVESTMENTS</b>			
<b>Financial assets at amortized cost</b>			
Islamic Term Deposit Receipts (TDR)	7.1	-	40,000,000
<b>7.1</b>	This represents term deposit receipts (TDR) in Soneri Bank Limited having a tenure of six months and carry floating profit rate of 6.4% to 9.25% (June 30, 2021: 6.4% to 6.45%) per annum.		
<b>7.2 Movement in Islamic Term Deposit Receipt (TDR)</b>			
Opening balances		40,000,000	100,000,000
Add: Additions during the period		-	120,000,000
Less: Matured during the period		(40,000,000)	(180,000,000)
		<u>-</u>	<u>40,000,000</u>
<b>8 INCOME TAX REFUNDABLE</b>			
Income tax refundable	8.1 & 8.2	5,035,985	7,766,305

## NOTES TO THE CONDENSED INTERIM FINANCIAL STATEMENTS FOR THE PERIOD ENDED DECEMBER 31, 2021

- 8.1** This includes advance tax amounting to Rs. 5.026 million (June 30, 2021: Rs. 6.36 million) pertaining to vehicles purchased for diminishing musharaka financing. The amounts are adjustable against diminishing musharaka contracts upon receipt of refunds from tax authorities.
- 8.2** This includes the advance tax deducted by the various withholding agents amounting to Rs. Nil (June 30, 2021: Rs. 1.41) million under various sections of the Income Tax Ordinance, 2001.

	Note	December 31, 2021 (Un-audited) Rupees	June 30, 2021 (Audited) Rupees
<b>9 CASH AND BANK BALANCES</b>			
Cash in hand		10,000	-
Stamps in hand		35,600	41,200
Cash with banks in:			
Modaraba's deposit account	9.1	38,438,100	10,612,196
Current accounts		98,231	226,313
		<u>38,581,931</u>	<u>10,879,709</u>

- 9.1** This account carry profit at rates ranging from 5.5% to 9.75% (June 30, 2021 : 5.5%) per annum.

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

	Number of certificates			Note	December 31, 2021 Rupees	June 30, 2021 Rupees
	2021	2020				
	30,000,000	30,000,000	Modaraba certificates of Rs. 10 each, issued as fully paid in cash	10.1	<u>300,000,000</u>	<u>300,000,000</u>

- 10.1** Habib Metropolitan Modaraba Management Company (Private) Limited (the Management Company) held 3,000,000 (10%) (June 30, 2021: 3,000,000) certificates of Rs. 10 each as at December 31, 2021.
- 10.2** Habib Metropolitan Bank Limited, held 18,000,000 (60%) (June 30, 2021: 18,000,000) certificates of Rs.10 each as at December 31, 2021.

### 11 RESERVE

Capital reserve						
Statutory reserve	11.1	11,876,005			11,876,005	
Revenue reserve						
Unappropriated profit		10,716,829			15,254,023	
		<u>22,592,834</u>			<u>27,130,028</u>	

## NOTES TO THE CONDENSED INTERIM FINANCIAL STATEMENTS FOR THE PERIOD ENDED DECEMBER 31, 2021

**11.1** 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>12 CREDITORS, ACCRUED AND OTHER LIABILITIES</b>	<b>Note</b>	<b>December 31, 2021 (Un-audited) Rupees</b>	<b>June 30, 2021 (Audited) Rupees</b>
Provision for Sindh Workers' Welfare Fund	12.1	<b>403,322</b>	430,784
Adjustable against Diminishing Musharaka	12.2	<b>6,147,500</b>	6,272,500
Accrued expenses		<b>228,781</b>	135,691
Management fee payable		<b>1,156,066</b>	1,870,470
Sales tax on management fee payable		<b>812,405</b>	662,116
Residual value received in advance		<b>3,191,249</b>	3,781,107
Other liabilities	12.3	<b>14,755,610</b>	8,841,376
Audit fee payable		<b>255,087</b>	445,946
Insurance and takaful payable		<b>1,744,290</b>	-
		<b>28,694,310</b>	22,439,990

**12.1** 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 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. 1.049 million for the period from October 06, 2017 to December 31, 2021 to Sindh Worker Welfare Fund (SWWF) based on the income pertaining to Sindh.



## NOTES TO THE CONDENSED INTERIM FINANCIAL STATEMENTS

FOR THE PERIOD ENDED DECEMBER 31, 2021

12.2 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.

12.3 It includes maintenance service charges and sundry creditors amounting to Rs. 5.112 million and Rs. 4.960 million (2020: Rs. 3.962 million and Rs. 2.186 million) respectively.

### 13 CONTINGENCIES AND COMMITMENTS

#### 13.1 Contingencies

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

#### 13.2 Commitments

Commitments in respect of diminishing Musharaka financing amounting to Rs.9.4 million (June 30, 2021: Rs. 1.3 million).

### 14 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. 1.152 million (December 31, 2020: 0.884 million). Furthermore, during the current period, an amount of Rs. 0.150 million (December 31, 2020: 0.115 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, 2021 (Un-audited) Rupees</b>	<b>December 31, 2020 (Un-audited) Rupees</b>
<b>15 TAXATION-NET</b>		
Current tax expense	<b>2,903,974</b>	-
Deferred tax income	<b>(353,074)</b>	-
	<b>2,550,900</b>	-

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 for six months i.e. from July 2021 to December 2021 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.

### 16 EARNINGS PER CERTIFICATE - BASIC AND DILUTED

The earnings per certificate as required under IAS 33 "Earnings per share" is given below:

Profit for the period	<b>7,462,806</b>	7,684,084
Weighted average number of certificates outstanding	<b>30,000,000</b>	30,000,000
Earnings per certificate - Basic and diluted (Rupees)	<b>0.25</b>	0.26

## NOTES TO THE CONDENSED INTERIM FINANCIAL STATEMENTS

FOR THE PERIOD ENDED DECEMBER 31, 2021

There were no convertible potential dilutive ordinary certificates outstanding as on December 31, 2021 and December 31, 2020 which have dilutive effect on earnings per certificate.

### 17 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, 2021.

	December 31, 2021 (Un-audited)		June 30, 2021 (Audited)	
	Carrying amount	Fair value	Carrying amount	Fair value
	-----Rupees-----		-----Rupees-----	
<b>Financial assets</b>				
<b>At amortised cost</b>				
Diminishing musharaka financing	187,877,791	187,877,791	166,663,132	166,663,132
Current portion of diminishing musharaka financing	115,693,757	115,693,757	118,329,824	118,329,824
Other receivables	510,903	510,903	228,062	228,062
Accrued profit	319,459	319,459	379,769	379,769
Short term investments	-	-	40,000,000	40,000,000
Cash and bank balances	38,581,931	38,581,931	10,838,509	10,838,509
<b>Financial liabilities</b>				
<b>At amortised cost</b>				
Creditors, accrued and other liabilities	23,131,268	23,131,268	15,695,513	15,695,513
Unclaimed profit distribution	132,441	132,441	108,959	21,976

#### 17.1 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, 2021, 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

FOR THE PERIOD ENDED DECEMBER 31, 2021

### 18 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:

Relationship with the Modaraba	Nature of transactions / Balances	December 31, 2021 (Un-audited) Rupees	December 31, 2020 (Un-audited) Rupees
<b>Holding Company of the Management Company</b>			
Habib Metropolitan Bank Limited	Profit on Modaraba's deposit account and Islamic term deposit certificates	977,327	871,069
	Dividend payment	7,200,000	12,600,000
	Payment of Electricity, Building security and generator service	345,250	278,774
	Financial charges	77,364	83,242
<b>Associate Company</b>			
Habib Metro Modaraba Employee Provident Fund	Provident Fund Contribution	49,767	46,770
<b>Management Company</b>			
Habib Metropolitan Modaraba Management Company (Private) Limited	Management fee expense	1,151,980	883,980
	Management fee paid	1,870,470	3,222,729
	Dividend payment	1,200,000	2,100,000
		<b>December 31, 2021 (Un-audited) Rupees</b>	<b>June 30, 2021 (Audited) Rupees</b>
<b>18.1 Period end balances</b>			
<b>Holding Company of the Management Company</b>			
Habib Metropolitan Bank Limited	Bank balances	36,477,309	9,802,068
	Accrued profit on bank accounts and Islamic term deposit certificates	166,010	165,187
	Prepaid expenses	-	345,242
<b>Management Company</b>			
Habib Metropolitan Modaraba Management Company (Private) Limited	Management fee payable	1,156,066	1,870,470

## NOTES TO THE CONDENSED INTERIM FINANCIAL STATEMENTS

FOR THE PERIOD ENDED DECEMBER 31, 2021

### 18.2 Group shared services

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

### 19 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, 2021 (Un-audited) Rupees</b>	<b>June 30, 2021 (Audited) Rupees</b>
Proceeds realized	<b>300,000,000</b>	300,000,000
Purchase of property, plant and equipment	<b>6,521,336</b>	6,486,761
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	<b>235,795,917</b>	200,393,688
Held for working capital, additional assets, investments etc.	<b>44,916,082</b>	80,352,886
	<b>300,000,000</b>	300,000,000

### 20 CASH GENERATED FROM OPERATIONS

	<b>December 31, 2021 (Un-audited) Rupees</b>	<b>December 31, 2020 (Un-audited) Rupees</b>
Profit before taxation	<b>10,013,706</b>	7,684,084
Adjustment of non-cash and other items:		
Depreciation	<b>498,603</b>	608,615
Amortisation	-	57,427
Amortization of preliminary expenses and floatation costs	<b>1,322,724</b>	1,322,724
Financial charges	<b>77,364</b>	83,242
Profit on Islamic Term Deposit Receipts (TDR)	-	(2,912,006)
Profit on Modaraba's deposit account	<b>(1,907,384)</b>	(871,260)
Loss on disposal of property and equipment	-	17,041
Gain on disposal of property and equipment	<b>(776,718)</b>	-
Movement in working capital	<b>8,683,001</b>	(19,983,856)
	<b>17,911,296</b>	(13,993,989)

20.1

## NOTES TO THE CONDENSED INTERIM FINANCIAL STATEMENTS

FOR THE PERIOD ENDED DECEMBER 31, 2021

	December 31, 2021 (Un-audited) Rupees	December 31, 2020 (Un-audited) Rupees
<b>20.1 Movement in working capital</b>		
Increase in current assets:		
Current portion of diminishing musharaka financing	2,636,067	(21,581,149)
Short term prepayments and other receivables	(207,386)	(92,932)
Increase in current liabilities:		
Creditors, accrued and other liabilities	6,254,320	1,690,225
	<u>8,683,001</u>	<u>(19,983,856)</u>

### 21 NUMBER OF EMPLOYEES

The number of employees as at period end was 5 (June 30, 2021: 8) and average number of employees during the period was 8 (June 30, 2021: 8).

### 22 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.

### 23 IMPACT OF COVID-19 ON FINANCIAL STATEMENT

In March 2020, the World Health Organization ("WHO") declared the outbreak of the novel coronavirus (known as COVID-19) as a global pandemic. The rapid spread of the virus has caused governments around the world to implement stringent measures to help control its spread, including, without limitation, quarantines, "stay-at-home" or "shelter-in-place" orders, social-distancing mandates, travel restrictions, and closures or reduced operations for businesses, governmental agencies, schools and other institutions. The industry, along with global economic conditions generally, has been significantly disrupted by the pandemic.

The COVID-19 pandemic and associated impacts on economic activity had no major effect on the Modaraba's results of operations and condensed interim financial condition as of December 31, 2021. The Modaraba is continuously evaluating the impacts of COVID-19, which has had global implications. In response to these developments, the Modaraba has taken action to ensure the safety of its employees and other stakeholders, and initiated a number of initiatives.

### 24 DATE OF AUTHORIZATION FOR ISSUE

This condensed interim financial statement was authorized for issue on February 23, 2022 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

DIRECTOR

DIRECTOR