

Habib Metro Modaraba

(An Islamic Financial Institution)

(Managed by: HabibMetro Modaraba Management)



Quarterly Accounts

For the Nine Months Ended

March 31, 2021

(Unaudited)

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. Anas Majid	- 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 (Officiating Company Secretary)

REGISTERED OFFICE

3rd Floor, Al Manzoor Building
Dr. Ziauddin Ahmed Road, Karachi
Tel : 021-32635949-51
UAN : 111-346-346
Fax : 021-32627373
Web : www.habibmetromodaraba.com
Email : 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 Modaraba for the quarter ended 31st March, 2021.

Allhamdulillah, performance up to 3rd quarter of business operations remained satisfactory. On completion of period, we made disbursement of Rs.108.072 million as compared to disbursement of Rs.72.222 million of corresponding periods of last year which increased by around 49.63%. Due to better disbursement, size of financing book has been slightly increased to Rs.340.824 million from Rs.338.150 million of same periods of last year. However, profits have been reduced due to low lending rates on financing assets as compared to rates of last year. HMM is trying to add good financing assets in its portfolio and the marketing team is working hard to achieve the desired goal by way of adding sound corporate entities in diversified sectors.

The economy of the country is moving in right directions with good economic activities and high business sentiments. According to State Bank of Pakistan (SBP) private sector borrowing from banks increased by 34 per cent during the first nine months of this fiscal year which is witnessing that economic activities of this year are better than the pre-COVID period of FY20. The large-scale manufacturing (LSM) sector has also shown good growth during current fiscal year. Current account position has shown positive sign and CA deficit has also narrowed down due to better exports earnings and inflow of worker remittances. Furthermore, Roshan Digital Account (RDA) is also supporting in rising of foreign currency inflow within the country.

However, inflation number is slightly shocking in the month of March, 2021, which is increased to 9.1 as compared to 8.70 percent in month of February, 2021. The rise in inflation is mainly due to disruption in supply side which leads to inflation including increase in electricity and other utilities charges. In current scenario the economics activities are accelerating and government is projecting a good GDP growth as compared to growth of last year. However, worsening third wave of Covid-19 pandemic and a spike in prices of commodities, including food and energy, remained some of the immediate challenges.

On taxation side, last month Federal Government has issued an Ordinance pertain to withdrawal of certain tax exemption. As per Ordinance, several corporate tax exemptions have been withdrawn by Government of Pakistan with immediate effect. Exemption on Modaraba has also been withdrawn with immediate effect as per said Ordinance. Our Modaraba association has made several representations to Tax Authorities and Finance Minister for restoration of tax exemption status of Modarabas and also trying to meet relevant authorities for restoration of tax exemption status of Modarabas.

Regarding applicability of income tax with immediate effect, our association is in opinion that it is a settled law that the taxes can only be levied from prospective effect and any retrospective applicability thereof is ultra-vires under the Constitution. Based on the legal and professional advice, the Management along with other Modarabas is planning to make representations including legal support to remove intended withdrawal of tax exemption available to the Modarabas, particularly retrospective effect of the Ordinance 2021. Therefore, due to unsettled legal issue, no provision for Income Tax has been made in the accounts for the period ended 31st March, 2021. However, it is expected that said abnormality will be settled by the end of current financial year.

The Registrar Modaraba has also issued revised Prudential Regulation (PR) for Modaraba sector and it is also applicable with immediate effect. Key changes in PR are introduced i.e., Capital Adequacy Ratio, reduction in per party limit from 20% to 15% on fund based facility, increased in redemption reserve requirement on Certificate of Musharkah from 5% to 15% and several other changes for better control and improved surveillance.

Going forward we are cautiously optimistic about current year outlook. On COVID-19 pandemic front, development of multiple vaccines has created hope of healthy recovery. However, rising number of cases in 3rd wave is again quite disturbing and may impact on economic front due to lockdown at country level. The recent development in taxation on Modaraba i.e., withdrawal of tax exemption status is also cause of concern for net profitability and dividend distributions to our investors. However, we shall cautiously move forward for sensible and prudent growth with satisfactory performance of FY2021.

In conclusion, we pray for safety of health from deadly novel virus for all of us. We also 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 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

Muhammad Shoaib Ibrahim

Chief Executive Officer

Karachi: 28 April, 2021

Syed Rasheed Akhtar

Director

ڈائریکٹر کی رپورٹ

یہ ہمارے لئے باعث مسرت ہے کہ ہم بورڈ آف ڈائریکٹر کی جانب سے ۳۱ مارچ، ۲۰۲۱ کو ختم ہونے والی سہ ماہی مدت اختتام پر مضاربہ کے غیر محتسب شدہ کھاتے پیش کریں۔

الحمد للہ، تیسری سہ ماہی مدت میں کاروباری آپریشنز کی کارکردگی اطمینان بخش رہی ہے۔ اس مدت کی تکمیل پر، ہم نے ۲۰۸۶۰۷۰ ملین روپے کی ادائیگیاں کی جو کہ پچھلے سال اسی مدت کے دوران ۲۲۲۲۰۷۰ ملین تھی، جو کہ ۲۹۶۶۳ فیصد زیادہ ہے۔ بہتر ادائیگیوں کی وجہ سے، فنانسنگ بک کا حجم ۸۲۴۰۶۳۴ ملین روپے تک پہنچا جو کہ پچھلے سال اسی مدت کے دوران ۳۳۸۴۵۰ ملین روپے تھا۔ تاہم، قرض کی شرح میں پچھلے سال سے اس سال کمی کی سبب منافع ذرا سا کم تھا۔ ایچ ایم ایم بہترین مالیاتی اثاثوں کو اپنے پورٹ فولیوں کا حصہ بنانے کی کوشش میں سرگرمیوں میں تگ و دو سے اس مقصد کو حاصل کرنے کیلئے کام کر رہی ہے اور اس مقصد کیلئے وہ مختلف شعبوں کی بہترین کاپوریٹ اکائیوں کو ساتھ شامل کر رہی ہے۔

اچھی معاشی سرگرمیاں اور اعلیٰ کاروباری احساسات کے ساتھ ملک کی معیشت صحیح سمت میں گامزن ہے۔ اسٹیٹ بینک آف پاکستان (ایس بی پی) کے مطابق رواں مالی سال کے پہلے نو مہینوں کے دوران بینکوں سے قرض لینے والے نجی شعبے میں ۳۴ فیصد کا اضافہ ہوا ہے جو اس بات کی گواہی دے رہا ہے کہ مالی سال ۲۰۲۰ کے پہلے کوویڈ مدت سے، اس سال کی معاشی سرگرمیاں بہترین ہیں۔ بڑے پیمانے پر مینوفیکچرنگ (ایل ایس ایم) کے شعبے میں بھی رواں مالی سال کے دوران اچھا اضافہ ہوا ہے۔ برآمدات کی بہتر آمدنی اور ورکرز کی ترسیلات زر کی آمد کے سبب کرنٹ اکاؤنٹ کی پوزیشن میں مثبت علامت ظاہر ہوئی ہے اور کرنٹ اکاؤنٹ کا خسارہ بھی کم ہو گیا ہے۔ مزید یہ کہ روشن ڈیجیٹل اکاؤنٹ (آر ڈی اے) ملک کے اندر غیر ملکی کرنسی کی آمد میں اضافے میں بھی مدد فراہم کر رہا ہے۔

تاہم، مارچ، ۲۰۲۱ کے مہینے میں افراط زر کی تعداد قدرے چونکا دینے والی ہے، جو فروری، ۲۰۲۱ کے مہینے میں ۸۷۰ فیصد کے مقابلے میں بڑھ کر ۹۰۰ فیصد ہو گئی ہے۔ افراط زر میں اضافے کی بنیادی وجہ سپلائی میں رکاوٹ ہے، بجلی اور دیگر یوٹیلیٹی چارجز میں اضافہ جس نے افراط زر میں اضافے میں نمایاں کردار ادا کیا۔ موجودہ صورتحال میں معاشی سرگرمیاں تیز ہو رہی ہیں اور حکومت گذشتہ سال کی شرح نمو کے مقابلے میں جی ڈی پی کی اچھی نمو پیش کر رہی ہے۔ تاہم، کوویڈ-۱۹ وبائی بیماری کی تیسری لہر کی بدترین صورتحال اور کھانے پینے اور توانائی سمیت اشیاء کی قیمتوں میں اضافہ فوری طور پر چیلنج بنا ہوا ہے۔

ٹیکس عائد کرنے کے معاملے میں، گذشتہ ماہ وفاقی حکومت نے ٹیکس چھوٹ واپس لینے سے متعلق ایک آرڈیننس جاری کیا تھا۔ آرڈیننس کے مطابق حکومت پاکستان نے متعدد کارپوریٹ ٹیکس چھوٹ فوری طور پر واپس لے لی ہے۔ مضاربہ پر استثنیٰ 'بھی اسی آرڈیننس کے مطابق فوری طور پر واپس لیا گیا ہے۔ ہماری مضاربہ ایسوسی ایشن نے ٹیکس اتھارٹی اور وزیر خزانہ کو مضاربہ کی ٹیکس سے مستثنیٰ درجہ کی بحالی کے لئے کئی نمائندگیاں کی ہیں اور مضاربہ کی ٹیکس استثنیٰ کی بحالی کے لئے متعلقہ حکام سے ملاقات کرنے کی کوشش بھی کی ہے۔

فوری طور پر انکم ٹیکس کے لاگو ہونے کے بارے میں، ہماری ایسوسی ایشن کی رائے ہے کہ یہ طے شدہ قانون ہے کہ ٹیکسوں کو صرف ممکنہ وجوہ سے ہی لگایا جاسکتا ہے اور اس کا کوئی بھی سابقہ اطلاق آئین کے تحت انتہائی ناگوار ہے۔ قانونی اور پیشہ ورانہ مشوروں کی بنیاد پر، انتظامیہ دوسرے مضاربہ کے ساتھ مضاربہ کو دستیاب ٹیکس استثنیٰ، خاص طور پر آرڈیننس ۲۰۲۱ کے سابقہ اثر ختم کرنے کے لئے قانونی معاونت سمیت نمائندگی کرنے کا ارادہ کر رہی ہے۔ لہذا، جیسا کہ

ایسوسی ایشن کے مشورے سے، انکم ٹیکس کی مد میں ۳۱ مارچ ۲۰۲۱ کو ختم ہونے والی مدت کیلئے کوئی خرچہ ریکارڈ نہیں کیا گیا۔ تاہم، اس چیز کی اُمید ہے کہ اس مالی سال کے اختتام تک یہ بے چینی / غیر معمولی صورتحال ختم ہو جائے گی۔

رجسٹرڈ مضاربہ نے مضاربہ سیکٹر کے لئے نظر ثانی شدہ پرنٹیشنل ریگولیشن (پی آر) بھی جاری کیا ہے اور یہ بھی فوری طور پر نافذ العمل ہے۔ PR میں نمایاں تبدیلیاں متعارف کروائی گئیں، یعنی کیپیٹل ایڈوائس کی تناسب، فنڈ پر مبنی سہولیات پر پی آرٹی حد میں ۲۰ فیصد سے ۱۵ فیصد تک کمی، بہترین نگرانی اور بہتر کنٹرول کیلئے مشارقہ سرٹیفکیٹ کے ریڈیمپشن ریزرو کی ضروریات میں ۵ فیصد سے ۱۵ فیصد تک کا اضافہ اور کئی دیگر تبدیلیاں کی گئیں ہیں۔

آگے بڑھتے ہوئے ہم موجودہ سال کے نقطہ نظر کے بارے میں محتاط طور پر پُر امید ہیں۔ COVID-19 وبائی مرض کے سامنے، متعدد دو کیسینوں کی ڈویلپمنٹ نے صحت یابی کی اُمید پیدا کر دی ہے۔ تاہم، تیسری لہر میں کیسز کی بڑھتی ہوئی تعداد ایک بار پھر پریشان کن ہے اور یہ ملکی سطح پر لاک ڈاؤن کی وجہ سے معاشی محاذ پر اثر انداز ہو سکتی ہے۔ مضاربہ پرنٹیکس میں حالیہ ترقی، ٹیکس چھوٹ کی حیثیت سے دستبرداری بھی ہمارے سرمایہ کاروں کو خالص منافع اور منافع تقسیم کے لئے تشویش کا باعث ہے۔ تاہم، ہم محتاط انداز میں مالی سال ۲۰۲۱ کی تسلی بخش کارکردگی کے ساتھ احتیاط اور سمجھداری سے آگے بڑھیں گے۔

آخر میں، ہم سب کیلئے اس مہلک نوبل کرونا وائرس سے سب کی صحت کی حفاظت کیلئے دعا کرتے ہیں۔ بورڈ آف ڈائریکٹرز کی طرف سے ہم سیکیورٹیز اینڈ ایکسچینج کمیشن آف پاکستان کا، رجسٹرڈ مضاربہ کے بہت ہی مشکور ہیں جنہوں نے ہماری مسلسل رہنمائی اور سرپرستی کی، اپنے قابلِ قدر کسٹمرز کا، اپنے سرٹیفکیٹ ہولڈرز کا کہ انہوں نے ہم پر بھروسہ کیا اور حبیب میٹرو مضاربہ کے ساتھ بنے رہے ہم اپنے ملازمین کی اعلیٰ پائے کی پیشہ ورانہ مہارت اور مسلسل بے انتہا محنت کو خراج تحسین پیش کرتے ہیں جس کی وجہ سے ہم نے اطمینان بخش نتائج حاصل کئے۔

بورڈ آف ڈائریکٹرز کے لئے اور اُن کی جانب سے

محمد شعیب ابراہیم

چیف ایگزیکٹو آفیسر

سید رشید اختر

ڈائریکٹر

کراچی۔ اپریل ۲۰۲۱ء ۲۸

Condensed Interim Balance Sheet

As at March 31, 2021

	Note	(Unaudited) March 31, 2021 Rupees	(Audited) June 30, 2020 Rupees
ASSETS			
NON-CURRENT ASSETS			
Property and Equipment		2,507,505	3,323,134
Intangible assets		1	67,002
Vehicles available for diminishing musharaka financing		6,440,000	-
Diminishing Musharakah Financing	4	131,462,780	130,453,082
Preliminary expense and floating costs	5	3,280,980	5,250,688
		143,691,266	139,093,906
CURRENT ASSETS			
Short Term Investment	6	80,000,000	100,000,000
Current portion of diminishing Musharakah financing	4	105,009,243	64,758,281
Advances and short term prepayments		1,033,429	1,251,172
Accrued profits		487,481	760,667
Income tax refundable	7	5,568,791	5,530,605
Cash and bank balances	8	5,033,394	34,522,609
		197,132,338	206,823,334
TOTAL ASSETS		340,823,604	345,917,240
EQUITY AND LIABILITIES			
CERTIFICATE CAPITAL AND RESERVES			
Authorized certificate capital 30,000,000 (June 30,2020: 30,000,000) of Rs. 10/- each		300,000,000	300,000,000
Issued subscribed and paid-up certificate capital		300,000,000	300,000,000
Statutory reserve		8,624,156	8,624,156
Unappropriated Profit		14,241,011	23,246,627
		322,865,167	331,870,783
CURRENT LIABILITIES			
Creditors, accrued and other liabilities		17,849,478	14,024,481
Profit distribution payable		108,959	21,976
TOTAL EQUITY AND LIABILITIES		340,823,604	345,917,240
CONTINGENCIES AND COMMITMENTS	9		

The annexed notes from 1 to 17 form an integral part of these condensed interim financial information.

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

CHIEF EXECUTIVE

DIRECTOR

DIRECTOR

CHIEF FINANCIAL OFFICER

Condensed Interim Profit And Loss Account (Un-audited)

For the quarter & nine months period ended March 31, 2021

		Nine Months Ended		Quarter Ended		
		For the period ended March 31, 2021	For the period ended March 31, 2020	March 31, 2021	March 31, 2020	
Note		-----Rupees-----				
INCOME						
Income from diminishing musharaka financing		20,151,806	24,383,039	7,105,704	8,831,404	
Profit on Islamic Term deposit certificates		-	1,697,261	-	327,055	
Profit on Modaraba's deposits account		1,000,296	2,309,253	129,036	541,521	
Profit on Islamic Term Deposit Receipts (TDR)		4,236,254	6,731,791	1,324,248	2,819,168	
Other finance income		400,000	4,321,600	320,000	1,013,000	
Other Income		1,244,451	225,122	472,856	76,442	
		27,032,807	39,668,066	9,351,844	13,608,590	
EXPENSE						
Amortization of preliminary expenses and floatation cost		5	1,969,708	1,976,897	646,984	654,173
Administrative expenses			11,151,227	11,720,810	3,716,029	3,771,061
Financial Charges			113,488	124,555	30,246	30,484
			13,234,423	13,822,262	4,393,259	4,455,718
			13,798,384	25,845,804	4,958,586	9,152,872
Modaraba Management Company's remuneration		10	1,379,838	-	495,858	-
Sales tax on Modaraba Management Company's remuneration		10	179,379	-	64,462	-
Provision for Sindh Workers' Welfare Fund		11	244,783	516,917	87,965	183,058
Profit before taxation			11,994,384	25,328,887	4,310,300	8,969,814
Taxation		13	-	-	-	-
Profit for the period			11,994,384	25,328,887	4,310,300	8,969,814
Profit per certificate - basic and diluted		12	0.40	0.84	0.14	0.30

The annexed notes from 1 to 17 form an integral part of these condensed interim financial information.

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

CHIEF EXECUTIVE

DIRECTOR

DIRECTOR

CHIEF FINANCIAL OFFICER

Condensed Interim Statement of Comprehensive Income (Un-audited)

For the quarter & nine months period ended March 31, 2021

	Nine Months Ended		Quarter Ended	
	For the period ended March 31, 2021	For the period ended March 31, 2020	March 31, 2021	March 31, 2020
	-----Rupees-----			
Profit for the period	11,994,384	25,328,887	4,310,300	8,969,814
Total comprehensive Profit for the period	11,994,384	25,328,887	4,310,300	8,969,814

The annexed notes from 1 to 17 form an integral part of these condensed interim financial information.

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

CHIEF EXECUTIVE

DIRECTOR

DIRECTOR

CHIEF FINANCIAL OFFICER

Condensed Interim Statement of Cash Flow (Un-audited)

For the nine months period ended March 31, 2021

	For the period ended March 31, 2021 Rupees	For the period ended March 31,2020 Rupees
CASH FLOWS FROM OPERATING ACTIVITIES		
Cash Generated form Operations		
Profit before taxation	11,994,384	25,328,887
Adjustment of non-cash and other items:		
Depreciation expense	841,789	912,781
Amortization of preliminary expense and flotation cost	1,969,708	1,976,897
Amortization of intangible assets	67,001	86,140
Loss on sale of owned asset	17,041	-
Profit on Islamic certificates	-	(1,697,261)
Profit on Modaraba's deposit account	(1,000,296)	(9,041,044)
	<u>1,895,243</u>	<u>(7,762,487)</u>
(increase) in Current assets:		
Advance and short term prepayments	217,743	(952,373)
Current portion of diminishing Musharakah financing	(40,250,962)	(25,418,062)
Increase in Current liability		
Creditors, Accrued and other liabilities	3,824,997	1,636,505
	<u>(36,208,223)</u>	<u>(24,733,930)</u>
Cash (used in) operations	<u>(22,318,595)</u>	<u>(7,167,531)</u>
Vehicle available for diminishing musharaka financing	(6,440,000)	28,889,899
Diminishing Musharakah financing	(1,009,698)	(11,177,202)
Advance tax paid	(38,186)	191,519
Net cash (used in) /generated from operating activities	<u>(29,806,480)</u>	<u>10,736,685</u>
CASH FLOWS FROM INVESTING ACTIVITIES		
Additions to Property and equipment	(57,200)	(176,500)
Sale proceeds from sale of old bike	14,000	-
Investment - net	20,000,000	20,000,000
Profit received on investment HIIC	-	1,974,658
Profit received on Modaraba's deposit account	1,273,482	8,494,306
Net cash generated from investing activities	<u>21,230,282</u>	<u>30,292,464</u>
CASH FLOWS FROM FINANCING ACTIVITIES		
Dividend paid	(20,913,017)	(8,233,953)
Net cash used in financing activities	<u>(20,913,017)</u>	<u>(8,233,953)</u>
Net (decreased) / increase in cash and cash equivalents during the year	<u>(29,489,214)</u>	<u>32,795,196</u>
Cash and cash equivalent at the beginning of the year	<u>34,522,609</u>	<u>32,275,789</u>
Cash and cash equivalent at the end of the year	<u><u>5,033,394</u></u>	<u><u>65,070,985</u></u>

The annexed notes from 1 to 17 form an integral part of these condensed interim financial information.

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

CHIEF EXECUTIVE

DIRECTOR

DIRECTOR

CHIEF FINANCIAL OFFICER

Condensed Interim Statement of Changes In Equity (Un-audited)

For the nine months period ended March 31, 2021

	Issued, subscribed and paid up capital	Statutory Reserves	Unappropriated Profit	Total Equity
	----- (Rupees) -----			
Balance as at July 01, 2019	300,000,000	3,021,377	9,085,511	312,106,888
Certificate capital issued during the period	-	-	-	-
Profit distribution for the year ended June 30, 2019 @ Re. 0.275 per certificate	-	-	(8,250,000)	(8,250,000)
Profit for the period	-	-	25,328,887	25,328,887
Total comprehensive income for the period	-	-	-	-
Balance as at March 31, 2020	300,000,000	3,021,377	26,164,398	329,185,775
Balance as at July 01, 2020	300,000,000	8,624,156	23,246,627	331,870,783
Certificate capital issued during the period	-	-	-	-
Profit distribution for the year ended June 30, 2020 @ Re. 0.70 per certificate	-	-	(21,000,000)	(21,000,000)
Profit for the period	-	-	11,994,384	11,994,384
Total comprehensive income for the period	-	-	-	-
Balance as at March 31, 2021	300,000,000	8,624,156	14,241,011	322,865,167

The annexed notes from 1 to 17 form an integral part of these condensed interim financial information.

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

CHIEF EXECUTIVE

DIRECTOR

DIRECTOR

CHIEF FINANCIAL OFFICER

Notes to the Condensed Interim Financial Statements (Un-audited)

For the nine months period ended March 31, 2021

1 LEGAL STATUS AND NATURE 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, Dr. Ziauddin Ahmed 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.

As at the balance sheet date, 60% certificates are held by Habib Metropolitan Bank Limited (The parent Company).

2 BASIS OF PREPARATION

- 2.1 These condensed interim financial statements of the Modaraba for the period ended March 31, 2021 are unaudited and being submitted to the certificate holders as required under Rule 10 of Modaraba Companies and Modaraba Rules, 1981 and have been prepared in accordance with the requirements of the International Accounting Standard 34 - "Interim Financial Reporting".
- 2.2 The condensed interim financial statements do not include all the information and disclosures required for full annual financial statements and should be read in conjunction with the financial statements of the Modaraba as at and for the year ended June 30, 2020.
- 2.3 These condensed interim financial statements have been presented in Pak Rupees, which is the functional currency of the Modaraba.

3 SIGNIFICANT ACCOUNTING POLICIES, ESTIMATES AND JUDGEMENTS

- 3.1 The accounting policies and methods of computation followed for the preparation of these condensed interim financial statements are the same as those applied in preparing the full financial statements as at and for the year ended June 30, 2020.
- 3.2 The preparation of condensed interim financial statements requires management to make judgments, estimates and assumptions that affect the application of accounting policies and the reported amounts of assets and liabilities, income and expenses. Actual results may differ from these estimates. The significant judgments made by management in applying the Modaraba's accounting policies and key sources of estimation of uncertainty are the same as those that were applied to the full financial statements as at and for the year ended June 30, 2020.
- 3.3 The financial risk management objectives and policies are consistent with those disclosed in the full financial statements of the Modaraba as at and for the year ended June 30, 2020.

	Note	March 31, 2021 (Unaudited)	June 30, 2020 (Audited)
-----Rupees-----			
4 DIMINISHING MUSHARAKAH FINANCING			
Diminishing Musharakah financing - Vehicle	4.1	217,205,673	187,805,663
Advance against diminishing Musharakah financing	4.2	19,266,350	7,405,700
Less: Provision in respect of diminishing Musharakah		-	-
		236,472,023	195,211,363
Less: Current portion of diminishing Musharakah financing		105,009,243	64,758,281
		131,462,780	130,453,082

- 4.1 This represents diminishing musharaka financing for a term of three to five years in order to provide residual value car financing on diminishing musharaka basis.
- 4.2 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 nine months period ended March 31, 2021

5 PRELIMINARY EXPENSES AND FLOATATION COSTS

	March 31, 2021 (Unaudited)	June 30, 2020 (Audited)
	-----Rupees-----	
Preliminary expenses and floatation costs	5,250,688	7,881,758
Amortization during the period./ year	(1,969,708)	(2,631,070)
	<u>3,280,980</u>	<u>5,250,688</u>

- 5.1 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.

6 SHORT TERM INVESTMENT

	March 31, 2021 (Unaudited)	June 30, 2020 (Audited)
	-----Rupees-----	
Islamic Term Deposit Receipts (TDR) 6.1	80,000,000	100,000,000
	<u>80,000,000</u>	<u>100,000,000</u>

- 6.1 This represents term deposit receipts (TDR) in Soneri Bank Limited having a tenure of six months and carry floating profit rate ranging from 6.40% to 6.50% per annum (June 30, 2020: 7.50 % to 12.75% per annum)

7 INCOME TAX REFUNDABLE

7.1 & 7.2

	March 31, 2021 (Unaudited)	June 30, 2020 (Audited)
	-----Rupees-----	
	5,568,791	5,530,605
	<u>5,568,791</u>	<u>5,530,605</u>

- 7.1 This includes advance tax amounting to Rs. 4.075 million (June 30, 2020: Rs. 4.1 million) pertaining to vehicles purchased for diminishing musharaka financing. The amounts are adjustable against diminishing musharaka contracts upon receipt of refunds from tax authorities
- 7.2 This includes the advance tax deducted by the various withholding agents amounting to Rs. 1.493 million (June 30, 2020: Rs. 1.430 million) under various sections of the Income Tax Ordinance, 2001. The management has claimed the tax deducted in return for the Tax Year 2020, since the management is confident that the same shall be refunded.

8 CASH AND BANK BALANCES

	March 31, 2021 (Unaudited)	June 30, 2020 (Audited)
	-----Rupees-----	
Stamps in Hand	5,400	26,600
Cash in Hand	10,000	-
Cash with Bank in:		
PLS savings accounts 8.1	4,780,246	34,329,172
Current accounts	237,748	166,837
	<u>5,033,394</u>	<u>34,522,609</u>

- 8.1 These carry profit at rates ranging from 5.00% to 5.50% (June 30, 2020: 6% to 10.80%) per annum.

9 CONTINGENCIES AND COMMITMENTS

There are no contingencies to report as at March 31 2021, whereas commitments in respect of diminishing Musharakah financing amounting to Rs.8.069 million (June 30, 2020: Rs. 2.528 million).

Notes to the Condensed Interim Financial Statements (Un-audited)

For the nine months period ended March 31, 2021

10 MODARABA MANAGEMENT COMPANY'S FEE INCLUSIVE OF SALES TAX

10.1 The Modaraba Management Company is entitled to a remuneration for services rendered to the Modaraba under the provisions of the Modaraba Companies and Modarabas (Floatation and Control) Ordinance, 1980 up to a maximum of 10% per annum of the net annual profits of the Modaraba. The fee for the 9 months ended March 31, 2021 has been recognized at 10% of profit for the period (March 31, 2020: Nil).

10.2 Sindh sales tax levied by Sindh Government on remuneration of Modaraba Management Company has been charged at the rate of 13% (2020: Nil).

11 SINDH WORKERS' WELFARE FUND (SWWF)

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.

The matter was taken up by the Modaraba Association of Pakistan with the Sindh Revenue Board (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 Sindh Revenue Board (SRB) has advised the Modaraba to pay off all its liabilities falling due under the Sindh Workers' Welfare Fund Act, 2014 (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 Honorable High Court of Sindh dated March 16, 2020 the Modaraba has deposited an amount of Rs. 0.756 million till March 31, 2021 to Sindh Worker Welfare Fund (SWWF) based on the income pertaining to Sindh.

12 THE EARNING PER CERTIFICATE AS REQUIRED BY IAS 33 "EARNING PER SHARE" IS GIVEN BELOW;

	March 31, 2021 (Unaudited)	March 31, 2020 (Unaudited)
	-----Rupees-----	
Profit for the period	11,994,384	25,328,887
Weighted average number of certificate outstanding	30,000,000	30,000,000
Earning / (Loss) per certificate - Basic and Diluted	0.40	0.84

There were no convertible diluted potential ordinary certificate outstanding as on October 31, 2020 which have dilutive effect on loss per certificate

13 TAXATION

On March 22, 2021, the President of Pakistan promulgated the Tax Law (Second Amendment) Ordinance, 2021, (Ordinance 2021) whereby Clause 100 of the Part 1 of the Second Schedule to the Income Tax Ordinance, 2001 relating to the Tax Exemption available to the Modarabas stands withdrawn.

Tax Exemption has been available to the Modarabas under Section 37 of the Modaraba Companies and Modaraba (Floatation and Control) Ordinance, 1980, which is still operative and was specified under Clause 100 of Part 1 of the Second Schedule to the Income Tax Ordinance, 2001, which exemption has been removed by Ordinance 2021. It is believed that the Ordinance 2021 will be

Notes to the Condensed Interim Financial Statements (Un-audited)

For the nine months period ended March 31, 2021

placed before the Assembly to be ratified through a Finance Act. It is a settled law that the taxes can only be levied from prospective effect and any retrospective applicability thereof is ultra-vires under the Constitution. Based on the legal and professional advice, the Management along with other Modarabas, have made representations to the appropriate authorities to remove intended withdrawal of tax exemption available to the Modarabas, particularly any retrospective effect of the Ordinance 2021.

Accordingly, no provision for Income Tax has been made in the quarterly accounts for the period ended July 1, 2020 to March 31, 2021.

14 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 the Regulation 16(I) of Chapter VIII of Public Offering Regulations, 2017. The Modaraba has utilized the proceeds from initial public offering as follows:

	March 31, 2021 (Unaudited)	June 30, 2020 (Audited)
	-----Rupees-----	
Proceeds realized	300,000,000	300,000,000
Purchase of property and equipment	6,444,762	6,438,355
Purchase of intangible assets	344,565	344,565
Preliminary expenses and floatation cost	12,422,100	12,422,100
Vehicles available for diminishing musharaka	200,393,688	200,393,688
Held for working capital, purchase of additional assets / investments etc.	80,394,885	80,401,292
	300,000,000	300,000,000

15 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 related parties and associated undertakings comprise the Management Company (Habib Metropolitan Modaraba Management Company (Private) Limited), Habib Metropolitan Bank Limited, Habib Bank AG Zurich, First Habib Modaraba, Habib Metro Modaraba Employees Provident Fund, Habib Metropolitan Financial Services Limited and key management personnel. Transactions and balances outstanding with related parties and associated undertakings are as follows:

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.

The detail of transactions with related parties and balances with them, is given below:

Relationship with the Modaraba	Nature of transactions	March 31, 2021 (Unaudited)	March 31, 2020 (Unaudited)
Transaction Held		-----Rupees-----	
Holding Company			
Habib Metropolitan Bank Limited	Profit on Islamic certificates (HIIC)	-	1,697,261
	Profit on Modaraba's deposits accounts	1,000,105	2,309,171
	Investments purchased	-	50,000,000
	Investments matured	-	75,000,000
	Bank charges	113,488	124,555
	Payment of Electricity, Building security and generator service	451,399	289,844
	Dividend paid	12,600,000	4,950,000

Notes to the Condensed Interim Financial Statements (Un-audited)

For the nine months period ended March 31, 2021

Relationship with the Modaraba Transaction Held	Nature of transactions	March 31, 2021 (Unaudited)	March 31, 2020 (Unaudited)
-----Rupees-----			
Associate Company			
Habib Metro Modaraba Employees Provident Fund	Provident fund contribution	70,155	-
Management Company			
Habib Metropolitan Modaraba Management Company (Private) Limited	Management Fee payment	3,222,729	-
	Management Fee expense	1,379,839	-
	Dividend paid	2,100,000	825,000

		March 31, 2021 (Unaudited)	June 30, 2020 (Audited)
-----Rupees-----			
Balances Held			
Holding Company			
Habib Metropolitan Bank Limited	Bank balances	3,748,844	34,424,021
	Accrued profit on bank accounts and Islamic term deposit certificates	46,962	425,908
	Prepaid expense		
	- Against Electricity, Building security and generator service	-	278,774
	Accrued expense		
	- Against Electricity, Building security and generator service	172,625	-
Management Company			
Habib Metropolitan Modaraba Management Company (Private) Limited	Management fee payable	1,379,838	3,222,729

16 DATE OF AUTHORIZATION FOR ISSUE

These financial statements were authorized for issue on April 28, 2021 by the Board of Directors of the Modaraba Management Company.

17 GENERAL

17.1 Corresponding figures have been reclassified / re-arranged wherever necessary to facilitate comparison in the presentation in the current period. However, there are no material reclassification / re-arrangement to report. .

17.2 Figures have been rounded off to the nearest rupee.bn

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

CHIEF EXECUTIVE

DIRECTOR

DIRECTOR

CHIEF FINANCIAL OFFICER