

Habib Metro Modaraba

(An Islamic Financial Institution)



ANNUAL REPORT 2021

HABIBMETRO
Modaraba Management

بِسْمِ اللَّهِ الرَّحْمَنِ الرَّحِيمِ



VISION

Be a leading Modaraba in providing Shariah compliant financial facilities through innovative products and services.

MISSION

To achieve excellence in our chosen markets in accordance with Islamic principles of finance in a professional manner with high ethical standards supported by state of art services through efficient distribution channels for sustainable growth and better return to our investors.

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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

REGISTERED OFFICE

3rd Floor, Al Manzoor Building
Dr. Ziauddin Ahmed Road, Karachi
Tel : 021-32635949-51
UAN : 111-346-346
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

Chairman's Message

Dear Modaraba Certificate Holders,

I am pleased to present report to our valued Certificate Holders on the affairs of Habib Metro Modaraba (HMM) for the year ended 30th June, 2021, on the overall performance of the Board of Directors and effectiveness of the role played by the Board in achieving Modaraba's strategic objectives.

The year under review was the most challenging year across the globe due to pandemic. Like other countries, Pakistan's economy also passed through its most challenging time. Unfortunately, many precious lives were lost due to spread of the COVID-19. The year under review brought about exceptional scenarios in the Global economic activities.

However, I am glad to note that despite difficult operating environment; HMM has made a reasonable performance during the financial year 2020-21. During the year the management of Modaraba successfully managed to increase the financing assets size by around 45%. However, profitability could not increase due to low rates of financing as compared to rates of FY2019-20. The product of Residual Value Car Financing is gradually penetrating within the consumer segments as compared to high acceptability of normal financing products. However, I am confident that management of Modaraba will be able to enhance the financing assets size in current year.

In conclusion, I would like to acknowledge continued support, strategic guidance and prudent and invaluable contributions of Board of Directors in this difficult time. I would also like to thank each and every member of the Board for their guidance, valuable input and giving their precious time for Board meetings.

I also wish to commend our Chief Executive Officer, Senior Executives and all other staff members of HMM for their hard work, dedication and focused efforts for effectively managing the impact of the crises and producing satisfactory results of HMM. I place my sincere appreciation to our Certificate Holders, business partners and all other valued stakeholders for their conviction and the confidence place in our organization. I take this opportunity to thank Registrar of Modaraba, Securities & Exchange Commission of Pakistan, State Bank of Pakistan, Pakistan Stock Exchange, and other relevant regulatory bodies for their continued guidance and support extended to us.

Syed Rasheed Akhtar

Chairman

Date: September 30, 2021

چیئر مین کا پیغام

محترم مضاربہ سرٹیفکیٹ کنندگان،

مجھے ۳۰ جون ۲۰۲۱ کو ختم ہونے والے سال کے لئے حبیب میٹرو مضاربہ (ایچ ایم ایم) کے معاملات پر اپنے قابل قدر سرٹیفکیٹ ہولڈرز کو بورڈ آف ڈائریکٹرز کی مجموعی کارکردگی اور مضاربہ کے اسٹریٹجک مقاصد کے حصول میں بورڈ کے کردار کے بارے میں رپورٹ پیش کرتے ہوئے خوشی ہو رہی ہے۔

وہاں کی وجہ سے زیر جائزہ سال دنیا بھر میں سب سے زیادہ چیلنجنگ سال تھا۔ دیگر ممالک کی طرح پاکستان کی معیشت بھی اپنے مشکل ترین وقت سے گزری۔ بد قسمتی سے کوویڈ-۱۹ کے پھیلاؤ کی وجہ سے بہت سی قیمتی جائیں ضائع ہو گئیں۔ زیر جائزہ سال عالمی اقتصادی سرگرمیوں میں غیر معمولی منظر نامے لے کر آیا۔

تاہم، مجھے یہ نوٹ کرتے ہوئے خوشی ہو رہی ہے کہ مشکل آپریٹنگ ماحول کے باوجود، ایچ ایم ایم نے مالی سال ۲۰۲۰-۲۱ کے دوران معقول کارکردگی کا مظاہرہ کیا ہے۔ سال کے دوران مضاربہ کی انتظامیہ نے کامیابی کے ساتھ فنانسنگ اثاثوں کے حجم میں تقریباً ۴۵ فیصد اضافہ کرنے میں کامیاب رہی۔ تاہم مالی سال ۲۰۱۹-۲۰ کی شرحوں کے مقابلے میں فنانسنگ کے منافع کی شرحوں کی وجہ سے منافع میں اضافہ نہیں ہو سکا۔ عام فنانسنگ مصنوعات کے مقابلے میں ریزائڈل ویلیو کار فنانسنگ کی تدریج صارفین کے مختلف حصوں میں جگہ بنا رہی ہے۔ تاہم مجھے یقین ہے کہ مضاربہ کی انتظامیہ رواں سال میں فنانسنگ اثاثوں کے حجم میں اضافہ کر سکے گی۔

آخر میں، میں اس مشکل وقت میں بورڈ آف ڈائریکٹرز کی مسلسل سپورٹ، اسٹریٹجک رہنمائی اور دانشمندانہ اور بے مثال تعاون کا اعتراف کرنا چاہوں گا۔ میں بورڈ کے ہر رکن کا ان کی رہنمائی اور بورڈ میٹنگز کے لئے ان کا قیمتی وقت دینے پر شکریہ ادا کرنا چاہوں گا۔

میں اپنے چیف ایگزیکٹو آفیسر، سینئر ایگزیکٹوز اور ایچ ایم ایم کے دیگر تمام سٹاف ممبران کی بحرانوں کے اثرات کو مؤثر طریقے سے سنبھالنے اور ایچ ایم ایم کے اطمینان بخش نتائج پیدا کرنے کے لئے ان کی محنت، لگن اور توجہ مرکوز کوششوں کی ستائش و شکریہ ادا کرنا چاہتا ہوں۔ میں اپنے سرٹیفکیٹ ہولڈرز، کاروباری شراکت داروں اور دیگر تمام قابل قدر اسٹیک ہولڈرز کو ان کے یقین اور ہماری تنظیم میں اعتماد کی جگہ کے لئے دلی ستائش کرتا ہوں۔ میں اس موقع پر رجسٹرار آف مضاربہ، سکیورٹیز اینڈ ایکسچینج کمیشن آف پاکستان، اسٹیٹ بینک آف پاکستان، پاکستان اسٹاک ایکسچینج اور دیگر متعلقہ ریگولیٹری اداروں کا شکریہ ادا کرتا ہوں کہ انہوں نے ہماری مسلسل رہنمائی اور معاونت کی۔

سید رشید اختر

چیئر مین

تاریخ: ۳۰ ستمبر ۲۰۲۱

Directors' Report

On behalf of the Board of Directors, we are pleased to present the audited accounts of the Modaraba for the year ended June 30, 2021.

	(Rupees)
Profit before management fee	18,704,697
Modaraba Management Company's remuneration	1,870,470
Sales tax on Management Company's remuneration	243,161
Provision for Sindh Workers' Welfare Fund	331,821
Profit before taxation	16,259,245
Taxation	-
Profit for the year	16,259,245
Unappropriated Profit b/f	2,246,627
	<u>18,505,872</u>
Earning per certificate of Rs 10/- each	0.54
APPROPRIATIONS	
Cash Dividend @ 4% (Rs 0.40 per certificate of Rs 10/- each)	12,000,000
Transfer to statutory reserve @ 20% of profit	3,251,849
Unappropriated Profit c/f	3,254,023
	<u>18,505,872</u>

Dividend Payment

The board of directors is pleased to declare cash dividend of 4% i.e. Rs.0.40 per certificate of Rs.10/- each for the period ended 30th June, 2021.

Economic Review

During the financial year 2020-21 Pakistan's economy showed good progress and performed beyond expectations with major macroeconomic indicators displayed a positive trends. Economy achieved GDP growth of 3.94% which has exceeded estimate of State Bank of Pakistan and also surpassed IMF and World Bank projections. Economy has witnessed a V-shaped recovery. The economic recovery was achieved without compromising internal and external stability. Manufacturing had shown remarkable growth as major sectors of LSM shown significant improvement i.e., Textile, Food Beverages & Tobacco, Non-Metallic Mineral Products and Automobile.

Despite innumerable challenges due to pandemic and high inflation, the major economic indicators have shown satisfactory progress. Presently, Pakistan's economy is moving progressively and on sustainable growth path. Pakistan was implementing stabilization policy post economic crisis due to Covid-19 and the economy stated recovering from macroeconomic imbalances.

Government took several key policy decisions as monetary and fiscal measures for revival of economy. Stimulate packages of State Bank of Pakistan (SBP) played a vital role for accelerating the pace of economic activities and business. High exports earnings, strong flow in home inflows of remittances and stability in policy rate of SBP supported well for accelerating pace of economic activities.

SBP stimulate package Temporary Economic Reform Facility (TERF) helped to speed up industrial productivity in a depressed economic environment. Salary package and Rozgar schemes provided timely loan relief and working capital to commercial entities. Going forward, despite of good economic performance, the challenges for sustainable growth and development still raise concerns.

Business Review of (HMM)

The year under review was full of unique challenges and opportunities due to persistence of COVID 19. The pandemic which started in early 2020 has changed all economic and business landscape globally. The “New Normal” that emerged from midst of lock downs, closures and social distances altogether demanded quick adaptability and forward thinking to continue with routine engagements.

The performance of Habib Metro Modaraba remained reasonably well in terms of booking asset and enhancement of book size. During the year we had managed to increase our financing assets portfolio to Rs. 284.993 million as compared to Rs.195.211 million of last year and balance sheet size also increases to Rs. 349.679 million from 345.917 million compared to last year. Although there was slight improvement in balance sheet size to last year but the financing asset portfolio has substantially increased during the period.

The profitability of the year reduced to Rs. 16.259 million as compared to profit of last year of Rs. 28.013 million due to low SBP discount rates and further reduction in other income segments. The increase in auto financing book reflect the encouraging move of acceptability of Residual Value car financing products. However, market penetration of said new products still not reached at desired level as compared to high acceptability of normal financing products in car financing. However, we expect that we will be able to further increase financing assets portfolio in current year in both consumer and corporate segments.

In March, 2021, the Federal Government has issued an Ordinance pertain to withdrawal of certain tax exemption on several segments. In said ordinance, tax exemption on Modaraba sector was also withdrawn. Our NBFIs and Modaraba association has made several communications and made representation to Tax Authorities, Finance Minister and SECP for restoration of tax exemption status of Modarabas Sector. However, said withdrawal was not restored and finally said amendment made part of Finance Bill 2021-22. 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.

Significant plans

Keeping in view of present economic environment mixed with challenges and opportunities, we are well positioned to take benefits of growing and progressing phase of trade and businesses. Key points of our strategies would be as follows:

- To enhance our market reach and add sound customer base of both consumer and corporate.
- Enhance technological advancement
- To enhance operational capacity of staff members through different segments of training programs.
- Continuous adoption of prescribed health care measures for safety of staff members till the deadly virus completely washed out.

Directors Training & Orientation

Majority directors are compliant with necessary requirements of Directors Training Certificate at The Institute of Chartered Accountants of Pakistan (ICAP), The Institute of Cost and Management Accountants of Pakistan (ICMAP) and Institute of Business Administration (IBA).

Fee to Attend the Directors' Meeting

Chairman, Non-Executive Directors and independent director are entitled only for the fee for attending the meetings from the Modaraba Management Company. The levels of remuneration are appropriate and commensurate with the level of responsibility and expertise to govern the company successfully and with value addition. Further, the Executive

director of the Modaraba Management Company does not earn any retention fee against the services provided by him in the capacity of Non-Executive Director from any other entity.

Board Meeting outside Pakistan

During the year, all board meetings have been arranged at Karachi in Management Company's office and none of the meeting conducted outside Pakistan in order to avoid any extra expenses of outside meeting.

Policy for Security Clearance of Foreign Directors

HMM has no foreign Directors on its Board. However, as we remain committed to the well-being of our Board, the modaraba has in place various protocols and procedures to ensure the safety and security of all Directors, including any foreign Directors should there be any in the future.

Foreign Directors

No Foreign directors exist on the Board of Modaraba Management Company.

Pattern of Certificate Holders

A Statement showing pattern of Certificate Holding of the Modaraba and additional information as at June 30, 2021 is included in this report.

Corporate and Financial Reporting Framework

The Directors are pleased to confirm compliance with Corporate and Financial Reporting Framework of the Securities & Exchange Commission Pakistan (SECP) and the Code of Corporate Governance for the following:

- The financial statements, prepared by the management of the modaraba, present fairly its state of affairs, the result of its operations, cash flows and changes in equity.
- International Financial Reporting Standards (IFRS), as applicable to Modarabas in Pakistan, have been followed in preparation of financial statements and any departures there from have been adequately disclosed. Further, the management of the Modaraba appreciates the unreserved compliance of IFRS to the possible extent in order to promote the fair financial reporting.
- Proper books of accounts of the modaraba have been maintained.
- Appropriate accounting policies have been consistently applied in preparation of financial statements. Accounting estimates used are based on reasonable and prudent judgment.
- The system of internal control is in place and has been effectively implemented. It is being continuously reviewed by internal audit and other such procedures.
- Board is satisfied with the Modaraba's ability to continue as a going concern.
- There has been no material departure from the best practices of corporate governance, as detailed in the Listed Companies (Code of Corporate Governance) Regulations 2019, except those mentioned in the statement of compliance with code of corporate governance.
- There are no statutory payments on account of taxes, duties, levies and charges which are outstanding as on June 30, 2021 except for those disclosed in the financial statements.

Composition of the Board

The composition of the Board of Directors of the Company as on June 30, 2021 is as follows:

1. The total number of Directors are Six as per the following:
 - Male: 5
 - Female: 1
2. The number of Directors under respective categories are as follows:
 - Independent Directors: 2
 - Non-Executive Directors: 2
 - Executive Director: 1
 - Female Director: 1

Directors' attendance

During the year, Four Board meetings, Four Audit Committee meetings and One Human Resource Committee meetings were held. Attendance by each Director was as follows:

Name of Directors	Board of Directors	Audit Committee	HR Committee
Syed Rasheed Akhtar	4	4	1
Mr. Muhammad Shoaib Ibrahim	4	NA	NA
Mr. Mohammad Shams Izhar	4	4	1
Mr. Saeed uddin Khan	4	4	1
Mr. Usman Nurul Abedin	4	NA	NA
Ms. Irum Saba	4	NA	NA

Auditors

Present auditors M/s. BDO Ibrahim and Company Chartered Accountants, are being eligible to offer themselves for reappointment as auditors for the financial year ending June 30, 2022, however their appointment will be subject to approval from Registrar Modaraba Office.

Acknowledgment

The Board would like to express its sincere thanks and gratitude for the continued support and guidance provided by Securities & Exchange Commission of Pakistan, Registrar Modaraba Companies, Financial Institutions and State Bank of Pakistan from time to time, customers of the Modaraba for their patronage and business, Certificate holders who have remained committed to Habib Metro Modaraba.

In the end, the Board appreciates dedication, high level of professionalism and hard work of employees of your Modaraba for achieving satisfactory results.

Muhammad Shoaib Ibrahim
Chief Executive Officer

Syed Rasheed Akhtar
Director

Karachi: September 30, 2021

ڈائریکٹر ز رپورٹ

بورڈ آف ڈائریکٹرز کی جانب سے ہمیں 30 جون 2021 کو ختم ہونے والے سال کے لئے مضاربہ کے آڈٹ شدہ اکاؤنٹس پیش کرتے ہوئے خوشی ہو رہی ہے۔

(پاکستانی روپے)

۱۸,۷۰۴,۶۹۷	مینجمنٹ فیس سے قبل منافع
۱,۸۷۰,۴۷۰	مضاربہ مینجمنٹ کمپنی کی فیس
۲۴۳,۱۶۱	مینجمنٹ کمپنی کے معاوضے پر سروسز سیلز ٹیکس
۳۳۱,۸۲۱	سندھ ورکرز ویلفیئر فنڈ
۱۶,۲۵۹,۲۴۵	منافع قبل از ٹیکس
-	ٹیکس
۱۶,۲۵۹,۲۴۵	سال کا منافع
۲,۲۴۶,۶۲۷	پچھلے سالوں کا غیر منقسم شدہ منافع
۱۸,۵۰۵,۸۷۲	
۰.۵۴	فی ۱۰ روپے کے سرٹیفکیٹ پر آمدنی

قابل تقسیم منافع:

۱۲,۰۰۰,۰۰۰	۴ فیصد کے حساب سے نقد منافع برائے تقسیم (۱۰ روپے کے سرٹیفکیٹ پر ۰.۴۰ پیسے نقد منافع فی سرٹیفکیٹ)
۳,۲۵۱,۸۴۹	(Statutory Reserve) میں منافع کی ۲۰ فیصد شرح سے منتقلی
۳,۲۵۴,۰۲۳	غیر منقسم شدہ منافع
۱۸,۵۰۵,۸۷۲	

منافع کی ادائیگی

بورڈ آف ڈائریکٹرز نے 30 جون 2021 کو ختم ہونے والی مدت کے لئے 4 فیصد یعنی 0.40 روپے فی سرٹیفکیٹ 10/- روپے کے نقد منافع کا اعلان کرتے ہوئے خوشی کا مظاہرہ کیا ہے۔

اقتصادی جائزہ

مالی سال 2020-21 کے دوران پاکستان کی معیشت نے اچھی پیش رفت کا مظاہرہ کیا اور بڑے میکر و اکٹناک اشاریوں کے ساتھ توقعات سے بالاتر کارکردگی کا مظاہرہ کیا جس نے مثبت رجحانات کا مظاہرہ کیا۔ معیشت نے جی ڈی پی کی شرح نمو 3.94 فیصد حاصل کی جو اسٹیٹ بینک آف پاکستان کے تخمینے سے تجاوز کر چکی ہے اور آئی ایم ایف اور عالمی بینک کے اندازوں سے بھی آگے نکل گئی ہے۔ معیشت میں V شکل کی بحالی دیکھنے میں آئی ہے۔ معاشی بحالی اندرونی اور بیرونی استحکام پر سمجھوتہ کیے بغیر حاصل کی گئی۔ مینوفیکچرنگ نے قابل ذکر ترقی کا مظاہرہ کیا تھا کیونکہ ایل ایس ایم کے بڑے شعبوں یعنی ٹیکسٹائل، فوڈ بیوریجز، اینڈ ٹوبیکو، غیر دھاتی معدنی مصنوعات اور آٹو موبائل میں نمایاں بہتری آئی ہے۔

وبا اور افراط زر کی وجہ سے بے شمار چیلنجز کے باوجود بڑے معاشی اشاریوں نے اطمینان بخش پیش رفت کا مظاہرہ کیا ہے۔ اس وقت پاکستان کی معیشت بتدریج اور پائیدار ترقی کی راہ پر گامزن

ہے۔ پاکستان کو ویڈ-19 کی وجہ سے معاشی بحران کے بعد استحکام کی پالیسی پر عمل درآمد کر رہا تھا اور معیشت نے میکرو اکنامک عدم توازن سے نجات حاصل کی۔

حکومت نے معیشت کی بحالی کے لئے مالیاتی اور مالی اقدامات کے طور پر کئی اہم پالیسی فیصلے کیے۔ اسٹیٹ بینک آف پاکستان (اسٹیٹ بینک) کے متحرک پیکیج کی وجہ سے معاشی سرگرمیوں اور کاروبار کی رفتار کو تیز کرنے میں اہم کردار ادا کیا۔ برآمدات کی زیادہ آمدنی، ترسیلات زر کی آمد میں مضبوط بہاؤ اور اسٹیٹ بینک کی پالیسی شرح میں استحکام نے معاشی سرگرمیوں کی رفتار کو تیز کرنے میں اچھی مدد کی۔

اسٹیٹ بینک کے متحرک پیکیج نے عارضی اقتصادی اصلاحات کی سہولت (ٹی ای آر ایف) نے سست معاشی ماحول میں صنعتی پیداواری صلاحیت کو تیز کرنے میں مدد کی۔ تنخواہیں کچھ روزگار اسکیموں نے تجارتی اداروں کو بروقت قرضوں میں آسانی اور ورکنگ کیپیٹل فراہم کیا۔ آگے بڑھتے ہوئے، اچھی معاشی کارکردگی کے باوجود پائیدار ترقی اور ترقی کے چیلنجز اب بھی خدشات پیدا کر رہے ہیں۔

کاروباری جائزہ (ایچ ایم ایم)

زیر جائزہ سال کو ویڈ 19 کی مستقل رہنے کی وجہ سے منفرد چیلنجوں اور مواقع سے بھر ا ہوا تھا۔ 2020 کے اوائل میں شروع ہونے والی اس وبا نے عالمی سطح پر تمام معاشی اور کاروباری منظر نامے کو تبدیل کر دیا ہے۔ لاک ڈاؤن، بندشوں اور سماجی فاصلوں کے درمیان ابھرنے والے "نیو نارمل" نے معمول کی مصروفیات کو جاری رکھنے کے لئے فوری مطابقت پذیری / اپنانے اور آگے کیلئے مزید سوچنے کا مطالبہ کیا ہے۔

حبیب میٹرو مضاربہ کی کارکردگی اثاثے کی بکنگ اور کھاتوں کے حجم میں اضافے کے معاملے میں کافی اچھی رہی۔ سال کے دوران ہم گزشتہ سال کے 195.211 ملین روپے کے مقابلے میں اپنے فنانسنگ اثاثوں کے پورٹ فولیو کو بڑھا کر 284.993 ملین روپے کرنے میں کامیاب رہے تھے اور بیلنس شیٹ کا سائز بھی گزشتہ سال کے مقابلے میں 345.917 ملین روپے تک بڑھ کر 349.679 ملین روپے ہو گیا ہے۔ اگرچہ پچھلے سال تک بیلنس شیٹ کے سائز میں معمولی بہتری آئی تھی لیکن اس عرصے کے دوران فنانسنگ اثاثہ پورٹ فولیو میں کافی اضافہ ہوا ہے۔

سال کا منافع کم ہو کر 16.259 ملین روپے ہو گیا گزشتہ سال کا منافع میں 28.013 ملین روپے ہے جس کی سبب اسٹیٹ بینک کی رعایت کی شرح میں کمی اور دیگر آمدنی والے طبقات میں مزید کمی ہے۔ بڑھتی ہوئی آٹو فنانسنگ کھاتہ ریز انڈل ویلیو کار فنانسنگ مصنوعات کی قبولیت کے حوصلہ افزا اقدام کی عکاسی کرتا ہے۔ تاہم کار فنانسنگ میں عام فنانسنگ مصنوعات کی زیادہ قبولیت کے مقابلے میں مذکورہ نئی مصنوعات کی مارکیٹ میں رسائی اب بھی مطلوبہ سطح پر نہیں پہنچی ہے۔ تاہم ہم توقع کرتے ہیں کہ ہم صارفین اور کارپوریٹ دونوں طبقات میں رواں سال فنانسنگ اثاثوں کے پورٹ فولیو میں مزید اضافہ کر سکیں گے۔

مارچ 2021 میں وفاقی حکومت نے ایک آرڈیننس جاری کیا ہے جس کا تعلق متعدد شعبہ جات پر عائد ٹیکسوں سے بعض استثنا واپس لینے سے متعلق ہے۔ مذکورہ آرڈیننس میں مضاربہ سیکٹر پر ٹیکس چھوٹ بھی واپس لے لی گئی۔ ہماری این بی ایف آئی اور مضاربہ ایسوسی ایشن نے نمائندگی کرتے ہوئے ٹیکس حکام، وزیر خزانہ اور ایس ای سی پی سے متعدد رابطے کیے ہیں اور مضاربہ ایسوسی ایشن کی ٹیکس چھوٹ کی حیثیت کی بحالی کے لئے بات کی ہے۔ تاہم بتایا گیا کہ مذکورہ چھوٹ بحال نہیں کی گئی اور آخر میں کہا گیا کہ مذکورہ آرڈیننس فنانس بل 2021-22 کا حصہ بنا دیا گیا ہے۔ مضاربہ پر ٹیکس میں حالیہ پیشرفت یعنی ٹیکس چھوٹ کی حیثیت واپس لینا بھی ہمارے سرمایہ کاروں کو خالص منافع اور منافع کی تقسیم کے لئے تشویش کا باعث ہے۔

اہم منصوبے

موجودہ معاشی ماحول کو چیلنجوں اور مواقع کے ساتھ ملا کر دیکھتے ہوئے ہم تجارت اور کاروبار کے بڑھتے ہوئے اور ترقی پذیر مرحلے سے فائدہ اٹھانے کے لئے اچھی طرح سے پوزیشن میں ہیں۔ ہماری حکمت عملی کے اہم نکات درج ذیل ہیں:

- ہماری مارکیٹ تک رسائی کو بڑھانے اور صارفین اور کارپوریٹ دونوں کی بہترین کسٹمرز کو شامل کرینگے۔
- تکنیکی ترقی میں اضافہ۔

- ترتیبی پروگراموں کے ذریعے عملے کے ارکان کی مختلف حصوں کی آپریشنل صلاحیت کو بڑھانا۔
- مہلک وائرس کے مکمل طور پر خاتمے تک عملے کے ارکان کی حفاظت کے لئے صحت کی دیکھ بھال کے مقررہ اقدامات کو مسلسل اپنانا۔

ڈائریکٹرز ٹریننگ اور رجحانات

اکثریتی ڈائریکٹرز انسٹی ٹیوٹ آف چارٹرڈ اکاؤنٹنٹس آف پاکستان (ICAP) انسٹی ٹیوٹ آف کاسٹ اینڈ مینجمنٹ اکاؤنٹنٹس آف پاکستان (ICMAP) اور انسٹی ٹیوٹ آف بزنس ایڈمنسٹریشن (IBA) سے ڈائریکٹرز ٹریننگ سرٹیفکیٹ کے ضروری تقاضوں کے مطابق ہیں۔

ڈائریکٹرز کے اجلاس میں شرکت کے لئے فیس

چیز مین، نان ایگزیکٹو ڈائریکٹرز اور آزاد ڈائریکٹر صرف مضاربہ مینجمنٹ کمپنی سے اجلاسوں میں شرکت کی فیس کے حقدار ہیں۔ معاوضے کمپنی کو کامیابی سے اور ویلیو ایڈیشن کے ساتھ چلانے کی ذمہ داری اور مہارت کے مطابق مناسب اور مطابقت رکھنے کے درجہ کے مطابق ہیں۔ مزید برآں، مضاربہ مینجمنٹ کمپنی کے ایگزیکٹو ڈائریکٹر کسی بھی دوسرے ادارے سے نان ایگزیکٹو ڈائریکٹر کی حیثیت سے ان کی فراہم کردہ خدمات کے مقابلے میں کوئی برقراری فیس حاصل نہیں کرتے ہیں۔

پاکستان سے باہر بورڈ میٹنگ

ایک سال کے دوران، بورڈ میں تمام بورڈ میٹنگز کا انتظام کراچی میں مینجمنٹ کمپنی کے دفتر میں کیا گیا ہے اور بیرونی اجلاس کے اضافی اخراجات سے بچنے کے لئے کسی بھی اجلاس کا پاکستان سے باہر انعقاد نہیں کیا گیا۔

فارن ڈائریکٹرز کی سکیورٹی کلیئرنس کی پالیسی

ایچ ایم کے بورڈ میں کوئی غیر ملکی ڈائریکٹر نہیں ہے۔ تاہم، جیسا کہ ہم اپنے بورڈ کی فلاح و بہبود کے لئے پر عزم ہیں، مضاربہ نے تمام ڈائریکٹرز بشمول کسی بھی غیر ملکی ڈائریکٹرز کی حفاظت اور تحفظ کو یقینی بنانے کے لئے مختلف پروٹوکول اور طریقہ کار وضع کیے ہیں۔

غیر ملکی ڈائریکٹرز

مضاربہ مینجمنٹ کمپنی کے بورڈ میں کوئی غیر ملکی ڈائریکٹر موجود نہیں ہے۔

سرٹیفکیٹ ہولڈرز کا نمونہ / پیٹرن

30 جون 2021 کو مضاربہ کے سرٹیفکیٹ ہولڈنگ کا پیٹرن اور اضافی معلومات کا اسٹیٹمنٹ اس رپورٹ میں شامل ہے۔

کارپوریٹ اور مالیاتی رپورٹنگ فریم ورک

ڈائریکٹرز مسرت کے ساتھ تصدیق کرتے ہیں کہ درج ذیل نکتوں پر سکیورٹیز اینڈ ایکسچینج کمیشن پاکستان (SECP) اور کوڈ برائے کارپوریٹ گورننس پر کارپوریٹ اور مالیاتی رپورٹنگ کا فریم ورک مشتمل ہے:

- مالیاتی اسٹیٹمنٹ جو کہ مضاربہ مینجمنٹ کی طرف سے تیار کی جائے گی، وہ مکمل طور پر اپنی چیزوں شفافیت رکھے گی، جو کہ آپریشن کے نتائج، کیش فلو اور ایکویٹی میں تبدیلی پر ہو۔
- بین الاقوامی مالیاتی رپورٹنگ معیار، پاکستان میں مضاربہ پر لاگو ہوگا، مالیاتی اسٹیٹمنٹ کی تیاری میں کسی بھی چیز کو حذف کرنے کی مناسب وجہ بیان کی جائے گی۔ مزید برآں یہ کہ، مضاربہ کی مینجمنٹ کی یہ کوشش رہے گی کہ وہ بیج جانے والی مالیاتی رپورٹنگ کو IFRS کے معیار کے مطابق کرے گی تاکہ صاف شفاف مالیاتی رپورٹنگ کو ترویج دی جاسکے۔
- مضاربہ کے کھاتوں کا صحیح طور پر حساب کتاب رکھا گیا ہے۔

- مالیاتی اسٹیٹمنٹ کی تیاری میں مناسب اکاؤنٹنگ پالیسیوں کو لاگو کیا جائے گا۔ کھاتوں کا تخمینہ بہتر تجربے اور صحیح وجہ کی بنیاد پر لگایا جائے گا۔
- اندرونی انتظام کو موثر طریقے سے نافذ العمل کیا جائے گا۔ اس نظام کو اندرونی احتساب / آڈٹ و دیگر ذرائع کے تحت مسلسل جائزہ لیا جائے گا۔
- بورڈ مضاربہ کی موجودہ جاری پیشرفت سے مطمئن ہے۔
- کارپوریٹ گورننس کے بہترین طریقہ کار سے کسی قسم کا میٹرل باہر نہیں ہوا ہے جس کی تفصیل فہرست شدہ کمپنیز (کوڈ آف کارپوریٹ گورننس) ریگولیشن 2019 کے مطابق، سوائے اُس کے جو کہ اسٹیٹمنٹ برائے کارپوریٹ گورننس میں بتائے گئے ہیں۔
- 30 جون 2021 تک کسی بھی قسم کے حکومتی ٹیکسز، ڈیوٹیز، لیویز اور دیگر چارجز وغیرہ قابل ادا نہیں ہیں سوائے جو کہ رپورٹ میں فراہم کئے گئے ہیں۔

بورڈ کی تشکیل

30 جون 2021ء تک کمپنی کے بورڈ آف ڈائریکٹرز کی تشکیل درج ذیل ہے:

1. ڈائریکٹرز کی کل تعداد درج ذیل کے مطابق چھ ہے:

• مرد: 5

• عورت: 1

2. متعلقہ زمروں / کیٹیگریز کے تحت ڈائریکٹرز کی تعداد درج ذیل ہے:

• آزاد ڈائریکٹرز: 2

• نان ایگزیکٹو ڈائریکٹرز: 2

• ایگزیکٹو ڈائریکٹرز: 1

• خاتون ڈائریکٹر: 1

ڈائریکٹرز کی حاضری

سال کے دوران ہر ہفتہ ہارے بورڈ اجلاس، آڈٹ کمیٹی کے چار اجلاس اور انسانی وسائل کمیٹی کے ایک اجلاس منعقد ہوئے۔ ہر ڈائریکٹر کی حاضری درج ذیل تھی:

ڈائریکٹر کا نام	بورڈ آف ڈائریکٹرز	آڈٹ کمیٹی	ایچ آر کمیٹی
شیخ رشید اختر	4	4	1
ایم آر محمد شعیب ابراہیم	4	NA	NA
جناب محمد شمس ازہر	4	4	1
جناب سعید الدین خان	4	4	1
جناب عثمان نور العابدین	4	NA	NA
محترمہ ارم صبا	4	NA	NA

آڈیٹرز

موجودہ آڈیٹرز میسرز ای وائی فورڈ روڈز، چارٹرڈ اکاؤنٹنٹس، 30 جون 2022 کو ختم ہونے والے مالی سال کے لئے آڈیٹ کے طور پر دوبارہ تقرری کے لئے خود کو پیش کرنے کے اہل ہو رہے ہیں، تاہم ان کی تقرری رجسٹرار مضاربہ آفس سے منظوری سے مشروط ہوگی۔

اظہار تشکر

بورڈ شکر گزار ہے کہ جو تعاون اور مدد اُسے سیکیورٹیز اینڈ ایکسچینج کمیشن پاکستان (SECP) رجسٹرار مضاربہ کمپنیز، مالیاتی اداروں اور اسٹیٹ بینک آف پاکستان کا جنہوں نے گاہے بگاہے کی، اس کے علاوہ مضاربہ کے کسٹمرز کی جنہوں نے اپنے کاروبار اور دیگر معاملات میں ہماری رہنمائی کی، سرٹیفکیٹ کنندگان کی جنہوں نے حبیب میٹرو مضاربہ کے ساتھ مسلسل اپنا تعاون جاری رکھا۔

آخر میں، بورڈ مضاربہ کے ملازمین کے بہترین پروفیشنلزم، سخت محنت اور انتھک جذبے کو سراہتا ہے جن کی وجہ سے ہمیں یہ بہترین نتائج حاصل ہوئے ہیں۔

محمد شعیب ابراہیم

چیف ایگزیکٹو آفیسر

سید رشید اختر

ڈائریکٹر

کراچی: بتاریخ ۳۰ ستمبر، ۲۰۲۱

Notice of Annual Review Meeting

Notice is hereby given that the Annual Review Meeting of certificate-holders of Habib Metro Modaraba will be held on October 27, 2021 at 4.00 p.m. at Institute of Cost and Management Accountants of Pakistan (ICMAP) Building, ST-18/C Block-6, Gulshan-e-Iqbal, Karachi, to review the performance of the Modaraba for the year ended June 30, 2021.

The certificate holders whose names appear in the register of certificate holders of HMM as on October 15, 2021 will be eligible to attend the Annual Review Meeting.

By order of the Board

Tehsin Abbas
Company Secretary

Karachi: September 30, 2021

REQUEST TO CERTIFICATE HOLDERS

- The Individual Certificate Holders who have not yet submitted photocopy of their valid Computerized National Identity Card (CNIC) to the Modaraba / Share Registrar, are once again reminded to send the same at the earliest directly to Company's Share Registrar, M/s CDC Share Registrar Services Limited. In case of non-receipt of the copy of a valid CNIC, the Modaraba would be constrained under section 243 (3) of the Companies Act, 2017 to withhold dividend of such certificate holders.
- In accordance with the provisions of section 242 of the Companies Act, 2017 and Companies (Distribution of Dividend) Regulations, 2017, it is mandatory for a listed company to pay cash dividend to its certificate holder only through electronic mode directly into the bank account designated by the entitled certificate holder. Therefore, certificate holders are requested to fill in "Electronic Credit Mandate Form" as reproduced below and send it duly signed along with a copy of valid CNIC/NTN to their respective CDC participant / CDC Investor account services.

- (i) Certificate holder's details
 - Name of the certificate holder (s)
 - Folio # / CDS Account No.(s)
 - CNIC NO. (copy attached)
 - Mobile/Landline no.

- (ii) Certificate holder's Bank detail
 - Title of Bank Account
 - International Bank Account number (IBAN)
 - Bank's Name
 - Branch's name and address

It is stated that the above-mentioned information is correct and in case of any change herein I will immediately intimate the Share Registrar accordingly.

Directors' Profile

Syed Rasheed Akhtar – Chairman Non-Executive Independent Director

Syed Rasheed Akhtar has rich experience in the banking field. His vast banking career spans over 36 years. He possesses masters in statistics degree from University of Karachi. He started his banking career from Habib Bank Limited in the year 1974 and carried diversified experience on very senior positions. He has been associated with Bank Indosuez, Habib Bank AG Zurich, HBZ Bank Limited, South Africa. He also headed an independent Islamic Banking Division of HBZ Bank Limited, South Africa from 2006-2010. He successfully completed Certificate on Islamic Banking arranged by N.I.B.A.F. State Bank of Pakistan. He has also completed Certification of Director Training Program conducted by Institute of Chartered Accountants of Pakistan.

Muhammad Shoaib Ibrahim – Chief Executive Officer

Muhammad Shoaib, is associated with FHM since the inception of modaraba. His extensive working experience in Non-Banking Islamic Financial institutions makes him senior most person with such rich experience of Islamic Finance in Pakistan. This intense exposure gave him the insight into the financial and technical aspects of fund management in Islamic way. He has done Master's in Business Administration (MBA) in Banking and Finance from Institute of Business Administration (IBA). He has completed Post Graduate Diploma (PGD) in Islamic Banking and Finance from Centre of Islamic Economics (Darul Ulum), Karachi, Pakistan. He has also completed Certification of Director Training Program conducted by Institute of Chartered Accountants of Pakistan. On number of occasions he remained as an Executive Member of Modaraba Association of Pakistan.

Mohammad Shams Izhar - Non Executive Director

Mr. Mohammad Shams Izhar is an MBA from Institute of Business Administration (IBA), Karachi backed with a degree in Industrial Technology. He has over 36 years' experience in banking with specialization in Corporate Governance and Risk Management overseeing credit risk, operation risk, market & liquidity risk, information security, business continuity and internal control. He also contributed towards improvement of the country's banking industry's standard as a member of Pakistan Banks Association's sub-committee and SBP working group. He is also a Fellow Institute of Bankers Pakistan and Certified Director by Pakistan Institute of Corporate Governance (PICG)."

Saeed Uddin Khan- Non Executive Independent Director

Mr. Saeed Uddin Khan has extensive 33 years banking experience in Conventional as well as Islamic. He did his MBA from IBA, Karachi. He also holds Diploma in Banking (DAIBP) and PGD as well as NIBAF, SBP Certification in Islamic banking, besides short as well as extensive training within and outside Pakistan. He has a rich knowledge of retail banking, product and brand development, corporate financing, risk management, asset recovery, budgeting, MIS etc. He served HBL in different areas and at senior positions including inter alia CEO of HBL Mudaraba, Head, Islamic Banking, Head, Budgeting & MIS, Head, SME Business etc. Lastly he set up Islamic banking business and launched a new brand by the name of Sa'adat in Sindh Bank, which he left in early 2018.

Usman Nurul Abedin - Non Executive Director

Mr. Usman Nurul Abedin has graduated from University of Karachi he possesses about of 44 years of diversified experience in the field of banking and finance. He has a vast experience in banking particularly in treasury operations international branch banking. He served Habib Metropolitan Bank for about 32 years at senior management positions and also well versed with risk of credit management policy making and administration. Before joining Habib Metropolitan Bank he was associated with Bank of Credit & commerce international (BCCI) for about 12 years and served as Manager international Operations / Overseas Banking / Credit and Marketing.

Dr. Irum Saba – Non Executive Director

Dr. Irum Saba is Assistant Professor in the Department of Finance and program Director of MS Islamic Banking and Finance at IBA-Karachi Pakistan, and currently she is on deputation from State Bank of Pakistan to IBA-Karachi. She having experience of more than 15 years as progressive regulatory, research, training and teaching experience with organizations of international repute. She is well known personality within Islamic Finance industry in Pakistan and globally as well.

Certificate Holders Information

Registered Office:
3rd Floor, Al Manzoor Building
Dr. Ziauddin Ahmed Road, Karachi
Tel : 021-32635949-51
Fax : 021-32627373
Web www.habibmetromodaraba.com
Email : hmm@habibmetromodaraba.com

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

Listing on Stock Exchange

Modaraba Certificates of Habib Metro Modaraba (HMM) is listed on Pakistan Stock Exchange (PSX).

Investor Service Centre

HMM share department is operated by Central Depository Company of Pakistan Limited - Share registrar department. It also functions as an Investor Service Centre and has been servicing nearly 1,188 Certificate holders. The Investor Service Centre is managed by a well-experienced team of professionals and is equipped with the necessary infrastructure in terms of computer facilities and comprehensive set of systems and procedures for conducting the Registration function. The team is headed by Mr. Mohsin Rajab Ali at registered office, Central Depository Company of Pakistan Limited - Share registrar department and Mr. Rashid K. Siddiqui, Senior Vice President at HMM.

HMM share department has online connectivity with Central Depository Company of Pakistan Limited - Operation department. The share department undertakes activities Certificate Transfer and Transmission, issue of duplicate / revalidated dividend warrant, issue of duplicate / replaced share Certificates, change of address and other related matters.

For assistance, Certificate holders may contact either the Registered Office or Share Registrar Office:

Contact Person:
Registrar Office:
Mr. Mohsin Rajab Ali
Manager Share Registrar
CDC Share Registrar Services Limited

Contact Person:
Mr. Rashid K. Siddiqui
Senior Vice President
Habib Metro Modaraba

Dividend Announcement

The Board of Directors of the Management Company has approved cash dividend of 4% (Re. 0.40 per Modaraba Certificate of Rs. 10/- each) for the financial year ended 30th June, 2021.

Book Closure Dates

The Certificate Transfer Book of the Modaraba will remain close from 18-10-21 to 27-10-21 (both days are inclusive).

Payment of Dividend Electronically (E-mandate)

Pursuant to the provisions of section 242 of the Companies Act, 2017 and Companies (Distribution of Dividend) Regulations, 2017, the dividend will be paid, to those certificate holders whose name appear in the Register of Member of

Categories of Certificate Holders

As at June 30, 2021

Categories of Shareholders	Shareholders	Shares Held	Percentage
Directors and their spouse(s) and minor children	-	-	-
Associated Companies, undertakings and related parties			
HABIB METROPOLITAN BANK LIMITED	1	18,000,000	60.00
HABIB METROPOLITAN MODARABA MANAGEMENT COMPANY (PVT.) LTD	1	13,000,000	10.00
NIT and ICP	-	-	-
Banks Development Financial Institutions	-	-	-
Insurance Companies	-	-	-
Modarabas and Mutual Funds	1	500	0.00
General Public			
a. Local	934	3262759	10.88
b. Foreign	2	1500	0.01
Foreign Companies	-	-	-
OTHERS	4	5735241	19.12
Totals	943	30,000,000	100.00
Share holders holding 5% or more	Shares Held	Percentage	
HABIB METROPOLITAN MODARABA MANAGEMENT COMPANY (PVT.) LTD	3,000,000	10.00	
HABIB MANAGEMENT (PRIVATE) LIMITED	5,722,741	19.08	
HABIB METROPOLITAN BANK LIMITED	18,000,000	60.00	

Pattern Of Certificate Holding Report

As at June 30, 2021

Number of Certificate holders	Certificate Holdings			Total Certificate Held
32	1	to	100	147
492	101	to	500	244,508
184	501	to	1000	183,226
187	1001	to	5000	454,070
10	5001	to	10000	81,923
6	10001	to	15000	77,177
6	15001	to	20000	106,251
7	20001	to	25000	173,035
2	25001	to	30000	55,148
2	30001	to	35000	65,567
1	35001	to	40000	36,879
1	40001	to	45000	43,500
2	45001	to	50000	98,828
1	70001	to	75000	72,000
1	95001	to	100000	100,000
1	115001	to	120000	120,000
1	125001	to	130000	127,000
1	160001	to	165000	160,500
1	195001	to	200000	200,000
1	340001	to	345000	343,000
1	530001	to	535000	534,500
1	2995001	to	3000000	3,000,000
1	5720001	to	5725000	5,722,741
1	17995001	to	18000000	18,000,000
943				30,000,000

Statement of Compliance with Code of Corporate Governance of Habib Metro Modaraba for the year ended June 30, 2021

The Modaraba Management Company) Habib Metro Metropolitan Modaraba Management Company Private Limited (hereafter referred to as the Company) has complied with the requirements of the Regulations in the following manner:

1. The total number of directors are six as per the following:

Male	5
Female	1

2. The composition of board is as follows:

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

3. The directors have confirmed that none of them is serving as a director on more than Seven listed companies, including this company;
4. The company has prepared a Code of Conduct and has ensured that appropriate steps have been taken to disseminate it throughout the company along with its supporting policies and procedures.
5. The Board has developed a vision/mission statement, overall corporate strategy and significant policies of the company. The Board has ensured that complete record of particulars of the significant policies along with their date of approval or updating is maintained by the company;
6. All the powers of the board have been duly exercised and decisions on relevant matters have been taken by board/ shareholders as empowered by the relevant provisions of the Act and these Regulations.
7. The meetings of the board were presided over by the Chairman and, in his absence, by a director elected by the board for this purpose. The board has complied with the requirements of Act and the Regulations with respect to frequency, recording and circulating minutes of meeting of board.
8. The board of directors have a formal policy and transparent procedures for remuneration of directors in accordance with the Act and these Regulations.
9. All directors of the Company are compliant with the requirement of the Regulation related to Directors' Training Program. The Board ensures arrangement of orientation course for its directors to apprise them of their duties and responsibilities at the beginning of their term. No training session for directors was held during the year.
10. The board has approved appointment of CFO, Company Secretary and Head of Internal Audit, including their remuneration and terms and conditions of employment and complied with relevant requirements of the Regulations.
11. CFO and CEO duly endorsed the financial statements before approval of the board.
12. The board has formed committees comprising of members given below:

Audit Committee

Chairman	Mr. Saeed Uddin Khan
Member	Mr. Syed Rasheed Akhtar
Member	Mr. Mohammad Shams Izhar

HR and Remuneration Committee

Chairman	Mr. Syed Rasheed Akhtar
Member	Mr. Saeed Uddin Khan
Member	Mr. Mohammad Shams Izhar

13. The terms of reference of the aforesaid committees have been formed, documented and advised to the committee for compliance.
14. The frequency of meetings (quarterly/half yearly/ yearly) of the committee were as per following:
15. The board has set up an effective internal audit function containing individuals who are suitably qualified and experienced for the purpose and are conversant with the policies and procedures of the Company.
16. The statutory auditors of the company have confirmed that they have been given a satisfactory rating under the Quality Control Review program of the Institute of Chartered Accountants of Pakistan and registered with Audit Oversight Board of Pakistan, that they and all their partners are in compliance with International Federation of Accountants (IFAC) guidelines on code of ethics as adopted by the Institute of Chartered Accountants of Pakistan and that they and the partners of the firm involved in the audit are not a close relative (spouse, parent, dependent and non-dependent children) of the chief executive officer, chief financial officer, head of internal audit, company secretary or director of the company;
17. The statutory auditors or the persons associated with them have not been appointed to provide other services except in accordance with the Act, these regulations or any other regulatory requirement and the auditors have confirmed that they have observed IFAC guidelines in this regard.
18. We confirm that all requirements of regulations 3, 6, 7, 8, 27, 32, 33 and 36 of the Regulations have been complied with.

Muhammad Shoaib Ibrahim

Chief Executive Officer

Syed Rasheed Akhtar

Chairman

Karachi: September 30, 2021

INDEPENDENT AUDITOR'S REVIEW REPORT TO THE CERTIFICATE HOLDERS OF HABIB METRO MODARABA ON THE STATEMENT OF COMPLIANCE CONTAINED IN LISTED COMPANIES (CODE OF CORPORATE GOVERNANCE) REGULATIONS, 2019

We have reviewed the enclosed Statement of Compliance with the Listed Companies (Code of Corporate Governance) Regulations, 2019 (the Regulations) prepared by the Board of Directors of Habib Metropolitan Modaraba Management Company (Private) Limited (the Modaraba Management Company) for and on behalf of Habib Metro Modaraba (the Modaraba) for the year ended June 30, 2021 in accordance with the requirements of regulation 36 of the Regulations.

The responsibility for compliance with the Regulations is that of the Board of Directors of the Modaraba Management Company. Our responsibility is to review whether the Statement of Compliance reflects the status of the Modaraba's compliance with the provisions of the Regulations and report if it does not and to highlight any non-compliance with the requirements of the Regulations. A review is limited primarily to inquiries of the Modaraba's personnel and review of various documents prepared by the Modaraba Management Company to comply with the Regulations.

As a part of our audit of the financial statements, we are required to obtain an understanding of the accounting and internal control systems sufficient to plan the audit and develop an effective audit approach. We are not required to consider whether the Board of Directors' statement on internal control covers all risks and controls or to form an opinion on the effectiveness of such internal controls, the Modaraba's corporate governance procedures and risks.

The Regulations require the Modaraba Management Company to place before the Audit Committee, and upon recommendation of the Audit Committee, place before the Board of Directors for their review and approval, its related party transactions. We are only required and have ensured compliance of this requirement to the extent of the approval of the related party transactions by the Board of Directors upon recommendation of the Audit Committee.

Based on our review, nothing has come to our attention which causes us to believe that the Statement of Compliance does not appropriately reflect the Modaraba Management Company's compliance, in all material respects, with the requirements contained in the Regulations as applicable to the Modaraba for the year ended June 30, 2021.

KARACHI

DATED: September 30, 2021

BDO Ebrahim & Co.

CHARTERED ACCOUNTANTS

Engagement Partner: Zulfikar Ali Causer

Shariah Advisor's Profile

Alhamd Shariah Advisory Services (ASAS) is a Shariah Advisory company providing Shariah Advisory services, training and product development to Islamic Banks, Modarabas, Islamic Mutual Funds, Takaful companies etc.

The following Shariah Scholars are associated with ASAS and have the experience and affiliation for the advisory of the renowned institution in the country mostly in the financial sector:

1. Mufti Ibrahim Essa
2. Mufti Ubaid ur Rahman
3. Mufti Uzair Tariq Bilwani
4. Mufti Tahir Mehmood
5. Mufti Hassain Ahmad
6. Dr. Mufti Adnan Aziz

The certificate of Incorporation was issued from SECP on March 05, 2018. ASAS is certified Shariah Advisory Company of SECP and the registration number in SECP is SECP/IFD/SA/046 dated May 07, 2019.

Shariah Advisor's Review Report

We have conducted the Shari'ah review of Habib Metro Modaraba (HMM) managed by Habib Metropolitan Modaraba Management Company (Pvt.) Limited for the financial year ended on June 30, 2021 in accordance with the requirements of the Shari'ah Compliance and Shari'ah Audit Mechanism for Modarabas and in our opinion:

- i. the mechanism adopted by HMM has strengthened the Shari'ah compliance, in letter and spirit and the systems, procedures and policies adopted by HMM are in line with the Shari'ah principles;
- ii. The agreement(s) entered into by HMM are Shari'ah Compliant and the financing agreement(s) have been executed on the approved formats and all the related conditions have been met;
- iii. To the best of our information and according to the explanations given to us, the business transactions undertaken by HMM and all other matters incidental thereto are in conformity with the Shari'ah requirements;
- iv. Charity account was reviewed and found in line with the direction of rules and regulations.

Observations:

NIL

Recommendations:

NIL

Conclusion:

Based on the extensive reviews of sample cases of Residual Value car financing, related documentation, processes, and management's representation made in this regard, it is our candid opinion that, the affairs, activities and transactions performed by the Modaraba during the year are in compliance with the rules & principles of Shari'ah and in light of the guidelines issued by the Registrar Modaraba, Securities & Exchange Commission of Pakistan.

May Allah bless HMM with the best Tawfeeq to accomplish His cherished tasks, all good deeds are from Allah and weaknesses are from our side that needs to be forgiven.



Mufti Muhammad Ibrahim Essa
For and on behalf of
Alhamd Shariah Advisory Services Private Limited



Mufti Uzair Bilwani
For and on behalf of
Alhamd Shariah Advisory Services Private Limited

Dated: August 26, 2021



Auditors' Report to the Certificate Holders

We have audited the annexed balance sheet of HABIB METRO MODARABA ("the Modaraba") as at June 30, 2021 and the related profit and loss account, statement of comprehensive income, cash flow statement and statement of changes in equity together with the notes forming part thereof (hereinafter referred to as the financial statements), for the year ended June 30, 2021 and we state that we have obtained all the information and explanations which, to the best of our knowledge and belief, were necessary for the purpose of our audit.

These financial statements are the Modaraba Management Company's [Habib Metropolitan Modaraba Management Company (Private) Limited] responsibility who is also responsible to establish and maintain a system of internal control, and prepare and present the above said statements in conformity with the approved accounting standards as applicable in Pakistan and the requirements of the Modaraba Companies and Modaraba (Floatation and Control) Ordinance, 1980 (XXXI of 1980), and the Modaraba Companies and Modaraba Rules, 1981. Our responsibility is to express an opinion on these statements based on our audit.

We conducted our audit in accordance with the auditing standards as applicable in Pakistan. These standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of any material misstatement. An audit includes examining on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting policies and significant estimates made by the Modaraba Management Company, as well as, evaluating the overall presentation of the financial statements. We believe that our audit provides a reasonable basis for our opinion and, after due verification, we report that:

- a) in our opinion proper books of account have been kept by the Modaraba Management Company in respect of the Modaraba as required by the Modaraba Companies and Modaraba (Floatation and Control) Ordinance, 1980 (XXXI of 1980), and the Modaraba Companies and Modaraba Rules, 1981;
- b) in our opinion:
 - i) the balance sheet and profit and loss account together with the notes thereon have been drawn up in conformity with the Modaraba Companies and Modaraba (Floatation And Control) Ordinance, 1980 (XXXI of 1980) and the Modaraba Companies and Modaraba Rules, 1981, and are in agreement with the books of account and are further in agreement with accounting policies consistently applied;
 - ii) the expenditure incurred during the period was for the purpose of the Modaraba 's business; and
 - iii) the business conducted, investments made and the expenditure incurred during the year were in accordance with the objects, terms and conditions of the Modaraba;
- c) in our opinion and to the best of our information and according to the explanations given to us, the balance sheet, profit and loss account, statement of comprehensive income, cash flow statement and statement of changes in equity together with the notes forming part thereof conform with approved accounting standards as applicable in Pakistan and give the information required by the Modaraba Companies and Modaraba (Floatation and Control) Ordinance, 1980 (XXXI of 1980), and the Modaraba Companies and Modaraba Rules, 1981, in the manner so required and respectively give a true and fair view of the state of the Modaraba's affairs as at June 30, 2021 and of the profit, its comprehensive income, its cash flows and changes in equity for the period then ended; and
- d) zakat decuctible at source under the Zakat and Ushr Ordinance, 1980 (XVIII of 1980), was deducted by the Modaraba Management Company and deposited in the Central Zakat Fund established under section 7 of that Ordinance.

KARACHI

DATED: September 30, 2021

BDO Ebrahim & Co.

Chartered Accountants

Engagement Partner: Zulfikar Ali Causer

Balance Sheet

As at June 30, 2021

	Note	2021 Rupees	2020 Rupees
ASSETS			
NON CURRENT ASSETS			
Fixed assets in own use	5	2,251,810	3,323,134
Intangible assets	6	-	67,002
Diminishing musharaka financing	7	166,663,132	130,453,082
Preliminary expenses and floatation costs	8	2,626,807	5,250,688
		<u>171,541,749</u>	<u>139,093,906</u>
CURRENT ASSETS			
Short term investment	9	40,000,000	100,000,000
Current portion of diminishing musharaka financing	7	118,329,824	64,758,281
Short term prepayments and other receivables	10	781,621	1,251,172
Accrued profit	11	379,769	760,667
Taxation - net	12	7,766,305	5,530,605
Cash and cash equivalent Cash and bank balances	13	10,879,709	34,522,609
		<u>178,137,228</u>	<u>206,823,334</u>
		<u>349,678,977</u>	<u>345,917,240</u>
TOTAL ASSETS			
EQUITY AND LIABILITIES			
CERTIFICATE CAPITAL AND RESERVES			
Authorized capital			
30,000,000 modaraba certificates of Rs. 10/- each		300,000,000	300,000,000
Issued, subscribed and paid-up certificate capital	14	300,000,000	300,000,000
Statutory reserve	15	11,876,005	8,624,156
Unappropriated profit	15	15,254,023	23,246,627
		<u>327,130,028</u>	<u>331,870,783</u>
CURRENT LIABILITIES			
Creditors, accrued and other liabilities	16	22,439,990	14,024,481
Unclaimed profit distribution		108,959	21,976
		<u>22,548,949</u>	<u>14,046,457</u>
		<u>349,678,977</u>	<u>345,917,240</u>
TOTAL EQUITY AND LIABILITIES			
CONTINGENCIES AND COMMITMENTS			
	17		

The annexed notes from 1 to 37 form an integral part of these financial statements.

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

CHIEF FINANCIAL OFFICER

CHIEF EXECUTIVE

DIRECTOR

DIRECTOR

Profit And Loss Account

For the year ended June 30, 2021

	Note	2021 Rupees	2020 Rupees
INCOME			
Income from diminishing musharaka financing		28,004,770	32,661,276
Profit on Islamic Term Deposit Receipts (TDR)		5,288,966	2,830,619
Profit on Modaraba's deposit accounts		1,318,838	8,693,275
Other finance income	18	440,000	4,321,600
Profit on Islamic certificates		-	1,697,260
Other income		1,709,480	510,456
		<u>36,762,054</u>	<u>50,714,486</u>
EXPENSES			
Amortization of preliminary expenses and floatation costs	8	2,623,881	2,631,070
Administrative expenses	19	15,289,132	15,708,768
Financial charges	20	144,344	147,357
		<u>18,057,357</u>	<u>18,487,195</u>
		18,704,697	32,227,291
Modaraba Management Company's remuneration	21	1,870,470	3,222,729
Sales tax on Management Company's remuneration	21	243,161	418,955
Provision for Sindh Workers' Welfare Fund	16.1	331,821	571,712
Profit before taxation		<u>16,259,245</u>	<u>28,013,895</u>
Taxation	22	-	-
Net profit for the year		<u>16,259,245</u>	<u>28,013,895</u>
Earnings per certificate - basic and diluted	23	<u>0.54</u>	<u>0.93</u>

The annexed notes from 1 to 37 form an integral part of these financial statements.

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

CHIEF FINANCIAL OFFICER

CHIEF EXECUTIVE

DIRECTOR

DIRECTOR

Statement Of Comprehensive Income

For the year ended June 30, 2021

	2021 Rupees	2020 Rupees
Net profit for the year	16,259,245	28,013,895
Other comprehensive income	-	-
Total comprehensive income for the year	<u>16,259,245</u>	<u>28,013,895</u>

The annexed notes from 1 to 37 form an integral part of these financial statements.

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

CHIEF FINANCIAL OFFICER

CHIEF EXECUTIVE

DIRECTOR

DIRECTOR

Cash Flow Statement

For the year ended June 30, 2021

	Note	2021 Rupees	2020 Rupees
CASH FLOWS FROM OPERATING ACTIVITIES			
Cash used in operations	32	(59,048,058)	(33,960,647)
Vehicle available for diminishing musharaka financing		-	28,889,899
Diminishing musharaka financing		(36,210,050)	600,637
Income tax paid - net		(2,235,700)	(833,483)
Financial charges paid		(144,344)	(147,357)
Net cash used in operating activities		(97,638,152)	(5,450,951)
CASH FLOWS FROM INVESTING ACTIVITIES			
Addition to property and equipment		(99,200)	(199,900)
Disposal of property and equipment		13,997	-
Investment - net		60,000,000	(30,000,000)
Profit on Islamic certificates		-	1,974,657
Income received on diminishing musharaka financing		28,004,770	32,661,276
Profit on Islamic Term Deposit Receipts (TDR)		5,623,716	3,177,833
Profit received on Modaraba's deposits accounts		1,364,986	8,318,494
Net cash generated from investing activities		94,908,269	15,932,360
CASH FLOWS FROM FINANCING ACTIVITIES			
Dividend paid		(20,913,017)	(8,234,591)
Net cash used in financing activities		(20,913,017)	(8,234,591)
(Decrease) / increase in cash and cash equivalents during the year		(23,642,900)	2,246,818
Cash and cash equivalent at the beginning of the year		34,522,609	32,275,791
Cash and cash equivalent at the end of the year	33	10,879,709	34,522,609

The annexed notes from 1 to 37 form an integral part of these financial statements.

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

CHIEF FINANCIAL OFFICER

CHIEF EXECUTIVE

DIRECTOR

DIRECTOR

Statement Of Changes In Equity

For the year ended June 30, 2021

	Issued, subscribed and paid-up certificate capital	*Statutory reserve	Unappropriated profit	Total
	-----Ru pees-----			
Balance as on July 1, 2019	300,000,000	3,021,377	9,085,511	312,106,888
Transaction with the owners				
Profit distribution for the year ended June 30, 2019 @ Rs 0.275 per certificate	-	-	(8,250,000)	(8,250,000)
Profit for the year	-	-	28,013,895	28,013,895
Other comprehensive income	-	-	-	-
Total comprehensive income for the year	-	-	28,013,895	28,013,895
Transfer to statutory reserve	-	5,602,779	(5,602,779)	-
Balance as at June 30, 2020	300,000,000	8,624,156	23,246,627	331,870,783
Transaction with the owners				
Profit distribution for the year ended June 30, 2020 @ Rs 0.7 per certificate	-	-	(21,000,000)	(21,000,000)
Profit for the year	-	-	16,259,245	16,259,245
Other comprehensive income	-	-	-	-
Total comprehensive income for the year	-	-	16,259,245	16,259,245
Transfer to statutory reserve	-	3,251,849	(3,251,849)	-
Balance as at June 30, 2021	300,000,000	11,876,005	15,254,023	327,130,028

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

The annexed notes from 1 to 37 form an integral part of these financial statements.

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

CHIEF FINANCIAL OFFICER

CHIEF EXECUTIVE

DIRECTOR

DIRECTOR

Notes to the Financial Statements

For the year ended June 30, 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 thereunder 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.

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

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

- International Financial Reporting Standards (IFRS Standards) issued by the International Accounting Standards Board (IASB) as notified under the Companies Act, 2017;
- Islamic Financial Accounting Standards (IFASs) issued by the Institute of Chartered Accountants of Pakistan as notified under the Companies Act, 2017; and
- Provision of and directives issued under Modaraba Companies and Modaraba (Floatation and Control) Ordinance, 1980, the Modaraba Companies and Modaraba Rules, 1981, the Modaraba Regulation, 2021 and directives issued by the Securities and Exchange Commission of Pakistan (SECP).

Wherever provision of and directives issued under the Modaraba Companies and Modaraba (Floatation and Control) Ordinance, 1980, Modaraba Companies and Modaraba Rules, 1981, Modaraba Regulation, 2021, IFASs, the Companies Act, 2017 and directives issued by the SECP differ from the IFRS Standards, the requirements of the Modaraba Companies and Modaraba (Floatation and Control) Ordinance, 1980, Modaraba Companies and Modaraba Rules, 1981, Modaraba Regulation, 2021, IFASs, the Companies Act, 2017 or directives issued by the SECP under the Modaraba Companies and Modaraba (Floatation and Control) Ordinance, 1980 and the Companies Act, 2017 have been followed.

2.2 Basis of measurement

These financial statements have been prepared on the historical cost basis except for the measurement at fair value of certain financial instruments unless stated otherwise.

These financial statements have been prepared following accrual basis of accounting except for cash flow information.

Permissible Islamic financial products including 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.

2.3 Functional and presentation currency

These financial statements have been presented in Pakistani Rupees ('Rs.'), which is the functional and presentation currency of the Modaraba.

Notes to the Financial Statements

For the year ended June 30, 2021

2.4 Significant accounting estimates and judgments

The preparation of financial statements in conformity with approved accounting standards requires the use of certain critical accounting estimates. It also requires management to exercise its judgment in the process of applying the Modaraba's accounting policies. Estimates and judgments are continually evaluated and are based on historic experience and other factors, including expectations of future events that are believed to be reasonable under the circumstances. Revisions to accounting estimates are recognized in the period in which the estimate is revised and in any future period effected. In the process of applying the Modaraba's accounting policies, management has made the following estimates and judgments which are significant to the financial statements:

Useful lives, pattern of flow of economic benefits and impairment

Estimates with respect to residual values and depreciable lives and pattern of flow of economic benefits are based on the analysis by the management of the Modaraba. Further, the Modaraba reviews the value of the assets for possible impairment on an annual basis and any change in the estimates in the future might affect the carrying amount of respective item of property and equipment, with a corresponding effect on the depreciation charge and impairment.

Provisions against non performing financing (Suspense income)

The Modaraba reviews its overdue lease financing installments and diminishing musharka at each reporting date to assess whether provision should be recorded in the statement of profit or loss, in addition to the mandatory provisions required in accordance with the Modaraba Regulation, 2021 issued by the Securities and Exchange Commission of Pakistan. In particular, judgment by management is required in the estimation of the amount and timing of future cash flows when determining the level of provision required. Such estimates are based on assumptions regarding a number of factors and actual results may differ, resulting in future changes to the provisions.

3 NEW STANDARDS, INTERPRETATIONS AND AMENDMENTS TO PUBLISHED APPROVED ACCOUNTING STANDARDS

3.1 Standards / amendments that are effective in current year and are relevant to the Modaraba

The following standards, amendments and interpretations are effective for the year ended June 30, 2021. These standards, amendments and interpretations are either not relevant to the Modaraba's operations or are not expected to have significant impact on the financial statements other than certain additional disclosures:

	Effective date (annual periods beginning on or after)
Amendments to IFRS 2, IFRS 3, IFRS 6, IFRS 14, IAS 1, IAS 8, IAS 34, IAS 37, IAS 38, IFRIC 12, IFRIC 19, IFRIC 20, IFRIC 22, and SIC-32 to update these pronouncements with regard to references to and quotes from the framework or to indicate where they refer to different version of the Conceptual Framework.	January 01, 2020
Amendments to IFRS 3 'Business Combinations' - Definition of a business	January 01, 2020
Amendments to IFRS 9 'Financial Instruments', IAS 39 'Financial Instruments: Recognition and Measurement' and IFRS 7 'Financial Instruments: Disclosures' - Interest rate benchmark reform	January 01, 2020

Notes to the Financial Statements

For the year ended June 30, 2021

	Effective date (annual periods beginning on or after)
Amendments to IFRS 16 'Leases' - Covid - 19 related rent concessions	June 01, 2020
Amendments to IAS 1 'Presentation of Financial Statements' and IAS 8 'Accounting Policies, Changes in Accounting Estimates and Errors' - Definition of material	January 01, 2020
Interest Rate Benchmark Reform - Phase 2 (Amendments to IFRS 9, IAS 39, IFRS 7, IFRS 4 and IFRS 16)	January 01, 2021
Amendments to IFRS 16 'Leases' - Extended practical relief regarding Covid - 19 related rent concessions	April 01, 2021

Certain annual improvements have also been made to a number of IFRSs.

3.2 New accounting standards, amendments and interpretations that are not yet effective

The following standards, amendments and interpretations are only effective for accounting periods, beginning on or after the date mentioned against each of them. These standards, amendments and interpretations are either not relevant to the Modaraba's operations or are not expected to have significant impact on the Modaraba's financial statements other than certain additional disclosures.

	Effective date (annual periods beginning on or after)
Amendments to IFRS 3 'Business Combinations' - Reference to the conceptual framework	January 01, 2022
Amendments to IAS 1 'Presentation of Financial Statements' - Classification of liabilities as current or non-current	January 01, 2023
Amendments to IAS 1 'Presentation of Financial Statements' - Disclosure of Accounting Policies	January 01, 2023
Amendments to IAS 8 'Accounting Policies, Changes in Accounting Estimates and Errors' - Definition of Accounting Estimates	January 01, 2023
Amendments to IAS 12 'Income Taxes' - Deferred Tax related to Assets and Liabilities arising from a single transaction	January 01, 2023
Amendments to IAS 16 'Property, Plant and Equipment' - Proceeds before intended use	January 01, 2022
Amendments to IAS 37 'Provisions, Contingent Liabilities and Contingent Assets' - Onerous Contracts - Cost of fulfilling a contract	January 01, 2022

Notes to the Financial Statements

For the year ended June 30, 2021

The following new standards have been issued by the International Accounting Standards Board (IASB), which have not been adopted locally by the Securities and Exchange Commission of Pakistan (SECP):

IFRS 1 First Time Adoption of International Financial Reporting Standards

IFRS 17 Insurance Contracts

The Modaraba expects that the adoption of the other amendments and interpretations of the standards will not have any material impact and therefore will not affect the Modaraba's financial statements in the period of initial application.

4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The principal accounting policies applied in the presentation of these financial statements are set out below. These policies have been consistently applied to all years presented.

4.1 Revenue recognition

Revenue is recognised to the extent that the economic benefits will flow to the Modaraba and revenue can be reliably measured. Revenue is recognised at fair value of consideration received or receivable. Revenue from different sources is recognised on the following basis:

Income on diminishing musharaka financing is recognized on accrual basis.

Habib Metro Modaraba Employee Provident Fund.

Profit on investments is recognized on accrual basis.

4.2 Property and equipment

These are stated at cost less accumulated depreciation less impairment loss (if any). Depreciation is charged to the statement of profit or loss applying the straight line method whereby the cost of an asset is written off over its estimated useful life. In respect of additions and disposals during the period, depreciation is charged on monthly basis on those assets which are purchased and disposed on or before 15th day of any month.

Maintenance and normal repairs are charged to statement of profit or loss as and when incurred. Major renewals and improvements are capitalized if the recognition criteria are met.

The assets' residual values, useful lives and depreciation methods are reviewed and adjusted if appropriate, at the end of each reporting period.

Gain or loss on disposal of assets, if any, is recognized as and when incurred.

The Modaraba assesses at each reporting date whether there is any indication that assets excluding inventory may be impaired. If such indication exists, the carrying amounts of such assets are reviewed to assess whether they are recorded in excess of their recoverable amounts. Where the carrying value exceeds the recoverable amount, assets are written down to the recoverable amount and the difference is charged to the statement of profit or loss.

4.3 Intangible assets

Intangible assets, which are stated at cost less accumulated amortisation and impairment losses, if any, represent the cost of computer software licenses.

Notes to the Financial Statements

For the year ended June 30, 2021

Costs associated with maintaining these assets are charged to the statement of profit or loss as and when incurred. However, costs that are directly attributable to the identifiable asset and have probable economic benefits exceeding one year, are recognised as intangible asset.

All intangible assets are estimated to have definite useful lives and are amortised using the straight line method over a period of three years. Amortisation on addition is charged from the date on which asset is available for use while no amortisation is charged up to the date the asset is disposed-off.

The assets' residual values and useful lives are reviewed, and adjusted if appropriate, at each reporting date. The effect of any adjustment to residual values and useful lives is recognised prospectively as a change in accounting estimate.

4.4 Financial instruments

4.4.1 Financial assets

Financial assets are recognized at the time when the Modaraba becomes the party to the contractual provisions of the instruments and derecognized when the Modaraba loses control of the contractual rights that comprises the financial assets. Any gain or loss on derecognition of financial assets are recognized in the statement of profit or loss.

The management of the Modaraba determines the appropriate classification of its investments at the time of purchase and these are initially recognized at fair value, which is the consideration given to acquire the assets.

The Modaraba classifies its financial assets in the following categories: at fair value through profit or loss, fair value through other comprehensive income and amortized cost. The classification depends on the purpose for which the financial assets were acquired. Management determines the classification of its financial assets at initial recognition. All the financial assets of the Modaraba as at statement of financial position date are carried at amortized cost.

4.4.2 Amortized cost

A financial asset is measured at amortized cost if both the following conditions are met and is not designated at fair value through profit or loss:

- (i) It is held within a business model whose objective is to hold assets to collect contractual cash flows; and
- (ii) Its contractual terms give rise on specified dates to cash flows that are solely payments of principal and interest on the principal amount outstanding.

4.4.3 Financial liabilities

All financial liabilities are initially measured at cost, which is the fair value of the consideration received. These financial liabilities are recognized at the time when the Modaraba becomes a party to the contractual provisions of the instrument, and derecognized when the obligation specified in the contract is discharged, cancelled or expired. Any gain or loss on derecognition of financial liabilities are recognized in the statement of profit or loss.

4.4.4 Offsetting of financial assets and financial liabilities

Financial assets and financial liabilities are offset and the net amount is reported in the financial statements only when the Modaraba has a legally enforceable right to set-off the recognized amounts and also intends to settle either on a net basis or realize the asset and settle the liability simultaneously.

4.5 Vehicle available for Diminishing Musharaka Financing

Vehicles purchased but not financed to the prospective customers under diminishing musharaka at the reporting date are recorded as non-current assets available for diminishing musharaka financing. The Modaraba values its vehicles available for diminishing musharaka financing at cost less impairment, if any. Cost of vehicles represent the actual purchase price paid by the Modaraba.

Notes to the Financial Statements

For the year ended June 30, 2021

4.6 Cash and cash equivalents

For the purpose of the cash flow statement, cash and cash equivalents consist of cash in hand, balances at banks in current and deposit accounts and stamps in hand. Investment normally qualifies as a cash equivalent only when it has a short maturity of, say, three months or less from the date of acquisition.

4.7 Trade and other payables

Trade and other payables are carried at cost which is the fair value of the consideration to be paid in the future for the goods and services received whether or not billed to the Modaraba.

4.8 Diminishing musharaka financing

Diminishing musharaka financing is a form of partnership in which the Modaraba and the customer create co-ownership in the asset by purchasing it jointly. The Modaraba then rents out its share of the asset to the customer. Besides the payment of rentals, customer also purchases the asset from the Modaraba in installments. Hence at the end of the tenure, customer becomes sole owner of the asset.

Diminishing musharaka financing are stated net of provision and suspense income. Provision is recognized for diminishing musharaka financing installments receivable, in accordance with the Modaraba Regulation, 2021.

4.9 Staff retirement benefit

The Modaraba provides provident fund benefits to its eligible employees. Equal monthly contributions are made, both by the Modaraba and the employees, at the rate of 10% of basic salary and same is charged to statement of profit or loss when they become due.

4.10 Creditors, accrued and other liabilities

Creditors, accrued and other liabilities are recognised at amortised costs.

4.11 Impairment

4.11.1 Financial assets

In relation to the impairment of financial assets, IFRS 9 requires an expected credit loss model, as opposed to an incurred credit loss model under IAS 39. The expected credit loss model requires an entity to account for expected credit losses and changes in those expected credit losses at each reporting date to reflect changes in credit risk since initial recognition. In other words, it is no longer necessary for a credit event to have occurred before credit losses are recognized.

However, NBFI & Modaraba Association of Pakistan, based on the clarification of the SECP, have informed all its members that the provisioning criteria will remain those as framed under Modaraba Ordinance, 1980 and Rules & Regulations framed therein. Accordingly, the Modaraba has maintained provision against financing assets in accordance with relevant laws applicable to Modaraba and its own accounting policies.

During the reporting period, the SECP has deferred the applicability of all requirements of IFRS 9 for NBFCs and Modarabas upto June 30, 2022 via S.R.O. 800 (I)/2021 dated June 22, 2021.

4.11.2 Non-financial assets

The Modaraba assesses at the end of each reporting period whether there is any indication that assets may be impaired. If such indication exists, the carrying amounts of such assets are reviewed to assess whether they are recorded in excess of their recoverable amount. Where carrying values exceed the respective recoverable amount, assets are written down to their recoverable amounts and the resulting impairment loss is recognized in statement of profit or loss. The recoverable amount is

Notes to the Financial Statements

For the year ended June 30, 2021

the higher of an asset's fair value less costs to sell and value in use. Where impairment loss for asset subsequently reverses, the carrying amount of the asset is increased to the revised recoverable amount but limited to the extent of initial cost of the asset. Reversal of impairment loss is recognized as income in statement of profit or loss.

4.12 Taxation

The income of non-trading Modarabas is exempt from income tax provided that not less than 90% of their profits are distributed to the certificate holders. The tax clause which provides for such exemption has been omitted through Tax Laws (second) amendment Ordinance, 2021. Hence, exemption is only valid for the entire year ended June 30, 2021 and its withdrawal will be effective from July 01, 2021. Accordingly, the Modaraba shall be required to make provision for taxation in the financial statements for future reporting periods.

As a result of withdrawal of above mentioned tax exemption, there are implications of deferred tax which have been assessed by the management as at June 30, 2021 and as the Modaraba would be chargeable to tax for the first time in the tax year 2022, potential differences may arise in practice which are not material, hence not recognised in these financial statements.

4.13 Provisions

Provisions are recognized when the Modaraba has a present legal or constructive obligation as a result of past events and it is probable that an outflow of resources embodying economic benefits will be required to settle the obligation and a reliable estimate of the obligation can be made.

4.14 Foreign currencies translation

Monetary assets and liabilities in foreign currencies are translated into Pak Rupees at the rates of exchange approximating to those prevalent on the reporting date. Foreign currency transactions are recognised into Pak Rupees at the rate of exchange prevailing on the date of transactions. Exchange gains and losses on translation are recognized in statement of profit or loss.

4.15 Profit distribution and other appropriations of profit

Profit distributions to the certificate holders and other appropriations of profit are recognized in the year in which these are approved. Transfer to statutory reserve and any of the mandatory appropriations as may be required by law are recognized in the period to which these relate.

4.16 Earnings per certificate

The Modaraba presents earnings per certificate (EPC) data for its certificates. Basic EPC is calculated by dividing the profit or loss attributable to certificate holders of the Modaraba by weighted average number of certificates outstanding during the reporting period. Diluted EPC is determined by adjusting the profit or loss attributable to certificate holders and the weighted average number of certificates outstanding for the effects of all dilutive potential certificates (if any).

4.17 Related party transactions

All transactions with the related parties are priced on arm's length basis.

4.18 Preliminary expenses and floatation costs

Preliminary expenses and floatation costs represent expenses incurred in respect of issue of modaraba certificates to the public inclusive of cost of organization and floatation of the Modaraba, cost of printing, publication and distribution of this prospectus, underwriting expenses, commission to the bankers to the issue and brokerage etc. This cost shall be amortized on prorata basis i.e. for the period of five years till the financial year end i.e. June 30, 2022 which is as required by Third Schedule of Modaraba Companies and Modaraba Rules, 1981.

Notes to the Financial Statements

For the year ended June 30, 2021

5 FIXED ASSETS IN OWN USE

	Leasehold improvements	Furniture and fixtures	Office equipment	Vehicle	Total
Net carrying value basis					
Year ended June 30, 2021					
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
Deletion				(31,039)	(31,039)
Depreciation charge	(501,309)	(52,574)	(241,269)	(344,333)	(1,139,485)
Closing net book value	1,295,762	71,140	171,513	713,395	2,251,810
Gross carrying value basis					
Year ended June 30, 2021					
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)
Net book value	1,295,762	71,140	171,513	713,395	2,251,810
Net carrying value basis					
Year ended June 30, 2020					
Opening net book value	2,135,380	176,288	657,708	1,372,366	4,341,742
Additions (at cost)	163,000	-	36,900	-	199,900
Depreciation charge	(501,309)	(52,574)	(323,826)	(340,799)	(1,218,508)
Closing net book value	1,797,071	123,714	370,782	1,031,567	3,323,134
Gross carrying value basis					
Year ended June 30, 2020					
Cost	3,007,870	262,871	1,122,820	2,044,794	6,438,355
Accumulated depreciation	(1,210,799)	(139,157)	(752,038)	(1,013,227)	(3,115,221)
Net book value	1,797,071	123,714	370,782	1,031,567	3,323,134
Annual rate of depreciation (% per annum)	16.67%	20%	25% - 33.33%	16.67%	

	Note	2021 Rupees	2020 Rupees
6 INTANGIBLE ASSETS			
6.1 Net carrying value basis			
Opening net book value		67,002	181,856
Amortization charge		(67,002)	(114,854)
Closing net book value		-	67,002
Gross carrying value basis			
Cost		344,565	344,565
Accumulated amortization		(344,565)	(277,563)
Net book value		-	67,002
Amortization rate % per annum		33%	33%

Notes to the Financial Statements

For the year ended June 30, 2021

	Note	2021 Rupees	2020 Rupees
7 DIMINISHING MUSHARAKA FINANCING			
Secured			
Diminishing musharaka financing	7.1	230,126,231	187,805,663
Less: Current portion of diminishing musharaka financing		(118,329,824)	(64,758,281)
		<u>111,796,407</u>	<u>123,047,382</u>
Advance against diminishing musharaka financing	7.2	54,866,725	7,405,700
		<u>166,663,132</u>	<u>130,453,082</u>

7.1 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.

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

8 PRELIMINARY EXPENSES AND FLOATATION COSTS

Preliminary expenses and floatation costs	8.1	5,250,688	7,881,758
Amortization during the year		(2,623,881)	(2,631,070)
		<u>2,626,807</u>	<u>5,250,688</u>

8.1 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 five years as required by Third Schedule of Modaraba Companies and Modaraba Rules, 1981.

		Note	2021 Rupees	2020 Rupees
9	SHORT TERM INVESTMENT			
	Islamic Term Deposit Receipts (TDR)	9.1 & 9.2	40,000,000	100,000,000

9.1 This represents term deposit receipts (TDR) in Soneri Bank Limited having a tenure of six months and carry floating profit rate ranging from 6.4% to 6.45% per annum (2020: 7.5% to 12.75% per annum).

9.2 Movement in Islamic Term Deposit Receipt (TDR)

Opening balances	100,000,000	70,000,000
Add: Additions during the year	120,000,000	80,000,000
Less: Matured during the year	(180,000,000)	(50,000,000)
	<u>40,000,000</u>	<u>100,000,000</u>

10 SHORT TERM PREPAYMENTS AND OTHER RECEIVABLE

Short term prepayments		553,559	429,011
Other receivable	10.1	<u>228,062</u>	<u>822,161</u>
		781,621	1,251,172

10.1 This includes Diminishing Musharaka financing installement receivable amounting to Rs. 0.170 million (2020: Rs. 0.638 million).

Notes to the Financial Statements

For the year ended June 30, 2021

	Note	2021 Rupees	2020 Rupees
11 ACCRUED PROFIT			
Accrued profit on:			
Islamic Term Deposit Receipts (TDR)		-	334,750
Modaraba's deposit account		<u>379,769</u>	<u>425,917</u>
		<u>379,769</u>	<u>760,667</u>

12 TAXATION

Advance tax

12.1 & 12.2 7,766,305 5,530,605

12.1 This includes advance tax amounting to Rs. 6.36 million (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.

12.2 This includes the advance tax deducted by the various withholding agents amounting to Rs. 1.41 million (2020: Rs. 1.430 million) under various sections of the Income Tax Ordinance, 2001. The management has claimed the tax deducted in the income tax return for the Tax Year 2020, and is confident that the same shall be refunded.

	Note	2021 Rupees	2020 Rupees
13 CASH AND BANK BALANCES			
Stamps in hand		41,200	26,600
Cash at banks in:			
Modaraba's deposit account	13.1	10,612,196	34,329,172
Current accounts		<u>226,313</u>	<u>166,837</u>
		<u>10,879,709</u>	<u>34,522,609</u>

13.1 These carry profit at rate 5.5% (2020: 6% to 10.80%) per annum.

14 ISSUED, SUBSCRIBED AND PAID-UP CERTIFICATE CAPITAL

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

Number of certificates	Note	2021 Rupees	2020 Rupees
2021	2020		
<u>30,000,000</u>	<u>30,000,000</u>	14.1 & 14.2	<u>300,000,000</u>
			<u>300,000,000</u>

14.1 Habib Metropolitan Modaraba Management Company (Private) Limited (the Management Company) held 3,000,000 (10%) certificates of Rs. 10 each as at June 30, 2021.

14.2 Habib Metropolitan Bank Limited (the Holding Company), held 18,000,000 (60%) certificates of Rs.10 each as at June 30, 2021.

Notes to the Financial Statements

For the year ended June 30, 2021

	Note	2021 Rupees	2020 Rupees
15 RESERVE			
Capital reserve			
Statutory reserve	15.1	11,876,005	8,624,156
Revenue			
Unappropriated profit		15,254,023	23,246,627
		<u>27,130,028</u>	<u>31,870,783</u>

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

- 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
- A sum not less than 5% and not more than 20% of its after tax profits, thereafter.

16 CREDITORS, ACCRUED AND OTHER LIABILITIES

Provision for Sindh Workers' Welfare Fund	16.1	430,784	596,422
Adjustable against diminishing musharaka financing	16.2	6,272,500	4,100,000
Accrued expenses		135,691	242,982
Management fee payable		1,870,470	3,222,729
Sales tax on management fee payable		662,116	418,955
Residual Value received in advance		3,781,107	1,933,929
Other liabilities		8,841,376	3,084,754
Audit fee payable		445,946	424,710
		<u>22,439,990</u>	<u>14,024,481</u>

16.1 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). As per SWWF Act, Workers' Welfare Fund (WWF) levy is required to be paid on total income accruing after December 31, 2013.

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 are 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.

During the year, the Modaraba received a notice vide letter no. SRB /AC-37/2019-20/80 dated August 19, 2019, wherein, SRB has advised the Modaraba to pay off all its liabilities falling due under SWWF Act. 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. 0.756 million for the period from October 06, 2017 to June 30, 2020 to SWWF based on the income pertaining to the Province of Sindh.

Notes to the Financial Statements

For the year ended June 30, 2021

- 16.2** 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.

17 CONTINGENCIES AND COMMITMENTS

17.1 Contingencies

There were no other contingencies as at June 30, 2021.

17.2 Commitments

Commitments in respect of financing transactions amounted to Rs. 1.3 million (2020: Rs. 2.528 million) as at June 30, 2021.

18 OTHER FINANCE INCOME

During the year, the Modaraba has earned other finance income of Rs. 0.44 million (2020: Rs. 4.322 million) on the vehicles available for diminishing musharaka because of appreciation in prices in the automobile industry. Difference between the purchase cost and fair value at the time of Diminishing Mushraka Financing has been recorded as other finance income.

	Note	2021 Rupees	2020 Rupees
19 ADMINISTRATIVE EXPENSES			
Salaries, allowances and other benefits		8,281,127	7,763,343
Repairs and maintenance		386,634	371,893
Legal and professional charges		1,243,868	2,169,422
Fees and subscription		1,831,147	1,594,028
Printing and stationery		248,522	317,550
Utilities expenses		456,398	347,317
Takaful premium		92,340	222,078
Depreciation	5	1,139,485	1,218,508
Amortisation	6	67,002	114,854
Auditor's remuneration	19.1	750,646	716,958
Advertisement expense		272,182	288,552
IT related expenses		86,881	121,386
Loss on disposal of property and equipment		17,042	-
Others		415,858	462,879
		<u>15,289,132</u>	<u>15,708,768</u>
19.1 Auditor's remuneration			
Annual fee		317,625	302,500
Half yearly review fee		127,050	121,000
Special reports, certification and sundry advisor services		224,532	213,840
Out of pocket expenses		42,468	42,350
Sales tax		38,971	37,268
		<u>750,646</u>	<u>716,958</u>
20 FINANCIAL CHARGES			
Bank charges		<u>144,344</u>	<u>147,357</u>

Notes to the Financial Statements

For the year ended June 30, 2021

21 MODARABA MANAGEMENT COMPANY'S REMUNERATION

As per section 18 of Modaraba Companies and Modaraba (Floatation and Control) Ordinance, 1980, the remuneration of the Modaraba 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 percent 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 year amounting to Rs. 1.870 million (2020: 3.222 million) which is payable to the Modaraba Management Company. Furthermore, during the current year, an amount of Rs. 0.243 million (2020: 0.419 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.

22 TAXATION

The income of non-trading Modarabas is exempt from income tax provided that not less than 90% of their profits are distributed to the certificate holders. The tax clause which provides for such exemption has been omitted through Tax Laws (second) amendment Ordinance, 2021. Hence, exemption is only valid for the entire year ended June 30, 2021 and it's withdrawal will be effective from July 01, 2021. Accordingly, the Modaraba shall be required to make provision for taxation in the financial statements for future reporting periods.

As a result of withdrawal of above mentioned tax exemption, there are implications of deferred tax which have been assessed by the management as at June 30, 2021 and as the Modaraba would be chargeable to tax for the first time in the tax year 2022, potential differences may arise in practice which are not material, hence not recognised in these financial statements.

23 EARNINGS PER CERTIFICATE - BASIC AND DILUTED

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

	2021 Rupees	2020 Rupees
Profit for the year	16,259,245	28,013,895
Weighted average number of certificates outstanding	30,000,000	30,000,000
Earnings per certificate - Basic and diluted (Rupees)	0.54	0.93

There were no convertible dilutive potential ordinary certificates outstanding as on June 30, 2021 which have dilutive effect on earnings per certificate.

24 REMUNERATION OF EXECUTIVES

Remuneration (Rupees)	4,092,000	3,932,000
Number of executives at the end of the year	1	1

The executive is also provided with the free use of vehicle owned by the Modaraba.

25 FINANCIAL RISK MANAGEMENT

The Modaraba's objective in managing risk is the creation and protection of certificate holders' value. Risk is inherent in the Modaraba's activities, but it is managed through a process of ongoing identification, measurement, monitoring and controlling activities which are primarily setup to be performed, based on limits established by the Modaraba Management Company, Modaraba's constitutive documents and the regulations and directives of the SECP. The Modaraba's activities expose it to a variety of financial risks: market risk (including profit rate risk, equity price risk and fair value risk), credit risk and liquidity risk. The Board of Directors of the Modaraba Management Company has overall responsibility for the establishment and oversight of the Modaraba's risk management framework.

The Modaraba's overall risk management program focuses on the unpredictability of financial markets and seeks to minimise potential adverse effects on the Modaraba's financial performance.

Notes to the Financial Statements

For the year ended June 30, 2021

The Modaraba primarily invests in diminishing musharaka, and Islamic Investment Instruments. Such investments are subject to varying degrees of risk, which emanate from various factors that include but are not limited to market risk, credit risk and liquidity risk.

25.1 Market risk

Market risk is the risk that the fair value of future cash flows of financial instruments will fluctuate due to changes in market variables such as profit rates, foreign exchange rates and equity prices.

25.2 Profit rate risk

Profit rate risk is the risk that the fair value of future cash flows of a financial instrument will fluctuate because of changes in market profit rates.

25.3 Foreign currency risk

Foreign currency risk is the risk that the fair value of future cash flows of a financial instrument will fluctuate because of changes in foreign exchange rates. The Modaraba does not have any financial instruments denominated in foreign currencies and hence is not exposed to such risk.

25.4 Liquidity risk

Liquidity risk is defined as the risk that the Modaraba will encounter difficulty in meeting obligations associated with financial liabilities. Liquidity risk arises because of the possibility that the Modaraba could be required to pay its liabilities earlier than expected. The Modaraba's approach to managing liquidity is to ensure, as far as possible, that it will always have sufficient liquidity to meet its liabilities when due, under both normal and stressful conditions, without incurring unacceptable losses or risking damage to the Modaraba's reputation.

The table below summarizes the maturity profile of the Modaraba's financial liabilities based on contractual undiscounted payments.

As at June 30, 2021	Six to Twelve months	One to five years	Over five years	Above five years	Total contractual cash flows
	Rupees				
Creditors, accrued and other liabilities	15,695,513	-	-	-	15,695,513
Unclaimed profit distribution	108,959	-	-	-	108,959
Total	15,804,472	-	-	-	15,804,472
As at June 30, 2020	Six to Twelve months	One to five years	Over five years	Above five years	Total contractual cash flows
	Rupees				
Creditors, accrued and other liabilities	7,852,446	-	-	-	7,852,446
Unclaimed profit distribution	21,976	-	-	-	21,976
Total	7,874,422	-	-	-	7,874,422

25.5 Credit risk

Credit risk is the risk that the counterparty to a financial instrument will cause a financial loss for the Modaraba by failing to discharge its obligation. The Modaraba's policy is to enter into financial contracts with reputable counter parties in accordance with the internal guidelines, offering document and regulatory requirements. The table below analyses the Modaraba's maximum exposure to credit risk. The maximum exposure is shown gross, before the effect of mitigation through the use of collateral agreements at reporting date:

Notes to the Financial Statements

For the year ended June 30, 2021

	2021 Rupees	2020 Rupees
Diminishing musharaka finance	166,663,132	130,453,082
Current portion of diminishing musharaka financing	118,329,824	64,758,281
Other receivables	228,062	822,161
Accrued profit	379,769	760,667
Short term investments	40,000,000	100,000,000
Cash and bank balances	10,838,509	34,496,009
	<u>336,439,296</u>	<u>331,290,200</u>

The Modaraba is potentially exposed to credit risk from its financial assets measured at amortised cost. The Modaraba considers the risk of default to be close to zero for its financial assets measured at amortised cost as these financial instruments have a low risk of default and the counterparties have a strong capacity to meet their contractual obligations in the near term. As a result, no loss allowance has been recognised based on expected 12 month or lifetime credit losses as any such impairments are immaterial. Management of the Modaraba has determined that expected credit loss under Modaraba Regulation is higher than expected credit loss determined under IFRS 9.

Concentration of credit risk exists when changes in economic or industry factors affect the group of counterparties whose aggregate credit exposure is significant in relation to the Modaraba's total credit exposure. The Modaraba's portfolio of financial assets is broadly diversified and transactions are entered into with diverse credit worthy counterparties thereby mitigating any significant concentration of credit risk. The table below analyses the Modaraba's concentration of credit risk by industrial distribution.

The Modaraba maintains balances with banks having reasonably high credit ratings ranging from AA+ to A1+. The Modaraba limits its credit risk with regard to bank balances by dealing with reputable banks with good credit ratings. While bank balances are also subject to the impairment requirements of IFRS 9, the identified impairment loss is immaterial.

26 SEGMENT BY CLASS OF BUSINESS FOR MUSHARAKA FINANCES

	2021		2020	
	Rupees	%	Rupees	%
Individuals	62,736,434	22%	59,057,361	30%
Corporate	222,256,522	78%	136,154,002	70%
	<u>284,992,956</u>		<u>195,211,363</u>	

27 FINANCIAL INSTRUMENTS BY CATEGORY

Financial assets

Financial assets at amortised cost

	2021 Rupees	2020 Rupees
Diminishing musharaka finance	166,663,132	130,453,082
Current portion of diminishing musharaka financing	118,329,824	64,758,281
Other receivables	228,062	822,161
Accrued profit	379,769	760,667
Cash and bank balances	10,838,509	9,496,009
Short term investments	40,000,000	100,000,000
	<u>336,439,296</u>	<u>306,290,200</u>

Notes to the Financial Statements

For the year ended June 30, 2021

	2021 Rupees	2020 Rupees
Financial liabilities		
Financial liabilities at amortised cost		
Creditors, accrued and other liabilities	15,695,513	7,852,446
Dividend payable	108,959	21,976
	15,804,472	7,874,422

28 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 reporting 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 approximate 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 June 30, 2021.

	As at June 30, 2021		As at June 30, 2020	
	Amortised cost	Fair value	Amortised cost	Fair value
	-----Rupees-----		-----Rupees-----	
Financial assets				
Loans and receivables at amortised cost				
Diminishing musharaka finance	166,663,132	-	130,453,082	-
Current portion of diminishing musharaka financing	118,329,824	-	64,758,281	-
Other receivables	228,062	-	822,161	-
Accrued profit	379,769	-	760,667	-
Cash and bank balances	10,838,509	-	34,496,009	-
Short term investments	40,000,000	-	100,000,000	-
Financial liabilities				
Financial liabilities at amortised cost				
Creditors, accrued and other liabilities	15,695,513	-	7,852,446	-
Dividend payable	108,959	-	21,976	-

28.1 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).

At the reporting date, the carrying amount of these financial assets and liabilities approximate their fairvalue.

Notes to the Financial Statements

For the year ended June 30, 2021

29 CAPITAL RISK MANAGEMENT

The Modaraba's prime objective when managing capital is to safeguard its ability to continue as a going concern in order to provide adequate returns for certificate-holders and benefits for other stakeholders and to maintain an optimal capital structure to reduce the cost of capital.

In order to maintain or adjust the capital structure, the Modaraba may adjust the amount of profit distributed to certificate-holders, issue new certificates or sell assets to reduce debt.

30 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, 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 transactions include financings, investments and sharing of common expenses.

The detail of transactions with related parties and balances with them, apart from compensation to executives as disclosed in note 24, is given below:

Relationship with the Modaraba	Nature of transactions	2021 Rupees	2020 Rupees
Holding Company			
Habib Metropolitan Bank Limited	Profit on Modaraba's deposits accounts and Islamic term deposit receipts	1,318,554	5,298,168
Habib Metropolitan Bank Limited	Investments purchased	-	75,000,000
Habib Metropolitan Bank Limited	Investments matured	-	100,000,000
Habib Metropolitan Bank Limited	Dividend paid	12,600,000	4,950,000
Habib Metropolitan Bank Limited	Bank charges	144,344	147,357
Habib Metropolitan Bank Limited	Reimbursement of expenses	624,025	492,258
Associate Company			
Habib Metro Modaraba Employees Provident Fund	Provident Fund Contribution	105,023	112,770
Management Company			
Habib Metropolitan Modaraba Management Company (Private) Limited	Dividend paid	2,100,000	825,000
	Management fees expense	1,870,470	3,222,729
	Management fees paid	3,222,729	-

Notes to the Financial Statements

For the year ended June 30, 2021

30.1 Year end balances		2021 Rupees	2020 Rupees
Holding Company			
Habib Metropolitan Bank Limited	Bank balances	9,802,068	34,424,021
Habib Metropolitan Bank Limited	Short term investments	-	-
Habib Metropolitan Bank Limited	Accrued profit on bank accounts and Islamic term deposit certification.	165,187	425,908
Management Company			
Habib Metropolitan Modaraba Management Company (Private) Limited	Prepaid expenses	345,242	278,774
	Accrued expense	1,870,470	3,222,729
30.2 Group level shared services and costs			
The Modaraba has entered into arrangements with associated undertakings to share various administrative, human resource and related costs on agreed terms.			
31 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:			
		2021 Rupees	2020 Rupees
Proceeds realized		300,000,000	300,000,000
Purchase of property and equipment		6,537,555	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 financing		200,393,688	200,393,688
Held for working capital, purchase of additional assets / investments etc.		80,302,092	80,401,292
		300,000,000	300,000,000
32 CASH USED IN OPERATIONS			
Profit before taxation		16,259,245	28,013,895
Adjustment of non-cash and other items:			
Depreciation		1,139,485	1,218,508
Amortization of preliminary expenses and floatation costs		2,623,881	2,631,070
Amortization of intangible asset		67,002	114,854
Financial charges		144,344	147,357
Profit on Islamic Certificate		-	(1,697,260)
Income from diminishing musharaka financing		(28,004,770)	(32,661,276)
Profit on Islamic Term Deposit Receipts (TDR)		(5,288,966)	(2,830,619)
Profit on Modaraba's deposit accounts		(1,318,838)	(8,693,275)
Loss on disposal of property and equipment		17,042	-
Movement in other current assets and liabilities	32.1	(44,686,483)	(20,203,901)
		(59,048,058)	(33,960,647)

Notes to the Financial Statements

For the year ended June 30, 2021

32.1 Movement in other current assets and liabilities	2021 Rupees	2020 Rupees
Increase in current assets:		
Short term prepayments and other receivables	469,551	870,877
Current portion of diminishing musharaka financing	(53,571,543)	(27,794,412)
Increase in current liabilities:		
Creditors, accrued and other liabilities	8,415,509	6,719,634
	(44,686,483)	(20,203,901)

33 CASH AND CASH EQUIVALENTS

Cash and cash equivalents included in the cash flow statement comprise of the following amounts appearing on the balance sheet:

Cash and bank balances	10,879,709	34,522,609
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34 NON-ADJUSTING EVENT AFTER THE BALANCE SHEET DATE

The Board of Directors of the Modaraba Management Company in their meeting held on September 30, 2021 have approved profit distribution at the rate of 4% i.e. Re. 0.4 per certificate for the year ended June 30, 2021. These financial statements do not reflect this distribution.

35 DATE OF AUTHORIZATION FOR ISSUE

These financial statements was authorized for issue on September 30, 2021 by the Board of Directors of the Habib Metropolitan Modaraba Management Company (Private) Limited.

36 NUMBER OF EMPLOYEES

The number of employees as at year end was 8 (2020: 8) and average number of employees during the year was 8 (2020: 8).

37 GENERAL

37.1 Amounts have been presented and rounded off to the nearest Pak rupees unless otherwise stated.

37.2 Impact of COVID - 19 on financial statements

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 financial condition as of June 30, 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.

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

CHIEF FINANCIAL OFFICER

CHIEF EXECUTIVE

DIRECTOR

DIRECTOR