



**SPECIAL PURPOSE
FINANCIAL STATEMENTS
OF
HABIB METRO MODARABA
FOR THE PERIOD FROM JULY 01, 2021
TO MARCH 31, 2022**

BDO Ebrahim & Co. Chartered Accountants

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AUDITORS' REPORT ON AUDIT OF SPECIAL PURPOSE FINANCIAL STATEMENTS TO THE CERTIFICATE HOLDERS OF HABIB METRO MODARABA

We have audited the annexed special purpose statement of financial position of **HABIB METRO MODARABA** ("the Modaraba") as at March 31, 2022, and the related special purpose statement of profit or loss, the special purpose statement of comprehensive income, the special purpose cash flow statement, the special purpose statement of changes in equity and together with the notes forming part thereof (hereinafter referred as the special purpose financial statements), for the nine-months period then ended March 31, 2022 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 special purpose 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 financial 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 special purpose financial statements are free of any material misstatement. An audit includes examining on a test basis, evidence supporting the amounts and disclosures in the special purpose 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 special purpose statement of financial position, the special purpose statement of profit or loss, the special purpose statement of comprehensive income, the special purpose cash flow statement, the special purpose statement of changes in equity and together with the notes forming part thereof 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 year was for the purpose of the Modaraba's business; and
 - iii) the business conducted, investments made and the expenditure incurred during the period 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 special purpose statement of financial position, the special purpose profit or loss account, the special purpose statement of comprehensive income, the special purpose cash flow statement, the special purpose statement of changes in equity and 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 March 31, 2022; and
- d) Zakat deductible 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.

Without modifying our report, we draw attention to the following matters:

- i) Note 1.2 to the special purpose financial statements which describes that the Modaraba Management Company principally has resolved in principle to merge Habib Metro Modaraba with and into First Habib Modaraba (FHM) subject to the approval of Securities and Exchange Commission of Pakistan and other concerned authorities hence, as a consequence of the scheme of merger, Habib Metro Modaraba is not expected to continue as going concern. FHM shall take over the business, functions, contracts, policies, proceedings, undertakings, assets, liabilities, etc. of the Modaraba at a specific date. Since there will be no change in operational activities of the Modaraba pursuant to scheme of merger, no adjustments are expected to carrying values of the assets and liabilities.
- SECP concurs with the Modaraba Management Company to proceed further with the proposed merger subject to approval of Scheme of Merger by the Registrar Modaraba along with any such changes, modifications as may be required or advised by legal counsel and/or accounting consultants.
- ii) Note 2 to the special purpose financial statements, which describes the purpose for preparation of special purpose financial statements. The special purpose financial information is prepared for the purpose of submission to concerned authorities, certificate holders and creditors of merger scheme as described in note 1.2 to the special purpose financial statements and also referred in the preceding paragraphs; hence, these special purpose financial statements may not be distributed to other parties or suitable for another purpose.

KARACHI

DATED: 27 MAY 2022


CHARTERED ACCOUNTANTS
Engagement Partner: Zulfikar Ali Causer

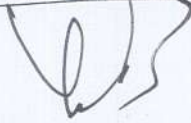
**HABIB METRO MODARABA
SPECIAL PURPOSE FINANCIAL STATEMENTS
STATEMENT OF FINANCIAL POSITION
AS AT MARCH 31, 2022**

	Note	March 31, 2022 Rupees	June 30, 2021 Rupees
ASSETS			
NON CURRENT ASSETS			
Property and equipment	5	1,154,449	2,251,810
Intangible assets	6	-	-
Diminishing musharaka financing	7	202,630,863	166,663,132
Preliminary expenses and floatation costs	8	657,099	2,626,807
		<u>204,442,411</u>	<u>171,541,749</u>
CURRENT ASSETS			
Short term investment	9	-	40,000,000
Current portion of diminishing musharaka financing	7	114,080,103	118,329,824
Short term prepayments and other receivables	10	1,763,875	781,621
Accrued profit	11	778,734	379,769
Taxation - net	12	2,753,265	7,766,305
Cash and bank balances	13	28,751,042	10,879,709
		<u>148,127,019</u>	<u>178,137,228</u>
TOTAL ASSETS		<u><u>352,569,430</u></u>	<u><u>349,678,977</u></u>
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	11,876,005
Unappropriated profit		16,084,269	15,254,023
		<u>327,960,274</u>	<u>327,130,028</u>
CURRENT LIABILITIES			
Creditors, accrued and other liabilities	16	24,476,715	22,439,990
Unclaimed profit distribution		132,441	108,959
		<u>24,609,156</u>	<u>22,548,949</u>
TOTAL EQUITY AND LIABILITIES		<u><u>352,569,430</u></u>	<u><u>349,678,977</u></u>
CONTINGENCIES AND COMMITMENTS	17		

The annexed notes from 1 to 36 form an integral part of these special purpose financial statements.

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


CHIEF FINANCIAL OFFICER


CHIEF EXECUTIVE


DIRECTOR


DIRECTOR

**HABIB METRO MODARABA
SPECIAL PURPOSE FINANCIAL STATEMENTS
STATEMENT OF PROFIT OR LOSS
FOR THE PERIOD ENDED MARCH 31, 2022**


	Note	March 31, 2022 Rupees	June, 30 2021 Rupees
INCOME			
Income from diminishing musharaka financing		28,683,976	28,004,770
Profit on Islamic Term Deposit Receipts (TDR)		-	5,288,966
Profit on Modaraba's deposit accounts		2,725,521	1,318,838
Gain on disposal of property and equipment		776,718	440,000
Other income		901,783	1,709,480
		<u>33,087,998</u>	<u>36,762,054</u>
EXPENSES			
Amortization of preliminary expenses and floatation costs	8	1,969,708	2,623,881
Administrative expenses	18	10,217,287	15,289,132
Financial charges	19	112,322	144,344
		<u>12,299,317</u>	<u>18,057,357</u>
		20,788,681	18,704,697
Modaraba Management Company's remuneration	20	2,078,868	1,870,470
Sales tax on Management Company's remuneration	20	270,253	243,161
Provision for Sindh Workers' Welfare Fund	16.1	368,791	331,821
Profit before taxation		18,070,769	16,259,245
Taxation	21	(5,240,523)	-
Profit for the period / year		<u>12,830,246</u>	<u>16,259,245</u>
Earnings per certificate - basic and diluted	22	0.43	0.54

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


CHIEF FINANCIAL OFFICER


CHIEF EXECUTIVE


DIRECTOR


DIRECTOR

**HABIB METRO MODARABA
SPECIAL PURPOSE FINANCIAL STATEMENTS
STATEMENT OF COMPREHENSIVE INCOME
FOR THE PERIOD ENDED MARCH 31, 2022**

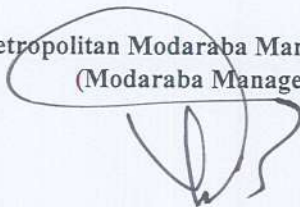
	March 31, 2022	June, 30 2021
	Rupees	Rupees
Profit for the period / year	12,830,246	16,259,245
Other comprehensive income	-	-
Total comprehensive income for the period / year	<u>12,830,246</u>	<u>16,259,245</u>

The annexed notes from 1 to 36 form an integral part of these special purpose financial statements.

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



CHIEF FINANCIAL OFFICER



CHIEF EXECUTIVE



DIRECTOR



DIRECTOR

**HABIB METRO MODARABA
SPECIAL PURPOSE FINANCIAL STATEMENTS
STATEMENT OF CASH FLOWS
FOR THE PERIOD ENDED MARCH 31, 2022**

	Note	March 31, 2022 Rupees	June 30, 2021 Rupees
CASH FLOWS FROM OPERATING ACTIVITIES			
Cash generated from / (used in) operations	31	24,889,861	(59,048,058)
Diminishing musharaka financing		(35,967,731)	(36,210,050)
Income tax paid - net		(227,483)	(2,235,700)
Financial charges paid		(112,322)	(144,344)
Net cash used in operating activities		(11,417,675)	(97,638,152)
CASH FLOWS FROM INVESTING ACTIVITIES			
Addition to property and equipment		(34,575)	(99,200)
Proceeds from disposal of property and equipment		1,300,103	13,997
Investment		40,000,000	60,000,000
Income received on diminishing musharaka financing		-	28,004,770
Profit on Islamic Term Deposit Receipts (TDR)		-	5,623,716
Profit received on Modaraba's deposits accounts		-	1,364,986
Net cash generated from investing activities		41,265,528	94,908,269
CASH FLOWS FROM FINANCING ACTIVITIES			
Dividend paid		(11,976,519)	(20,913,017)
Increase / (decrease) in cash and cash equivalents during the period / year		17,871,334	(23,642,900)
Cash and cash equivalent at the beginning of the period / year		10,879,709	34,522,609
Cash and cash equivalent at the end of the period / year	32	28,751,043	10,879,709

The annexed notes from 1 to 36 form an integral part of these special purpose financial statements.

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


CHIEF FINANCIAL OFFICER


CHIEF EXECUTIVE


DIRECTOR


DIRECTOR

**HABIB METRO MODARABA
SPECIAL PURPOSE FINANCIAL STATEMENTS
STATEMENT OF CHANGES IN EQUITY
FOR THE PERIOD ENDED MARCH 31, 2022**

	Issued, subscribed and paid-up certificate capital	*Statutory reserve	Unappropriated profit	Total
-----Rupees-----				
Balance as on July 1, 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, 2019 @ Rs 0.275 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	<u>300,000,000</u>	<u>11,876,005</u>	<u>15,254,023</u>	<u>327,130,028</u>
Balance as on July 1, 2021	300,000,000	11,876,005	15,254,023	327,130,028
Transaction with the owners Profit distribution for the year ended June 30, 2020 @ Rs 0.7 per certificate			(12,000,000)	(12,000,000)
Profit for the period	-	-	12,830,246	12,830,246
Other comprehensive income	-	-	-	-
Total comprehensive income for the period	-	-	12,830,246	12,830,246
Transfer to statutory reserve	-	-	-	-
Balance as at March 31, 2022	<u>300,000,000</u>	<u>11,876,005</u>	<u>16,084,269</u>	<u>327,960,274</u>

*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 36 form an integral part of these special purpose financial statements.

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


CHIEF FINANCIAL OFFICER


CHIEF EXECUTIVE


DIRECTOR


DIRECTOR

**HABIB METRO MODARABA
NOTES TO THE SPECIAL PURPOSE FINANCIAL STATEMENTS
FOR THE PERIOD ENDED MARCH 31, 2022**

1 NATURE AND STATUS OF BUSINESS

- 1.1 Habib Metro Modaraba (the Modaraba) is a multipurpose, perpetual modaraba floated under the Modaraba Companies and Modaraba (Floatation and Control) Ordinance, 1980 and the Rules framed 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 equipment 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 Modaraba Management Company) respectively.

- 1.2 At the meeting of the Board of Directors of the Modaraba Management Company for Habib Metro Modaraba held on March 30, 2022 at the registered office, the Board of Directors has resolved in principle to merge Habib Metro Modaraba with and into First Habib Modaraba (FHM) subject to the approval of Securities and Exchange Commission of Pakistan and other concerned authorities. The merger is likely to benefit the Certificate holders through cost efficiencies and business synergies. The Board of directors has advised the management to undertake necessary steps in this regard.

As a consequence of the scheme of merger, FHM shall take over the business, functions, contracts, policies, proceedings, undertakings, assets, liabilities, etc. of the Modaraba at a specific date subject to approval of Registrar of Modaraba and since there will be no change in nature of financial assets in hold after scheme of merger arrangement, no adjustments are expected to the carrying amounts of assets and liabilities of the Modaraba. Legal and other formalities to effect the proposed merger are in process.

2 BASIS OF PREPARATION

2.1 Statement of compliance

These special purpose 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

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 accounting and reporting

These special purpose financial statements comprises of the statement of financial position, the statement of profit or loss, the statement of comprehensive income, the statement of cash flows and the statement of changes in equity together with notes forming part thereof. These special purpose financial statements has been prepared in accordance with the accounting policies as disclosed in note 4. These special purpose financial statements has been prepared for the purpose of merger scheme as disclosed in note 1.2 above under going concern basis of accounting as determined by the Modaraba Management Company.

These financial statements shall be forwarded/submitted to the concerned authorities, certificate holders and creditors in connection with the merger formalities and accordingly may not be suitable for any other purpose. These special purpose financial statements have been prepared solely from the records of the Modaraba and accordingly, it reflects only those transactions and balances recorded therein in respect of the Modaraba's operations.

2.3 Basis of measurement

These special purpose 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 special purpose financial statements have been prepared following accrual basis of accounting except for cash flows 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.

2.4 Functional and presentation currency

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

2.5 Significant accounting estimates and judgments

The preparation of special purpose financial statements in conformity with approved accounting and reporting 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 instalments 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 period ended December 31, 2021. These standards, amendments and interpretations are either not relevant to the Company'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 16 'Leases' - Covid - 19 related rent concessions	June 01, 2020
Interest Rate Benchmark Reform - Phase 2 (Amendments to IFRS 9, IAS 39, IFRS 7, IFRS 4 and IFRS 16)	January 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 Company's operations or are not expected to have significant impact on the Company's financial statements other than certain additional disclosures.

Amendments to IFRS 3 'Business Combinations' - Reference to the conceptual framework	January 01, 2022
Amendments to IFRS 16 'Leases' - Extended practical relief regarding Covid - 19 related rent concessions	
Amendments to IAS 1 'Presentation of Financial Statements' - Classification of liabilities as current or non-current	
Amendments to IAS 1 'Presentation of Financial Statements' - Disclosure of Accounting Policies	
Amendments to IAS 8 'Accounting Policies, Changes in Accounting Estimates and Errors' - Definition of Accounting Estimates	
Amendments to IAS 12 'Income Taxes' - Deferred Tax related to Assets and Liabilities arising from a single transaction	
Amendments to IAS 16 'Property, Plant and Equipment' - Proceeds before intended use	
Amendments to IAS 37 'Provisions, Contingent Liabilities and Contingent Assets' - Onerous Contracts - Cost of fulfilling a contract	

The following new standards and interpretations 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; and
IFRS 17 Insurance Contracts.

4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The principal accounting policies applied in the presentation of these special purpose 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.
- Income on balances in Modaraba's deposit account and Islamic term deposit receipts is recognized on accrual basis.
- 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 carrying amounts are reviewed for impairment when events or changes in circumstances indicate that the carrying value may not be recoverable.

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.

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 the reporting 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 special purpose 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.

4.6 Cash and cash equivalents

For the purpose of the statement of cash flow, 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 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.

4.8 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.

4.9 Creditors, accrued and other liabilities

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

4.10 Impairment

4.10.1 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, NBFIs & 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.

4.10.2 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 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 the statement of profit or loss.

4.11 Taxation

4.11.1 Current tax

Under clause 100 of Part I of the Second Schedule to the Income Tax Ordinance, 2001, the non-trading income of modarabas was exempt from income tax, provided not less than 90% of its profits, after appropriation to statutory reserves as required under Modaraba Regulations, are distributed to the certificate holders. The tax clause which provides for such exemption has been omitted through Tax Laws (Second amendments), 2021 which was subsequently adopted in Finance Act, 2021. Through Finance Act, 2021 a new section 242 was added in the Income Tax Ordinance, 2001, which allowed the continued exemption till the thirtieth day of June, 2021. Accordingly, provision for taxation has been recognised with effect from July 01, 2021 in these special purpose financial statements.

4.11.2 Deferred tax

Deferred income tax is provided using the balance sheet method for all temporary differences at the reporting date between tax bases of assets and liabilities and their carrying amounts for financial reporting purposes.

Deferred tax liability is generally recognized for all taxable temporary differences. Deferred tax asset is recognized for all deductible temporary differences and carry forward of unused tax losses, if any, to the extent that it is probable that taxable profit will be available against which such deductible temporary differences and tax losses can be utilized.

However, the Modaraba has not recognised any amount in respect of deferred tax in this special purpose financial information pursuant to event described in note 1.2 of these special purpose financial statements.

4.12 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.

4.13 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.

4.14 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.

4.15 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).

4.16 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.

5 PROPERTY AND EQUIPMENT

Leasehold improvements	Furniture and fixtures	Office equipment	Vehicle	Total
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-----Rupees-----

Net carrying value basis

Period ended Mar 31, 2022:

Opening net book value	1,295,762	71,140	171,513	713,395	2,251,810
Additions (at cost)	34,575	-	-	-	34,575
Deletion	(334,205)	(35,050)	(94,500)	(523,384)	(523,384)
Depreciation charge	996,132	36,090	77,013	(144,798)	(608,553)
Closing net book value	996,132	36,090	77,013	45,213	1,154,449

Gross carrying value basis

Period ended March 31, 2022:

Cost	3,042,445	262,871	1,164,820	713,395	5,183,531
Accumulated depreciation	(2,046,313)	(226,781)	(1,087,807)	(668,182)	(4,029,083)
Net book value	996,132	36,090	77,013	45,213	1,154,448

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
Depreciation charge	(501,309)	(52,574)	(241,269)	(31,039)	(31,039)
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

Annual rate of depreciation (% per annum)

16.67%	20%	25% - 33.33%	16.67%
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	Note	March 31, 2022 Rupees	June 30, 2021 Rupees
6 INTANGIBLE ASSETS			
6.1 Net carrying value basis			
Opening net book value		-	67,002
Amortization charge		-	(67,002)
Closing net book value		-	-
Gross carrying value basis			
Cost		344,565	344,565
Accumulated amortization		(344,565)	(344,565)
Net book value		-	-
Amortization rate % per annum		33%	33%
7 DIMINISHING MUSHARAKA FINANCING			
Secured			
Diminishing musharaka financing	7.1	290,098,191	230,126,231
Less: Current portion of diminishing musharaka financing		(114,080,103)	(118,329,824)
		176,018,088	111,796,407
Advance against diminishing musharaka financing	7.2	26,612,775	54,866,725
		202,630,863	166,663,132
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	2,626,807	5,250,688
Amortization during the year		(1,969,708)	(2,623,881)
		657,099	2,626,807
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.		
9 SHORT TERM INVESTMENT			
Islamic Term Deposit Receipts (TDR)	9.1 & 9.2	-	40,000,000

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 8% per annum (June 30, 2021: 6.4% to 6.45% per annum).

	Note	March 31, 2022 Rupees	June 30, 2021 Rupees
9.2 Movement in Islamic Term Deposit Receipt (TDR)			
Opening balances		40,000,000	100,000,000
Add: Additions during the period		120,000,000	120,000,000
Less: Matured during the period		(160,000,000)	(180,000,000)
		<u>-</u>	<u>40,000,000</u>

10 SHORT TERM PREPAYMENTS AND OTHER RECEIVABLE

Short term prepayments		396,274	553,559
Other receivable	10.1	1,367,601	228,062
		<u>1,763,875</u>	<u>781,621</u>

10.1 This includes Diminishing Musharaka financing installement receivable amounting to Rs. 0.227 million (June 30, 2021: Rs. 0.170 million).

11 ACCRUED PROFIT

Accrued profit on:			
Modaraba's deposit account		778,734	379,769
		<u>778,734</u>	<u>379,769</u>

	Note	2020 Rupees	2019 Rupees
12 TAXATION-(GROSS)			

Advance tax	12.1 & 12.2	<u>7,993,788</u>	<u>7,766,305</u>
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12.1 This includes advance tax amounting to Rs. 6.53 million (June 30, 2021: Rs. 6.36 million) pertaining to vehicles purchased for diminishing musharaka financing. The amounts are adjustable against diminishing musharaka contracts upon receipt of refunds from tax authorities.

12.2 This includes the advance tax deducted by the various withholding agents amounting to Rs. 1.42 million (June 30, 2021: Rs. 1.41 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 2021, and is confident that the same shall be refunded.

	Note	June 30, 2020 Rupees	June 30, 2019 Rupees
13 CASH AND BANK BALANCES			
Stamps in hand		25,200	41,200
Cash at banks in:			
Modaraba's deposit account	13.1	28,509,968	10,612,196
Current accounts	13.2	215,874	226,313
		<u>28,751,042</u>	<u>10,879,709</u>

13.1 These carry profit at rate 5.5% to 9% (June 30, 2021: 5.5%) per annum.

13.2 This balance includes an amount of Rs. 0.009 million (2020: Rs. 0.02 million) which has been deposited in the State Bank of Pakistan, Banking Services Corporation Karachi to facilitate recovery of Electronic Credit Information Bureau (ECIB) service charges on monthly basis.

14 ISSUED, SUBSCRIBED AND PAID-UP CERTIFICATE CAPITAL

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

Number of certificates			March-31-2022	June, 30 2021
2021	2020	Note	Rupees	Rupees
<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%) (June 30, 2021: 3,000,000) certificates of Rs. 10 each as at March 31, 2022.

14.2 Habib Metropolitan Bank Limited, held 18,000,000 (60%) (June 30, 2021: 18,000,000) certificates of Rs.10 each as at March 31, 2022.

15 RESERVE

Capital reserve			
Statutory reserve	15.1	11,876,005	15,127,854
Revenue			
Unappropriated profit		16,084,269	7,261,419
		<u>27,960,274</u>	<u>22,389,273</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.

		March-31-2022	June, 30 2021
		Rupees	Rupees
16	CREDITORS, ACCRUED AND OTHER LIABILITIES		
	Provision for Sindh Workers' Welfare Fund	16.1	430,784
	Adjustable against diminishing musharaka	16.2	6,147,500
	Accrued expenses		135,690
	Management fee payable		1,405,309
	Sales tax on management fee payable		676,998
	Residual Value received in advance		2,438,518
	Other liabilities	16.3	12,492,048
	Audit fee payable		749,868
			<u>24,476,715</u>
			<u>22,439,990</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.

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. 1.049 million for the period from October 06, 2017 to March 31, 2022 to SWWF based on the income pertaining to the Province of Sindh.

- 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.

16.3 It includes Insurance /takaful premium payable, maintenance service charges and sundry creditors amounting to Rs. 3.732 million, Rs. 5.50 million and Rs. 0.093 million (June 30, 2021: Rs. 0.242 million, Rs. 3.962 million and Rs. 2.186 million) respectively.

17 CONTINGENCIES AND COMMITMENTS

17.1 Contingencies

There were no other contingencies as at March 31, 2022.

17.2 Commitments

17.2.1 Commitments in respect of financing transactions amounted to Rs. 1.3 million as at March 31, 2022 (2021: Rs. 2.528 million).

	Note	9 months period ended March 31, 2022 Rupees	Year ended June 30, 2021 Rupees
18 ADMINISTRATIVE EXPENSES			
Salaries, allowances and other benefits		4,539,862	8,281,127
Repairs and maintenance		293,063	386,634
Legal and professional charges		687,950	1,243,868
Fees and subscription		1,751,628	1,831,147
Printing and stationery		181,843	248,522
Utilities expenses		268,307	456,398
Takaful premium		59,562	92,340
Depreciation	5	608,553	1,139,485
Amortisation	6	-	67,002
Auditor's remuneration	18.1	771,971	750,646
Advertisement expense		257,515	272,182
IT related expenses		211,472	86,881
Loss on disposal of property and equipment		-	17,042
Others		585,561	415,858
		<u>10,217,287</u>	<u>15,289,132</u>
18.1 Auditor's remuneration			
Annual fee		333,000	317,625
Half yearly review fee		133,000	127,050
Special reports, certification and sundry advisor services		224,532	224,532
Out of pocket expenses		42,468	42,468
Sales tax		38,971	38,971
		<u>771,971</u>	<u>750,646</u>
19 FINANCIAL CHARGES			
Bank charges		<u>112,322</u>	<u>144,344</u>

20 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. 2.109 million (June 30, 2021: 1.870 million) which is payable to the Modaraba Management Company. Furthermore, during the current year, an amount of Rs. 0.274 million (June 30, 2021: 0.243 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.

21 TAXATION

- 21.1 The tax exemption by virtue of Clause 100 of Part I of the Second Schedule to the Income Tax Ordinance, 2001 had been withdrawn through Tax Laws (Second amendment), 2021 dated March 21, 2021 which was subsequently adopted in Finance Act, 2021. Accordingly, provision for nine months i.e. from July 2021 to March 2022 is recognized in these special purpose financial statements.

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

However, the Modaraba has not recognised any amount in respect of deferred tax in this special purpose financial statements pursuant to event described in note 2.2 of these special purpose financial statements.

	March 31, Rupees	June 30, 2021 Rupees
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22 EARNINGS PER CERTIFICATE - BASIC AND DILUTED

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

Profit for the year	<u>12,830,246</u>	<u>16,259,245</u>
Weighted average number of certificates outstanding	<u>30,000,000</u>	<u>30,000,000</u>
Earnings per certificate - Basic and diluted (Rupees)	<u>0.43</u>	<u>0.54</u>

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

	March 31, Rupees	June 30, 2021 Rupees
23 REMUNERATION OF EXECUTIVES		
Remuneration (Rupees)	1,705,000	4,092,000
Number of executives at the end of the year	-	1

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

24 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.

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.

24.1 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.

24.2 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.

24.3 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.

24.4 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.

	Six to Twelve months	One to five years	Over five years	Above five years	Total contractual cash flows
Rupees					
As at March 31, 2022					
Creditors, accrued and other liabilities	19,525,106	-	-	-	19,525,106
Unclaimed profit distribution	132,441	-	-	-	132,441
Total	19,657,547	-	-	-	19,657,547
As at June 30, 2021					
Creditors, accrued and other liabilities	15,695,513	-	-	-	15,695,513
Dividend payable	108,959	-	-	-	108,959
Total	15,804,472	-	-	-	15,804,472

24.5 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:

	March 31, 2022 Rupees	June 30, 2021 Rupees
Diminishing musharaka finance	202,630,863	166,663,132
Current portion of diminishing musharaka financing	114,080,103	118,329,824
Other receivables	1,367,601	228,062
Accrued profit	778,734	379,769
Short term investments	-	40,000,000
Cash and bank balances	28,735,842	10,838,509
	347,593,143	336,439,296

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 AAA to AA-. 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.

25 SEGMENT BY CLASS OF BUSINESS FOR MUSHARAKA FINANCES

	March 31, 2022		June 30, 2021	
	Rupees	%	Rupees	%
Individuals	94,454,444	30%	62,736,434	22%
Corporate	222,256,522	70%	222,256,522	78%
	<u>316,710,966</u>		<u>284,992,956</u>	

March 31, 2022	June 30, 2021
Rupees	Rupees

26 FINANCIAL INSTRUMENTS BY CATEGORY

Financial assets

Financial assets at amortised cost

Diminishing musharaka finance	202,630,863	166,663,132
Current portion of diminishing musharaka financing	114,080,103	118,329,824
Other receivables	1,367,601	228,062
Accrued profit	778,734	379,769
Cash and bank balances	28,735,842	10,838,509
Short term investments	-	40,000,000
	<u>347,593,143</u>	<u>336,439,296</u>

	March 31 2022 Rupees	Jun 30 2021 Rupees
Financial liabilities		
Financial liabilities at amortised cost		
Creditors, accrued and other liabilities	19,525,106	15,695,513
Unclaimed profit distribution	132,441	108,959
	<u>19,657,547</u>	<u>15,804,472</u>

27 FAIR VALUE OF FINANCIAL INSTRUMENTS

Fair value the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date (an exit price). Consequently differences can arise between carrying amounts 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 carrying amounts, as the items are short term in nature.

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 March 31, 2022.

	As at March 31, 2022		As at June 30, 2021	
	Amortised cost	Fair value	Amortised cost	Fair value
	-----Rupees-----		-----Rupees-----	
Financial assets				
Loans and receivables at amortised cost				
Diminishing musharaka finance	202,630,863	-	166,663,132	-
Current portion of diminishing musharaka financing	114,080,103	-	118,329,824	-
Other receivables	1,367,601	-	228,062	-
Accrued profit	778,734	-	379,769	-
Cash and bank balances	28,735,842	-	10,838,509	-
Short term investments	-	-	40,000,000	-
Financial liabilities				
Financial liabilities at amortised cost				
Creditors, accrued and other liabilities	19,525,106	-	15,695,513	-
Unclaimed profit distribution	132,441	-	108,959	-

27.1 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 fair value.

28 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.

29 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, is given below:

Relationship with the Modaraba	Nature of transactions	March 31, 2022	June 30, 2021
		Rupees	Rupees
Holding Company			
Habib Metropolitan Bank Limited	Profit on Modaraba's deposits accounts	1,763,230	1,318,554

Relationship with the Modaraba	Nature of transactions	31-Mar-22 Rupees	30-Jun-21 Rupees
Holding Company			
Habib Metropolitan Bank Limited	Profit on deposit account	2,725,521	-
Habib Metropolitan Bank Limited	Dividend paid	7,200,000	12,600,000
Habib Metropolitan Bank Limited	Bank charges	112,322	144,344
Habib Metropolitan Bank Limited	Reimbursement of expenses	255,447	624,025
Associate Company			
Habib Metro Modaraba Employees Provident Fund	Provident Fund Contribution	67,162	105,023
Management Company			
Habib Metropolitan Modaraba Management Company (Private) Limited	Dividend paid	1,200,000	2,100,000
	Management fees expense	2,078,868	1,870,470
	Management fees paid	-	3,222,729

29.1 Year end balances

Holding Company			
Habib Metropolitan Bank Limited	Bank balances	28,491,354	9,802,068
Habib Metropolitan Bank Limited	Short term investments	-	-
Habib Metropolitan Bank Limited	Accrued profit on bank accounts.	778,734	165,187
Habib Metropolitan Bank Limited	Prepaid expenses	443,024	345,242
Management Company			
Habib Metropolitan Modaraba Management Company (Private) Limited	Management fee payable	1,405,309	1,870,470

29.2 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.

30 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:

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

	March 31 2022	Jun 30 2021
	Rupees	Rupees
Vehicles available for diminishing musharaka financing Held for working capital, purchase of additional assets / investments etc.	200,393,688	200,393,688
	<u>80,302,092</u>	<u>80,401,292</u>
	<u>300,000,000</u>	<u>300,000,000</u>
31 CASH GENERATED FROM / (USED IN) OPERATIONS		
Profit before taxation	18,070,769	28,013,895
Adjustment of non-cash and other items:		
Depreciation	608,553	1,218,508
Amortization of preliminary expenses and floatation costs	1,969,708	2,631,070
Gain on disposal of property and equipment	(776,718)	-
Amortization of intangible asset	-	114,854
Financial charges	112,322	147,357
Profit on Islamic Certificate	-	(1,697,260)
Profit on Islamic Term Deposit Receipts (TDR)	-	(2,830,619)
Profit on Modaraba's deposit accounts	(398,965)	(8,693,275)
Net movement in current assets and liabilities	31.1 <u>5,304,192</u>	<u>(20,203,901)</u>
	<u>24,889,861</u>	<u>(1,299,371)</u>
31.1 Movement in other current assets and liabilities		
(Decrease)/Increase in current assets:		
Short term prepayments and other receivables	(982,254)	870,877
Current portion of diminishing musharaka financing	4,249,721	(27,794,412)
Increase in current liabilities:		
Creditors, accrued and other liabilities	<u>2,036,725</u>	<u>6,719,634</u>
	<u>5,304,192</u>	<u>(20,203,901)</u>
32 CASH AND CASH EQUIVALENTS		
Cash and cash equivalents included in the statement of cash flows comprise of the following amounts appearing in the statement of financial position:		
Cash and bank balances	<u>28,751,042</u>	<u>10,879,709</u>
33 NUMBER OF EMPLOYEES		
The number of employees as at period end was 8 (June 30, 2021: 8) and average number of employees during the period was 8 (June 30, 2021: 8).		

34 CORRESPONDING FIGURES

Corresponding figures are not comparable in case of transactions presented for the reporting period as available corresponding figures are for the year ended June 30, 2021.

35 DATE OF AUTHORIZATION FOR ISSUE

These financial statements was authorized for issue on 24-05-2022 by the Board of Directors of the Habib Metropolitan Modaraba Management Company (Private) Limited.

36 GENERAL

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

36.2 Impact of COVID - 19 on financial statements

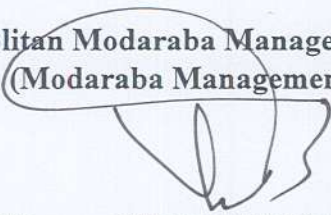
In March 2020, the World Health Organization ("WHO") declared the outbreak of the novel coronavirus (known as COVID-19) as a global pandemic. The rapid spread of the virus has caused governments around the world to implement stringent measures to help control its spread, including, without limitation, 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 March 31, 2022. 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.

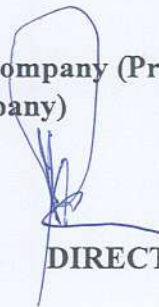
For Habib Metropolitan Modaraba Management Company (Private) Limited
(Modaraba Management Company)



CHIEF FINANCIAL OFFICER



CHIEF EXECUTIVE



DIRECTOR



DIRECTOR