

# Habib Metro Modaraba

(An Islamic Financial Institution)



**ANNUAL REPORT 2020**

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.

## Contents

|                                                                                                                   |    |
|-------------------------------------------------------------------------------------------------------------------|----|
| Vision statement.....                                                                                             | 3  |
| Mission statement .....                                                                                           | 3  |
| Corporate Information.....                                                                                        | 5  |
| Chairman's message.....                                                                                           | 6  |
| Chairman's message (Urdu Version) .....                                                                           | 7  |
| Directors' report.....                                                                                            | 8  |
| Directors' report (Urdu Version) .....                                                                            | 13 |
| Notice of Annual Review Meeting .....                                                                             | 19 |
| Director's Profile .....                                                                                          | 20 |
| Certificate Holders Information .....                                                                             | 22 |
| Categories of certificate holders .....                                                                           | 24 |
| Statement of Compliance with Code of Corporate Governance .....                                                   | 26 |
| Independent Auditor's Review Report to the Members of Habib Metro<br>Modaraba on the Statement of Compliance..... | 29 |
| Shariah Advisor's Profile .....                                                                                   | 30 |
| Shariah Advisor's Review Report.....                                                                              | 31 |
| Auditors' report to the certificate holders .....                                                                 | 32 |
| Statement of Financial Position.....                                                                              | 33 |
| Profit and Loss Account.....                                                                                      | 34 |
| Statement of Comprehensive Income.....                                                                            | 35 |
| Cash Flow Statement.....                                                                                          | 36 |
| Statement of Changes of Equity .....                                                                              | 37 |
| Notes to the Financial Statements .....                                                                           | 38 |

## Corporate Information

### 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

### AUDITOR

BDO Ebrahim & Co.  
Chartered Accountants

### AUDIT COMMITTEE

|                          |             |
|--------------------------|-------------|
| Mr. Saeed Uddin Khan     | - Chairman  |
| Syed Rasheed Akhtar      | - Member    |
| Mr. Mohammad Shams Izhar | - Member    |
| Mr. Sarmad Bin Wasim     | - Secretary |

### BANKERS

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

### HUMAN RESOURCE COMMITTEE

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

### COMPANY SECRETARY

Mr. Tehsin Abbas (Officiating Company Secretary)

### REGISTERED OFFICE

3<sup>rd</sup> Floor, Al Manzoor Building  
Dr. Ziauddin Ahmed Road, Karachi  
Tel : 021-32635949-51  
Fax : 021-32627373  
Web : www.habibmetromodaraba.com  
Email : hmm@habibmetromodaraba.com  
UAN : 111-346-346

### 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, 2020.

The emergence of COVID-19 has caused major disruptions to economic activity around the world including Pakistan. The year 2020 has been a challenging year for the world. The COVID-19 pandemic which has spread rapidly brought severe shocks to global economy and human health. It created uncertainties on different economic front and is expected to have a lasting effect on the global economy. Presently, the economic growth has slowed down globally and it appears a moderate pace of expansion is unlikely to achieve in the near future. The pandemic has also taken a devastating blow on Pakistan's socioeconomic fabric and public health system. The country's economy demonstrated its worst performance posted negative growth in FY 2019-20.

I am happy to note that HMM's auto finance product "InstaCar", which is based on Residual Value financing has gradually getting popularity and all efforts are being put-up by the team of HMM for the success of this product. In fact, the sudden change in the global economic conditions in general and in our country in particular due to the Corona virus coupled with increase in car prices and huge increase in KIBOR which was more than 13% from July 2019 to March 2020 i.e., till beginning of COVID 19 which has completely discouraged prospective customers to go for auto financing facility, therefore, the desire target of financing and market penetrations were not achieved.

At present our economy is passing through with difficult time. Way forward, I expect that overall business conditions will be remained in pressure during current year due to several economic challenges. Operating in a volatile environment becomes even more challenging given the fact that our customers are the first to be affected in an economic slowdown. In these unusual circumstances, a cautious approach should be adopted while engaging in new booking of financing assets. I am hopeful that our competent team will continue to grow in prudent manner, will set new milestones and deliver even better result in coming years.

In the end, I express appreciation to my Board Members for their continued support, strategic guidance and for their prudent and invaluable contributions in formulating policies and guidelines in all areas of operations. I would 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 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 23, 2020

## چیئر مین کا پیغام

محترم مضاربہ سرٹیفکیٹ کنندگان،

مجھے ۳۰ جون، ۲۰۲۰ کو ختم ہونے والے سال کے لئے حبیب میٹرو مضاربہ (ایچ ایم ایم) کے امور کے بارے میں ہمارے قابل قدر سرٹیفکیٹ ہولڈرز کو رپورٹ پیش کرنے پر خوشی ہے۔

COVID-19 کے ظہور نے پاکستان سمیت دنیا بھر میں معاشی سرگرمیوں میں بڑی رکاوٹیں کھڑی کیں۔ سال ۲۰۲۰ دنیا کے لئے ایک چیلنجنگ / مشکل / کٹھن / دشوار سال رہا۔ COVID-19 وبائی بیماری جس نے تیزی سے پھیلتی ہوئی عالمی معیشت اور انسانی صحت کو شدید جھٹکے / دھچکے دیئے ہیں۔ اس نے مختلف معاشی محاذ پر غیر یقینی صورتحال پیدا کر دی اور توقع کی جاتی ہے کہ اس سے عالمی معیشت پر دیرپا اثر پڑے گا۔ اس وقت معاشی نمو عالمی سطح پر سست ہو گئی ہے اور ایسا لگتا ہے کہ مستقبل قریب میں اس میں وسعت کی ایک اعتدال کی رفتار کے حصول کا کوئی امکان نہیں ہے۔ اس وبائی مرض نے پاکستان کے معاشرتی تانے بانے اور صحت عامہ کے نظام پر بھی تباہ کن دھچکا لگا ہے۔ ملکی معیشت نے اپنی بدترین کارکردگی کا مظاہرہ کرتے ہوئے مالی سال ۲۰۱۹-۲۰ میں منفی بڑھوتری کی۔

مجھے بڑی خوشی ہوئی حبیب میٹرو مضاربہ کے آؤف فنانس پروڈکٹ ”انسٹاکار“ کے بارے میں، جو کہ ریز انڈل ویلیو فنانسنگ پر انحصار کرتا وہ آہستہ آہستہ مقبول ہوتا جا رہا ہے اور ایچ ایم ایم کی ٹیم کی طرف سے جو کوششیں اور محنت کی گئیں تھیں حقیقت میں اُس نے رنگ دکھانا شروع کر دیا ہے، کرونا وائرس کی وجہ سے اچانک سے بدلتے عالمی معاشی حالات خصوصاً ہمارے ملک میں کاروں کی بڑھتی قیمتوں اور کابور KIBOR کے بہت زیادہ بڑھنے جو کہ جولائی ۲۰۱۹ سے مارچ ۲۰۲۰ تک ۱۳ فیصد بڑھ چکا ہے، کو وید-۱۹ کے آغاز سے آؤف فنانسنگ کی سہولت حاصل کرنے والے ممکنہ گاہکوں کی مکمل طور پر حوصلہ شکنی کی، جس کی وجہ سے مطلوبہ فنانسنگ اور مارکیٹ میں اس کے پھیلاؤ کا ہدف حاصل نہ کر سکے۔

فی الحال معیشت انتہائی مشکل / کٹھن / دشوار دور سے گزر رہی ہے، مجھے توقع ہے کہ متعدد معاشی چیلنجوں کی وجہ سے رواں سال کے دوران مجموعی طور پر کاروباری حالات دباؤ میں رہیں گے۔ غیر مستحکم ماحول میں کام کرنا اس سے بھی زیادہ مشکل بن جاتا ہے کہ اس حقیقت کو دیکھتے ہوئے کہ ہمارے گاہک معاشی سست روی میں سب سے پہلے متاثر ہوئے ہیں۔ ان غیر معمولی حالات میں، فنانسنگ اثاثوں کی نئی بنگ میں مصروف رہتے ہوئے محتاط انداز اپنانا چاہئے۔ مجھے امید ہے کہ ہماری اہل / قابل ٹیم سمجھداری کے ساتھ ترقی کرتی رہے گی، نئے سنگ میل طے کرے گی اور آنے والے سالوں میں اس سے بھی بہتر نتیجہ پیش کرے گی۔

آخر میں، میں بورڈ آف ڈائریکٹرز کی مستقل حمایت، اسٹریٹجک رہنمائی اور حکمت عملی اور بے مثال شراکت کا اعتراف کرنا چاہتا ہوں۔ میں بورڈ کے ہر ممبر کی رہنمائی، قیمتی ان پٹ اور بورڈ کے اجلاسوں کے لئے اپنا قیمتی وقت دینے پر ان کا شکریہ بھی ادا کرتا ہوں۔

میں اپنے چیف ایگزیکٹو آفیسر، سینئر ایگزیکٹوز اور ایچ ایم ایم کے دیگر تمام عملے کے ممبروں کو بھی ان کی سخت محنت، لگن اور مرکوز کوششوں کے ذریعے بحرانوں کے اثرات کو مؤثر طریقے سے سنبھالنے اور ایچ ایم ایم کے تسلی بخش نتائج پیدا کرنے کے لئے ان کی تعریف کرنا چاہتا ہوں۔ میں ہمارے سرٹیفکیٹ ہولڈرز، کاروباری شراکت داروں اور دوسرے تمام قابل قدر اسٹیک ہولڈرز کی ان کی یقین اور ہماری تنظیم میں اعتماد کے لئے اپنی مخلصانہ تعریف کرتا ہوں۔ میں مضاربہ، سیکیورٹیز اینڈ ایکسچینج کمیشن آف پاکستان، اسٹیٹ بینک آف پاکستان، پاکستان اسٹاک ایکسچینج، اور دیگر متعلقہ ریگولیٹری اداروں کے رجسٹرار کو ان کی مسلسل رہنمائی اور مدد کے لئے ان کا شکریہ ادا کرتا ہوں۔

سید رشید اختر

چیئر مین

تاریخ: ۲۳ ستمبر ۲۰۲۰

## Directors' Report

On behalf of the Board of Directors, I am pleased to present the audited accounts of the Modaraba for the year ended June 30, 2020. Economic Review

|                                                                | (Rupees)          |
|----------------------------------------------------------------|-------------------|
| Profit before management fee                                   | 32,227,291        |
| Modaraba Management Company's remuneration                     | 3,222,729         |
| Sales tax on Management Company's remuneration                 | 418,955           |
| Provision of Sindh Workers' Welfare Fund                       | 571,712           |
| Profit before taxation                                         | 28,013,895        |
| Taxation                                                       | -                 |
| Profit for the year                                            | 28,013,895        |
| Unappropriated profit b/f                                      | 835,511           |
|                                                                | <u>28,849,406</u> |
| <b>Appropriations</b>                                          |                   |
| Cash Dividend @ 7% ( Re. 0.70 per certificate of Rs 10/- each) | 21,000,000        |
| Transfer to statutory reserves @ 20% of Profit                 | 5,602,779         |
| Unappropriated profit c/f                                      | 2,246,627         |
|                                                                | <u>28,849,406</u> |

## Economic Review

The economy of Pakistan had passed through with very difficult time during the period of July-19 to June-20. At the beginning of the fiscal year there were several economic challenges which in fact had started at the start of calendar of 2019. The key issues were high trade and current account deficit, high inflation and rising interest rates, weakening of Pak rupees. The outbreak of COVID-19 which started in later part of 3rd quarter had brought more distress and miseries on economic front. The Pandemic brought all business activities standstill with unparalleled and unforeseen impact in our lives, economies, our societies and livelihoods.

After the outbreak of COVID-19, The Government of Pakistan had also took bold initiative to fight with COVID-19 and announced several fiscal stimulus packages to support the lower income group and manufacturing sector particularly export based entities. The Government had also announced incentive package and concession for the construction industries to generate employment and support housing related industries. State Bank of Pakistan (SBP) also took several measures to support various segment of the economy during crucial time of disease. The swift turnarounds on the path of macroeconomic adjustments have been witnessed through a broad-based adoption of stabilization measures and economic revival strategies and policies along with its timely implementation and required actions. The initiatives and reforms supported well to minimize huge trade and current account deficit, steady of foreign reserves and successful completion of IMF program.

## Business Review of HMM

The pandemic has terribly slowed down overall economic and businesses activities, due to said impact our assets financing particularly booking of financing assets were reduced to Rs. 79.053 million compared from last year to Rs. 169.338 million. However, despite off several economic and business challenges, our performance remain satisfactory in terms of increase in overall financing assets size and profitability. Our balance sheet size increase to Rs.195.0 million as compared to last year size of Rs.168.0 million. Profit of the year has also been increased from Rs.11.094 million to Rs. 28.013 million which shows a good progress on earning side.

We could not manage to increase financing assets size as target set at the beginning of the year. The main reason of low disbursement was due to significant increase in car prices and huge rise in discount rate which ultimately increase normal lending rates. Due to COVID-19 business conditions were remained very depressed and entities and individuals had faced severe cash flow and liquidity issues. This situation also diluted timely repayment of borrowed facilities by the businesses and we had also experienced issues of repayment of such facilities within our existing financing portfolio. After the issuance of circular of SBP & SECP regarding acceptance of deferment/rescheduling request of customer, we had received several request of rescheduling of long term financing facility in last quarter of year under review. Our credit department had gone through with these request, made necessary assessment of merit of such requests and finalized processes with approval of Credit Committee and board of directors.

Recovery of financing instalments remained most difficult area of our business operation during last quarter of financial year. Due to depressed business conditions and long period of lockdown, the liquidity and cash cycle of our customers were badly affected. Several customers of our financing portfolio were not able to settle their monthly payment of financing instalments on time during the lockdown period. However, our recovery team has made their hard efforts for collection of monthly repayments and successfully managed said recovery segments at reasonable level.

### Future Outlook

We expect that financial year 2020-21 will be also a challenging year due to after effects of pandemic on trade and industry and on overall businesses. Furthermore, the drastic cut in policy rate i.e., 6.25% in last 3-4 months will also reduce our earning on financing portfolio. Currently, the economic activities are now gradually picking up and according to market statistics the sale of auto mobile and sale of products of other major sector such as Cement, Steel and other allied products are also increasing. We expect that reduced lending rate will support to stimulate business activity in coming months. The landmark incentive package for construction industry will also support and boosts the allied industries and will generate employments.

In conclusion, we are closely monitoring the situation in present difficult time. Our most important task is to ensure safety of health of our staff members and best possible services to our worthy customers. Keeping in view of present circumstances, we will move forward in prudent manner with cautious approach and gear up all available resources to counter any operational and business contingencies.

### Shariah Compliance and Audit Mechanism

A fundamental requirement of an Islamic financial institution is that its whole business practices and operations are based on Shariah rules and principles. Islamic finance derives its value proposition from the application of Shariah contracts in financial transactions that provide for different risks and return profile.

Adherence to Shariah principles under such distinct contract preserves the validity and sanctity of any Islamic financial transactions. As such, HMM committed to upholding these principles via strict observance of the Shariah Governance Framework.

Adhering to the Shariah principles, Islamic financial system encourages risk - sharing, promotes entrepreneurship, discourages speculative behavior and emphasizes the sanctity of contracts.

Alhamdulillah, the management of Habib Metro Modaraba continuously focuses on Shariah governance and compliance culture under guidance and supervision of our worthy Shariah advisor. However, continuous efforts have been made for its further improvement.

We feel that Shariah governance is our utmost responsibility and our team is fully committed as their prime objective for its perfection and flawless processes.

A complete Shariah Audit report of Shariah Advisor for the year ended June 30, 2020 is also attached with annual report.

## Corporate Social Responsibility

Our business strategies are based on strong ethical foundation and concept of sustainable business to create maximum value for our stakeholders. Translating this believe our sustainability model is surrounding within our People, Organization and Planet.

Accordingly, we have aligned our Corporate Social Responsibility (CSR) initiatives to deliver on this commitment, and enhance community empowerment and responsible environmental management in a sustainable manner.

HMM continues to encourage events and projects which focus on children, health and education in under privileged members of society. The Modaraba constantly strives to build trust and demonstrate respect for human dignity and rights in all relationships, including respect for cultures, customs and values of individuals and groups.

## The Board of Directors and Audit Committee

The following changes have been taken place within Board of Directors of the Habib Metropolitan Modaraba Management Company (Private) Limited (the Company), the management Company of Habib Metro Modaraba since the Directors' report for the year ended June 30, 2019.

- Mr. Wazir Mumtaz Ahmed has resigned from the Board of Directors and the Audit Committee.
- Two new directors have been appointed within the Board i.e. Mr. Usman Nurul Abedin and Ms. Irum Saba.
- Mr. Saaed ud din Khan has become member of the Audit Committee.
- The new directors are having very diversified and rich experience of financial local and international market particularly Islamic Banking, Trade Finance and Investment Banking. The Board welcome all new directors and hopeful that HMM will be greatly benefited with professional experience and expertise of newly inducted directors.
- In order to comply the mandatory requirement of Code of Corporate Governance 2019, Ms. Irum Saba has been appointment as Female Director on the Board.

## Directors Training & Orientation

All 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.

### 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, 2020 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.
- 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.
- 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.
- 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, 2020 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, 2020 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, Five 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         | 5                  | 4               | 1            |
| Mr. Muhammad Shoaib Ibrahim | 5                  | NA              | NA           |
| Mr. Wazir Mumtaz Ahmed      | 2                  | 1               | 1            |
| Mr. Mohammad Shams Izhar    | 5                  | 4               | 1            |
| Mr. Saeed uddin Khan        | 5                  | 3               | NA           |
| Mr. Usman Nurul Abedin      | 2                  | NA              | NA           |
| Ms. Irum Saba               | -                  | NA              | NA           |

## Auditors

Present auditors M/s. BDO Ebrahim and Co. Chartered Accountants, are being eligible to offer themselves for reappointment as auditors for the financial year ending June 30, 2021, however their appointment will be subject to approval from Registrar Modaraba Office.

## Acknowledgement

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 excellent results.

**Muhammad Shoaib Ibrahim**  
Chief Executive Officer

**Syed Rasheed Akhtar**  
Director

**Karachi:** September 23, 2020

## ڈائریکٹر رپورٹ

بورڈ آف ڈائریکٹرز کی جناب سے ۳۰ جون، ۲۰۲۰ کو ختم ہونے والے سال کیلئے مضاربہ کے آؤٹ شدہ / مختب شدہ اکاؤنٹس پیش کرنا میرے لئے باعثِ مسرت ہے۔

|            |                                           |
|------------|-------------------------------------------|
| ۳۲،۲۲۷،۲۹۱ | منجمنٹ فیس سے قبل منافع                   |
| ۳،۲۲۲،۷۲۹  | مضاربہ منجمنٹ کمپنی کی فیس                |
| ۴۱۸،۹۵۵    | منجمنٹ کمپنی کے معاوضے پر سروسز سیلز ٹیکس |
| ۵۷۱،۷۱۲    | سندھ ورکرز ویلفیئر فنڈ                    |
| ۲۸،۰۱۳،۸۹۵ | منافع قابل از ٹیکس                        |
| -          | ٹیکس                                      |
| ۲۸،۰۱۳،۸۹۵ | سال کا منافع                              |
| ۸۳۵،۵۱۱    | پچھلے سالوں کا غیر منقسم شدہ منافع        |
| ۲۸،۸۴۹،۴۰۶ |                                           |

### قابل تقسیم منافع:

|            |                                                                                                |
|------------|------------------------------------------------------------------------------------------------|
| ۲۱،۰۰۰،۰۰۰ | ۷ فیصد کے حساب سے نقد منافع برائے تقسیم (۱۰ روپے کے سرٹیفکیٹ پر ۷۰ پیسے نقد منافع فی سرٹیفکیٹ) |
| ۵،۶۰۲،۷۷۹  | (Statutory Reserve) میں منافع کی ۲۰ فیصد شرح سے منتقلی                                         |
| ۲،۲۳۶،۶۲۷  | غیر منقسم شدہ منافع                                                                            |
| ۲۸،۸۴۹،۴۰۶ |                                                                                                |

### معاشی جائزہ

جولائی ۲۰۱۹ تا جون ۲۰۲۰ کے دوران پاکستان کی معیشت بہت مشکل وقت سے گزر رہی تھی۔ مالی سال کے آغاز میں متعدد معاشی چیلنجز درپیش تھے جو درحقیقت ۲۰۱۹ کے آغاز پر شروع ہوئے تھے۔ اہم معاملات اعلیٰ تجارت اور کرنٹ اکاؤنٹ خسارہ، اونچی افراط زر اور بڑھتی ہوئی سود کی شرح، پاکستانی روپے کی کمزوری تھی۔ COVID-19 کے پھیلنے کا جو سلسلہ جو تیسری سہ ماہی کے آخر میں شروع ہوا تھا اس نے معاشی محاذ پر مزید پریشانیاں اور تکالیف لائیں۔ اس وبائی مرض نے تمام کاروباری سرگرمیاں ہماری زندگیوں، معیشتوں، معاشرہ اور معاشیات میں بے مثال اور غیر متوقع اثرات کے ساتھ روک دیں۔

کے ساتھ لڑنے کے لئے جرأت مند اقدام اٹھایا اور کم آمدنی والے گروپ اور مینوفیکچرنگ سیکٹر خصوصاً COVID-19 کے وباء کے بعد، حکومت پاکستان نے بھی COVID-19 برآمدی بنیادوں پر تعاون کرنے کے لئے مالی امدادی پیکیج کا اعلان کیا تھا۔ حکومت نے تعمیراتی صنعتوں کو روزگار پیدا کرنے اور رہائش سے متعلقہ صنعتوں کی مدد کے لئے مراعات پیکیج اور مراعات کا بھی اعلان کیا۔ اسٹیٹ بینک آف پاکستان (ایس بی پی) نے وبائی اموات کے اہم وقت کے دوران معیشت کے مختلف طبقات کی مدد کے لئے بھی متعدد اقدامات کیے۔ ان اقدامات اور اصلاحات نے بڑے پیمانے پر تجارتی اور کرنٹ اکاؤنٹ خسارے کو کم کرنے، غیر ملکی ذخائر کو مستحکم کرنے اور آئی ایم ایف پروگرام کی کامیابی سے تعمیل اور ملک کے کریڈٹ ریٹنگ پروفائل میں بہتری کے لئے اچھی طرح سے مدد کی۔

## ایچ ایم ایم کا کاروباری جائزہ

وبائی مرض نے مجموعی معاشی اور کاروباری سرگرمیوں کو بہت سست کر دیا ہے، اس وجہ سے کہ ہمارے اثاثوں کی مالی اعانت خاص طور پر فنانسنگ اثاثوں کی بکنگ کو گزشتہ سال کے ۱۶۹،۳۳۸ ملین روپے کے مقابلے میں کم کر کے ۹۶،۰۵۳ ملین روپے کر دیا گیا۔ تاہم، تمام تر معاشی اور کاروباری دشواریوں کے باوجود ہماری کارکردگی منافع اور فنانسنگ اثاثوں کے بڑھنے کے حساب سے اطمینان بخش رہی ہے۔ ہماری بیلنس شیٹ کا سائز دیکھنے والے سال کے ۱۶۸،۰۱۷ ملین روپے کے مقابلے میں ۱۹۵،۲۱۱ ملین روپے بڑھ چکے ہیں۔ اور اس سال کا منافع پچھلے سال کے منافع ۱۱،۰۹۴ ملین روپے کے مقابلے میں ۲۸،۰۱۳ ملین روپے رہا ہے جو کہ کمائی کے حساب سے ایک بہتر پیشرفت ہے۔

سال کے آغاز میں طے شدہ ہدف کے مطابق ہم فنانسنگ اثاثوں کے سائز میں اضافہ نہیں کر سکے۔ رقم کی کم فراہمی کی بنیادی وجہ کاروں کی قیمتوں میں نمایاں اضافہ اور رعایت کی شرح میں زبردست اضافہ تھا جس سے بالآخر عام قرضوں کی شرح میں اضافہ ہوتا ہے۔ کوویڈ-۱۹ کی وجہ سے کاروباری حالات بہت مایوس کن رہے اور اداروں اور افراد کو نقد رقم کی روانی اور لیکویڈٹی کے مسائل کا سامنا کرنا پڑا۔ اس صورتحال نے کاروباری اداروں کے ذریعہ قرضوں سے لی جانے والی سہولیات کی بروقت ادائیگی کو بھی گھٹا / کم کر دیا اور ہمیں اپنے موجودہ فنانسنگ پورٹ فولیو کے اندر ایسی سہولیات کی ادائیگی کے معاملات کا بھی سامنا کرنا پڑا۔ گاہک کی التوا / بحالی کی درخواست کو قبول کرنے کے سلسلے میں اسٹیٹ بینک اور ایس ای سی پی کے سرکلر کے اجراء کے بعد، ہمیں جائزہ کے تحت سال کی آخری سہ ماہی میں طویل مدتی فنانسنگ کی سہولت کو بحال کرنے کی متعدد درخواستیں موصول ہوئیں۔ ہمارا محکمہ کریڈٹ ان درخواستوں کا جائزہ لے رہا ہے، کریڈٹ کمیٹی اور بورڈ آف ڈائریکٹرز کی منظوری سے ایسی درخواستوں کے میرٹ کا ضروری جائزہ لیا جاتا ہے اور ان کو حتمی شکل دی جاتی ہے۔

مالی سال کی آخری سہ ماہی کے دوران ہمارے کاروباری عمل کا فنانسنگ قسطوں کی بازیافت کا سب سے مشکل علاقہ رہا۔ مایوس کن کاروباری حالات اور طویل عرصہ لاک ڈاؤن کے کی وجہ سے، ہمارے صارفین کی لیکویڈٹی اور کیش سائیکل بری طرح متاثر ہوئے تھے۔ ہمارے فنانسنگ پورٹ فولیو کے متعدد صارفین لاک ڈاؤن مدت کے دوران مالی معاوضوں کی قسطوں کی مہانہ ادائیگی وقت پر طے نہیں کر سکے تھے۔ تاہم، ہماری ریکوری ٹیم نے مہانہ ادائیگیوں کے جمع کرنے کے لئے اپنی بھرپور کوششیں کیں اور کامیابی کے ساتھ ان کو منظم کیا۔

## مستقبل کا جائزہ:

ہم یہ توقع کر رہے ہیں کہ مالی سال ۲۰۲۰-۲۱ بھی وبائی مرض کی وجہ سے کٹھن / مشکل / چیلنجنگ رہے گا اور اس کا اثر تجارت، صنعت اور مجموعی طور پر تمام کاروبار پر رہے گا۔ مزید برآں، پالیسی کی شرح میں زبردست کمی یعنی گزشتہ ۳-۴ مہینوں میں ۶.۲۵ فیصد بھی مالی اعانت والے پورٹ فولیو پر ہماری آمدنی کو کم کر دے گی۔ فی الحال، اقتصادی سرگرمیاں اب آہستہ آہستہ بڑھ رہی ہیں اور مارکیٹ کے اعداد و شمار کے مطابق آٹوموبائل کی فروخت اور دوسرے بڑے شعبوں جیسے سیمنٹ، اسٹیل اور دیگر وابستہ مصنوعات کی فروخت میں بھی اضافہ ہو رہا ہے۔ ہم توقع کرتے ہیں کہ قرضے کی کم شرح آنے والے مہینوں میں کاروباری سرگرمیوں کو تیز کرنے میں مدد دے گی۔ تعمیراتی صنعت کے لئے اہم ترغیبی پیکج سے وابستہ صنعتوں کو مدد اور فروغ ملے گا اور روزگار پیدا ہوگا۔

آخر میں، ہم موجودہ مشکل وقت میں صورتحال پر گہری نگاہ رکھے ہوئے ہیں۔ ہمارا سب سے اہم کام ہمارے عملے کے ممبروں کی صحت کی حفاظت اور ہمارے قابل صارفین کو بہترین ممکنہ خدمات کو یقینی بنانا ہے۔ موجودہ حالات کو مد نظر رکھتے ہوئے، ہم محتاط انداز کے ساتھ ہوشیار انداز میں آگے بڑھیں گے اور کسی بھی آپریشنل اور کاروباری ہنگامی صورتحال کا مقابلہ کرنے کے لئے تمام دستیاب وسائل کو تیار کریں گے۔

## شریعہ کمپلائنس اور آڈٹ کا طریقہ کار

ایک اسلامی مالیاتی ادارے کا ایک بنیادی ضرورت ہوتی ہے جس پر اس کا کاروباری معاملات اور امور انجام دیئے جاتے ہیں اور وہ ہیں شرعی اصول و ضوابط۔ اسلامک فنانس شرعی معاہدوں کے تحت اس کی قیمت حاصل کرتی ہے جو کہ فنانشل ٹرانزیکشن کی رسک اور ریٹرن پر وفاق کی صورت میں آتی ہے۔

شرعی اصولوں کے زیر نگرانی ایسے مختلف معاہدے کسی اسلامی مالیاتی ٹرانزیکشن کی حرمت اور درستی کو برقرار رکھتی ہیں۔ جیسے کہ، جو حبیب میٹرو مضاربہ (ایچ ایم ایم) شریعت کے فریم ورک کے اندر ان اصولوں پر سختی سے کاربند ہے۔

ہمارا یقین ہے کہ شرعی اصولوں کے زیر نگرانی، اسلامی مالیاتی نظام رسک شیئرنگ کی حوصلہ افزائی کرتا ہے، کاروبار کو فروغ دیتا ہے، نمائشی چیزوں کی حوصلہ شکنی کرتا ہے اور معاہدوں کی حرمت پر زور دیتا ہے۔

الحمد للہ! حبیب میٹرو مضاربہ کی انتظامیہ شرعی اصولوں اور تکمیل کیلئے بہترین شرعی عالم / ایڈوائزر کے زیر نگرانی کام کرتی ہے۔ تاہم، اس کو مزید بہتر سے بہتر بنانے کی کوششیں بھی لگاتار جاری و ساری ہیں۔

ہم سمجھتے ہیں کہ شریعت کی رہنمائی ہماری سب سے پہلی اور بڑی ذمہ داری ہے اور ہماری ٹیم کا یہ مکمل عزم ہے کہ ہمارا سب سے اہم مقصد اس پرومزمز میں مزید نکھار اور غلطیوں سے پاک کام کیا جائے۔

ایک مکمل شرعی آڈٹ رپورٹ شرعی ایڈوائزر کی طرف سے اختتام پیرید ۳۰ جون، ۲۰۲۰ کی سالانہ رپورٹ کے ساتھ منسلک ہے۔

### کارپوریٹ سماجی ذمہ داری

ہماری کاروباری لائحہ عمل اسٹیک ہولڈرز کیلئے مضبوط اخلاقی بنیادوں اور پائیدار کاروبار کے تصور کو زیادہ سے زیادہ قیمتی بنانے پر ہے۔ اسی یقین کو ہم ایک پائیدار ماڈل کی شکل میں اپنے ارگرد کے افراد، اداروں اور دنیا کے دوسروں کو لوگوں کو پیش کرنا چاہتے ہیں۔

لہذا، ہم اپنی کارپوریٹ سماجی ذمہ داری (CSR) کو فروغ دینے کیلئے مختلف اقدامات اور کمیونٹی کو طاقتور بناتے ہوئے اور پائیدار طریقے سے ذمہ دار مینجمنٹ کا ماحول بنانے کیلئے پرعزم ہیں۔ ایچ ایم ایم معاشرے کے مراعات یافتہ ممبران کے تحت بچوں، صحت اور تعلیم پر توجہ دینے والے پروگراموں اور منصوبوں کی حوصلہ افزائی کرتا ہے۔ فرسٹ حبیب مضاربہ مستقل طور پر اعتماد اور اعتماد کو فروغ دینے کی کوشش کرتا ہے اور تمام رشتوں میں انسانی وقار اور حقوق کے احترام کا مظاہرہ کرتا ہے، جس میں ثقافتوں، رسم و رواج اور افراد اور گروہوں کے اقدار کا احترام شامل ہے۔

### بورڈ آف ڈائریکٹرز اور آڈٹ کمیٹی:

حبیب میٹرو پولیٹن مضاربہ مینجمنٹ کمیٹی (پرائیوٹ) لمیٹڈ (کمپنی) کے بورڈ آف ڈائریکٹرز کے اندر، ۳۰ جون، ۲۰۲۰ کو ختم ہونے والی سال کے ڈائریکٹرز کی رپورٹ کے بعد سے مندرجہ ذیل تبدیلیاں، سب سے پہلے حبیب مضاربہ کی انتظامیہ کی کمپنی کے تحت لائی گئیں۔

• جناب وزیر ممتاز احمد نے بورڈ آف ڈائریکٹرز اور آڈٹ کمیٹی سے استعفی دے دیا ہے۔

• بورڈ کے اندر دو نئے ڈائریکٹرز کا تقرر کیا گیا ہے جو کہ جناب عثمان نور العابدین اور محترمہ ارم صبا ہیں۔

• جناب سعید الدین خان آڈٹ کمیٹی کے ممبر بن گئے ہیں۔

• نئے ڈائریکٹرز مالی مقامی اور بین الاقوامی مارکیٹ خصوصاً اسلامی بینکاری، تجارتی مالیات اور سرمایہ کاری بینکاری کا بہت متنوع اور بھرپور تجربہ کار رہے ہیں۔ بورڈ نے تمام نئے ہدایت کاروں کا خیر مقدم کیا ہے اور امید ہے کہ ایچ ایم ایم کو نئے شامل ڈائریکٹرز کے پیشہ ورانہ تجربہ اور مہارت سے بہت فائدہ ہوگا۔

• کوڈ آف کارپوریٹ گورننس ۲۰۱۹ کی لازمی ضرورت کی تعمیل کرنے کے لئے، محترمہ ارم صبا کو بورڈ میں بطور خاتون ڈائریکٹر کی تقرری کی گئی ہے۔

### ڈائریکٹرز کی ٹریننگ اور تعارف

تمام ڈائریکٹرز انسٹی ٹیوٹ آف چارٹرڈ اکاؤنٹنٹس آف پاکستان (آئی سی ایم اے پی) اور انسٹی ٹیوٹ آف بزنس ایڈمنسٹریشن (آئی بی اے) میں ڈائریکٹرز ٹریننگ سرٹیفکیٹ حاصل کرنے کے پابند ہیں۔

### ڈائریکٹرز کی میٹنگ میں شرکت کی فیس

چیئر مین، غیر ایگزیکٹو ڈائریکٹر اور آزاد ڈائریکٹر صرف اور صرف مضاربہ مینجمنٹ کمپنی کی مینٹگ اٹینڈ کرنے کی فیس کے حق دار ہیں۔ معاوضے کا تعین مناسب اور ذمہ داری کی سطح کے مطابق اور کمپنی کو کامیابی کے ساتھ چلانے کے لئے اور مہارت کے مطابق اور دیگر لوازمات میں اضافے کے مطابق ہیں۔ مزید یہ کہ مضاربہ مینجمنٹ کمپنی کے ایگزیکٹو ڈائریکٹر کسی بھی دوسرے ادارے سے نان ایگزیکٹو ڈائریکٹر کی اہلیت میں ان کی فراہم کردہ خدمات کے عوض کوئی تقرری فیس وصول نہیں کرتے ہیں۔

## پاکستان سے باہر بورڈ مینٹگ

ایک سال کے دوران، بورڈ میں تمام بورڈ مینٹگز 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۔

## غیر ملکی ڈائریکٹر:

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

## سرٹیفکیٹ رکھنے والوں کا نمونہ:

اس رپورٹ میں ایک اسٹیٹمنٹ جو کہ ۳۰ جون، ۲۰۲۰ کو مضاربہ کے سرٹیفکیٹ ہولڈنگ کا نمونہ اور اضافی معلومات شامل ہے۔

## ادارہ جاتی / کارپوریٹ اور مالیاتی رپورٹنگ کا ڈھانچہ

ڈائریکٹر مسرت / خوشی کے ساتھ تصدیق کرتے ہیں کہ درج ذیل نکتوں پر سیکیورٹیز 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۔
- مضاربہ کے مناسب طور پر کھاتے مرتب کئے جائینگے۔
- 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۔
- بین الاقوامی مالیاتی رپورٹنگ معیار (آئی ایف آر ایس)، پاکستان میں مضاربہ پر لاگو ہو گا، مالیاتی اسٹیٹمنٹ کی تیاری میں کسی بھی چیز کو حذف کرنے کی مناسب وجہ بیان کی جائے گی۔
- 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 ۲۰۱۹ کے مطابق، سوائے اس کے جو کہ اسٹیٹمنٹ برائے کارپوریٹ گورننس میں بتائے گئے ہیں۔
- ۳۰ جون ۲۰۲۰ 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

۳۰ جون ۲۰۲۰ کو کمپنی کے بورڈ آف ڈائریکٹرز کی تشکیل مندرجہ ذیل ہے۔

۱. مندرجہ ذیل کے مطابق ڈائریکٹرز کی کل تعداد چھ ہیں۔

• مرد: ۵

• عورت: ۱

۲. متعلقہ زمرے کے تحت ہدایت کاروں کی تعداد مندرجہ ذیل ہے۔

• آزاد ڈائریکٹر: ۲

• غیر ایگزیکٹو ڈائریکٹر: ۲

• ایگزیکٹو ڈائریکٹر: ۱

• خواتین ڈائریکٹر: ۱

## حاضری برائے بورڈ میٹنگز

سال کے دوران، بورڈ کے پانچ اجلاس، آڈٹ کمیٹی کے چار اجلاس اور ایک ہیومن ریسورس کمیٹی کا اجلاس ہوا۔ ہر ڈائریکٹر کی حاضری کچھ درج ذیل تھی:

| ڈائریکٹر کے نام         | بورڈ کے ڈائریکٹرز | آڈٹ کمیٹی | ایچ آر کمیٹی |
|-------------------------|-------------------|-----------|--------------|
| سید رشید اختر           | ۵                 | ۴         | ۱            |
| جناب محمد شعیب ابراہیم  | ۵                 | NA        | NA           |
| جناب وزیر ممتاز احمد    | ۲                 | ۱         | ۱            |
| جناب محمد شمس اظہار     | ۵                 | ۴         | ۱            |
| جناب سعید الدین خان     | ۵                 | ۳         | NA           |
| جناب عثمان نور العابدین | ۲                 | NA        | NA           |
| محترمہ ارم صبا          | -                 | NA        | NA           |

آڈیٹر:

موجودہ آڈیٹر میسرز بی ڈی او ابراہیم اینڈ کمپنی، چارٹرڈ اکاؤنٹنٹ، اس اہل ہیں کہ وہ دوبارہ سے آڈیٹر برائے مالی سال اختتام ۲۰۲۰ جون، ۲۰۲۱ تک کیلئے اپنے آپ کو پیش کر سکیں، جو کہ رجسٹرار مضاربہ کمپنیز سے منظوری سے مشروط ہیں۔

اظہار تشکر

بورڈ شکر گزار ہے کہ جو تعاون اور مدد اُسے سیکورٹیز 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 پرو فیشنلزم، سخت محنت اور انتھک جذبے کو سراہتا ہے جن کی وجہ سے ہمیں یہ بہترین نتائج حاصل ہوئے ہیں۔

سید رشید اختر

ڈائریکٹر

محمد شعیب ابراہیم

چیف ایگزیکٹو آفیسر

کراچی: بتاریخ ۲۳ ستمبر، ۲۰۲۰

## 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 24, 2020 at 3.30 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, 2020.

The certificate holders whose names appear in the register of certificate holders of HMM as on October 20, 2020 will be eligible to attend the Annual Review Meeting.

By order of the Board

**Tehsin Abbas**

Officiating Company Secretary

Karachi: October 02, 2020

### 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](http://www.habibmetromodaraba.com)  
Email : [hmm@habibmetromodaraba.com](mailto: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 7% (Re. 0.70 per Modaraba Certificate of Rs. 10/- each) for the financial year ended 30th June, 2020.

### Book Closure Dates

The Certificate Transfer Book of the Modaraba will remain close from 21-10-20 to 31-10-20 (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 the Modaraba after entertaining all requests for transfer of certificate lodge with the Modaraba before the book closure date, through electronic mode directly into the bank account designated by the entitled certificate holder.

### Withholding of Tax & Zakat on Dividend

Currently Section 150 of the income Tax Ordinance, 2001 prescribed following tax rates for deduction of withholding tax on the amount of dividend paid by the modarabas, unless the Certificate Holder's income is tax-exempted:

- |    |                                                           |     |
|----|-----------------------------------------------------------|-----|
| 1. | Rate of tax deduction for filer of income tax return.     | 25% |
| 2. | Rate of tax deduction for non-filer of income tax return. | 50% |

The status of deduction of withholding tax will be determined as per Active Taxpayer List (ATL)" available on FBR website.

Further, in the light of clarification from Federal Board of Revenue, all the shareholders who intend to seek exemption from withholding of taxes on payment of dividend under clause 47B of Part - IV of the Second Schedule of the Income Tax Ordinance, 2001, are requested to provide the valid Exemption Certificate under section 159(1) of the Income Tax Ordinance, 2001 duly issued by the concerned Commissioner of Inland Revenue in order to claim the said exemption.

Zakat is also deductible at source from the dividend at the rate of 2.5% of face value of the share, other than the corporate holders or the individuals who provide the undertaking for non-deduction of Zakat.

## Categories of Certificate Holders

As of June 30, 2020

| Categories of Certificate Holders                                                                                                        | Certificate Holders | Certificate Held  | Percentage% |
|------------------------------------------------------------------------------------------------------------------------------------------|---------------------|-------------------|-------------|
| <b>Directors and their spouse(s) and minor children</b>                                                                                  | -                   | -                 | -           |
| Associated Companies, undertakings and related parties                                                                                   |                     |                   |             |
| Habib Metropolitan Bank Limited                                                                                                          | 1                   | 18,000,000        | 60.00       |
| Habib Metropolitan Modaraba Management Company (Pvt.) Ltd                                                                                | 1                   | 3,000,000         | 10.00       |
| <b>Executives</b>                                                                                                                        | -                   | -                 | -           |
| <b>Public Sector Companies and Corporations</b>                                                                                          | -                   | -                 | -           |
| <b>Banks, development finance institutions, non-banking finance companies, insurance companies, takaful, modarabas and pension funds</b> | 1                   | 500               | 0.00        |
| <b>Mutual Funds</b>                                                                                                                      | -                   | -                 | -           |
| <b>General Public</b>                                                                                                                    |                     |                   |             |
| a. Local                                                                                                                                 | 1,112               | 3,271,788         | 10.91       |
| b. Foreign                                                                                                                               | 1                   | 2,471             | 0.01        |
| Foreign Companies                                                                                                                        | -                   | -                 | -           |
| Others                                                                                                                                   | 6                   | 5,725,241         | 19.08       |
| <b>Totals</b>                                                                                                                            | <b>1,122</b>        | <b>30,000,000</b> | <b>100</b>  |

| Certificate holders holding 5% or more                    | Certificate Held | Percentage% |
|-----------------------------------------------------------|------------------|-------------|
| Habib Metropolitan Bank Limited                           | 18,000,000       | 60          |
| Habib Management (Private) Limited                        | 5,722,741        | 19.08       |
| Habib Metropolitan Modaraba Management Company (Pvt.) Ltd | 3,000,000        | 10          |

## PATTERN OF CERTIFICATE HOLDING REPORT

As of June 30, 2020

| Number of<br>Certificate holders | Certificate Holdings |    |            | Total Certificate<br>Held |
|----------------------------------|----------------------|----|------------|---------------------------|
| 29                               | 1                    | to | 100        | 158                       |
| 618                              | 101                  | to | 500        | 307,231                   |
| 214                              | 501                  | to | 1000       | 213,892                   |
| 209                              | 1001                 | to | 5000       | 490,119                   |
| 14                               | 5001                 | to | 10000      | 104,336                   |
| 9                                | 10001                | to | 15000      | 116,580                   |
| 4                                | 15001                | to | 20000      | 70,359                    |
| 7                                | 20001                | to | 25000      | 169,748                   |
| 2                                | 25001                | to | 30000      | 55,148                    |
| 2                                | 30001                | to | 35000      | 65,567                    |
| 1                                | 35001                | to | 40000      | 36,879                    |
| 1                                | 40001                | to | 45000      | 43,500                    |
| 3                                | 45001                | to | 50000      | 146,742                   |
| 1                                | 95001                | to | 100000     | 100,000                   |
| 1                                | 115001               | to | 120000     | 120,000                   |
| 1                                | 160001               | to | 165000     | 160,500                   |
| 1                                | 195001               | to | 200000     | 199,000                   |
| 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                                | 17,995,001           | to | 18,000,000 | 18,000,000                |
| 1122                             |                      |    |            | 30,000,000                |

## Statement of Compliance with Code of Corporate Governance of Habib Metro Modaraba for the year ended June 30, 2020

The Modaraba Management Company (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. S eed Uddin Khan        |
| Non-Executive Director                        | Mr. Usman Nurul Abedin      |
| Non-Executive Director                        | 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 boards 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; and
19. Explanation for non-compliance with requirements, other than regulations 3, 6, 7, 8, 27, 32, 33 and 36 are below (if applicable):

| Non-Mandatory Requirement                                                                             | Reg. No. | Explanation                                                                     |
|-------------------------------------------------------------------------------------------------------|----------|---------------------------------------------------------------------------------|
| The positions of both Chief Financial Officer and Company Secretary has been held by the same person. | 24       | We are in searching of suitable candidate and soon this position will be filled |

**Muhammad Shoaib Ibrahim**  
Chief Executive Officer

**Syed Rasheed Akhtar**  
Chairman

**Karachi:** September 23, 2020

## **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, 2020 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, 2020.

KARACHI  
DATED: SEPTEMBER 23, 2020

BDO Ebrahim & Co.  
CHARTERED ACCOUNTANTS  
Engagement Partner: Zulfikar Ali Causer

## Shariah Advisor's Profile

Alhamd Shariah Advisery 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, 2020 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

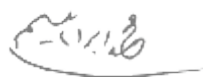
### Recommendations:

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: July 20, 2020



## Auditors' Report to the Certificate Holders

We have audited the annexed balance sheet of HABIB METRO MODARABA ("the Modaraba") as at June 30, 2020 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, 2020 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 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 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 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 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 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, 2020 and of the profit, its comprehensive income, its cash flows and changes in equity for the period then ended; and
- d) in our opinion, no Zakat was deductible at source under the Zakat and Ushr Ordinance, 1980 (XVIII of 1980).

KARACHI  
DATED: September 23, 2020

BDO Ebrahim & Co.  
Chartered Accountants  
Engagement Partner: Zulfikar Ali Causer

## Balance Sheet

As at June 30, 2020

|                                                        | Note | 2020<br>Rupees     | 2019<br>Rupees     |
|--------------------------------------------------------|------|--------------------|--------------------|
| <b>ASSETS</b>                                          |      |                    |                    |
| <b>NON CURRENT ASSETS</b>                              |      |                    |                    |
| Property and equipment                                 | 5    | 3,323,134          | 4,341,742          |
| Intangible assets                                      | 6    | 67,002             | 181,856            |
| Vehicles available for diminishing musharaka financing | 7    | -                  | 28,889,899         |
| Diminishing musharaka financing                        | 8    | 130,453,082        | 131,053,719        |
| Preliminary expenses and floatation costs              | 9    | 5,250,688          | 7,881,758          |
|                                                        |      | <u>139,093,906</u> | <u>172,348,974</u> |
| <b>CURRENT ASSETS</b>                                  |      |                    |                    |
| Short term investment                                  | 10   | 100,000,000        | 70,000,000         |
| Current portion of diminishing musharaka financing     | 8    | 64,758,281         | 36,963,869         |
| Short term prepayments and other receivables           | 11   | 1,251,172          | 2,122,049          |
| Accrued profit                                         | 12   | 760,667            | 1,010,497          |
| Taxation - net                                         | 13   | 5,530,605          | 4,697,122          |
| Cash and cash equivalent                               | 14   | 34,522,609         | 32,275,791         |
| Cash and bank balances                                 |      | 206,823,334        | 147,069,328        |
|                                                        |      | <u>345,917,240</u> | <u>319,418,302</u> |
| <b>TOTAL ASSETS</b>                                    |      |                    |                    |
| <b>EQUITY AND LIABILITIES</b>                          |      |                    |                    |
| <b>CERTIFICATE CAPITAL AND RESERVES</b>                |      |                    |                    |
| Authorized capital                                     |      |                    |                    |
| 30,000,000 modaraba certificates of Rs. 10/- each      |      | <u>300,000,000</u> | <u>300,000,000</u> |
| Issued, subscribed and paid-up certificate capital     | 15   | 300,000,000        | 300,000,000        |
| Statutory reserve                                      | 16   | 8,624,156          | 3,021,377          |
| Unappropriated profit                                  |      | <u>23,246,627</u>  | <u>9,085,511</u>   |
|                                                        |      | 331,870,783        | 312,106,888        |
| <b>CURRENT LIABILITIES</b>                             |      |                    |                    |
| Creditors, accrued and other liabilities               | 17   | 14,024,481         | 7,304,847          |
| Dividend payable                                       |      | 21,976             | 6,567              |
|                                                        |      | <u>10,477,607</u>  | <u>7,311,414</u>   |
|                                                        |      | 345,917,240        | 319,418,302        |
| <b>TOTAL EQUITY AND LIABILITIES</b>                    |      |                    |                    |
| <b>CONTINGENCIES AND COMMITMENTS</b>                   |      |                    |                    |
|                                                        | 18   |                    |                    |

The annexed notes from 1 to 36 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, 2020

|                                                           | Note | 2020<br>Rupees    | 2019<br>Rupees    |
|-----------------------------------------------------------|------|-------------------|-------------------|
| <b>INCOME</b>                                             |      |                   |                   |
| Profit on Islamic certificates                            |      | 1,697,260         | 3,275,082         |
| Income from diminishing musharaka financing               |      | 32,661,276        | 13,757,843        |
| Profit on Islamic Term Deposit Receipts (TDR)             |      | 2,830,619         | 1,926,362         |
| Profit on Modaraba's deposit accounts                     |      | 8,693,275         | 1,393,474         |
| Other finance income                                      | 19   | 4,321,600         | 8,852,600         |
| Other income                                              |      | 510,456           | 188,241           |
|                                                           |      | <u>50,714,486</u> | <u>29,393,602</u> |
| <b>EXPENSES</b>                                           |      |                   |                   |
| Amortization of preliminary expenses and floatation costs | 9    | 2,631,070         | 2,614,881         |
| Administrative expenses                                   | 20   | 15,708,768        | 15,273,070        |
| Financial charges                                         | 21   | 147,357           | 184,415           |
|                                                           |      | <u>18,487,195</u> | <u>18,072,366</u> |
|                                                           |      | <u>32,227,291</u> | <u>11,321,236</u> |
| Modaraba management company's remuneration                | 22   | 3,222,729         | -                 |
| Sales taxes on management company's remuneration          | 22   | 418,955           | -                 |
| Provision for Sindh Workers' Welfare Fund                 | 17.1 | 571,712           | 226,425           |
| Profit before taxation                                    |      | <u>28,013,895</u> | <u>11,094,811</u> |
| Taxation                                                  | 23   | -                 | -                 |
| Net profit for the year                                   |      | <u>28,013,895</u> | <u>11,094,811</u> |
| Earnings per certificate - basic and diluted              | 24   | <u>0.93</u>       | <u>0.37</u>       |

The annexed notes from 1 to 36 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, 2020

|                                         | 2020<br>Rupees    | 2019<br>Rupees    |
|-----------------------------------------|-------------------|-------------------|
| Net profit for the year                 | 28,013,895        | 11,094,811        |
| Other comprehensive income              | -                 | -                 |
| Total comprehensive income for the year | <u>28,013,895</u> | <u>11,094,811</u> |

The annexed notes from 1 to 36 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, 2020

|                                                                        | Note | 2020<br>Rupees | 2019<br>Rupees |
|------------------------------------------------------------------------|------|----------------|----------------|
| <b>CASH FLOWS FROM OPERATING ACTIVITIES</b>                            |      |                |                |
| Cash used in operations                                                | 31   | (33,960,647)   | (33,708,088)   |
| Advances                                                               |      | -              | 190,321,049    |
| Vehicle available for diminishing musharaka financing                  |      | 28,889,899     | (28,889,899)   |
| Diminishing musharaka financing                                        |      | 600,637        | (122,611,428)  |
| Income tax paid - net                                                  |      | (833,483)      | (3,627,124)    |
| Financial charges paid                                                 |      | (147,357)      | (184,415)      |
| Net cash (used in) / generated from operating activities               |      | (5,450,951)    | 1,300,095      |
| <b>CASH FLOWS FROM INVESTING ACTIVITIES</b>                            |      |                |                |
| Addition to property and equipment                                     |      | (199,900)      | (641,794)      |
| Investment-net                                                         |      | (30,000,000)   | (20,000,000)   |
| Profit on Islamic certificates                                         |      | 1,974,657      | 4,701,692      |
| Income received on diminishing musharaka financing                     |      | 32,661,276     | 13,757,843     |
| Profit on Islamic Term Deposit Receipts (TDR)                          |      | 3,177,833      | 1,244,398      |
| Profit received on Modaraba's deposits accounts                        |      | 8,318,494      | 1,381,533      |
| Net cash generated from investing activities                           |      | 15,932,360     | 443,672        |
| <b>CASH FLOWS FROM FINANCING ACTIVITIES</b>                            |      |                |                |
| Dividend paid                                                          |      | (8,234,591)    | (2,993,433)    |
| Net cash used in financing activities                                  |      | (8,234,591)    | (2,993,433)    |
| Net increase / (decrease) in cash and cash equivalents during the year |      | 2,246,818      | (1,249,666)    |
| Cash and cash equivalent at the beginning of the year                  |      | 32,275,791     | 33,525,457     |
| Cash and cash equivalent at the end of the year                        | 14   | 34,522,609     | 32,275,791     |

The annexed notes from 1 to 36 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, 2020

|                                                                                 | Issued,<br>subscribed and<br>paid-up<br>certificate capital | *Statutory<br>reserve | Unappropriated<br>profit | Total       |
|---------------------------------------------------------------------------------|-------------------------------------------------------------|-----------------------|--------------------------|-------------|
| -----Rupees-----                                                                |                                                             |                       |                          |             |
| <b>Balance as on July 1, 2018</b>                                               | 300,000,000                                                 | 802,415               | 3,209,662                | 304,012,077 |
| Transaction with the owners                                                     |                                                             |                       |                          |             |
| Profit distribution for the period ended June 30, 2018 @ Rs 0.1 per certificate |                                                             |                       | (3,000,000)              | (3,000,000) |
| Profit for the year                                                             | -                                                           | -                     | 11,094,811               | 11,094,811  |
| Other comprehensive income                                                      | -                                                           | -                     | -                        | -           |
| Total comprehensive income for the year                                         | -                                                           | -                     | 11,094,811               | 11,094,811  |
| Transfer to statutory reserve                                                   | -                                                           | 2,218,962             | (2,218,962)              | -           |
| <b>Balance as at June 30, 2019</b>                                              | 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)              | -           |
| <b>Balance as at June 30, 2020</b>                                              | 300,000,000                                                 | 8,624,156             | 23,246,627               | 331,870,783 |

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

The annexed notes from 1 to 36 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, 2020

### 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 musharika basis, providing financing for solar power equipments and other related business.

As at the balance sheet date, sixty percent certificates are held by Habib Metropolitan Bank Limited (the Holding Company).

### 2 BASIS OF PREPARATION

#### 2.1 Statement of compliance

These financial statements have been prepared in accordance with the accounting and reporting standards as applicable in Pakistan. The 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;
- Provision of and directives issued under Modaraba Companies and Modaraba (Floatation and Control) Ordinance, 1980, the Modaraba Companies and Modaraba Rules, 1981, Prudential Regulation for Modaraba 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, Prudential Regulation for Modaraba, IFASs 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, Prudential Regulation for Modaraba, IFASs or directives issued by the SECP under the Modaraba Companies and Modaraba (Floatation and Control) Ordinance, 1980 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 in accordance with the requirements of IFRS 9 "Financial Instruments: Recognition and Measurement", wherever applicable.

These financial statements have been prepared following 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, which is the functional and presentation currency of the Modaraba.

## Notes to the Financial Statements

For the year ended June 30, 2020

### 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 profit and loss account, in addition to the mandatory provisions required in accordance with the Prudential Regulations 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 Modaraba has adopted the standards / amendments to the following approved accounting standards as applicable in Pakistan which became effective during the year from the dates mentioned below against the respective standard:

|         |                                                                                                                                        | <b>Effective date<br/>(annual periods<br/>beginning on or<br/>after)</b> |
|---------|----------------------------------------------------------------------------------------------------------------------------------------|--------------------------------------------------------------------------|
| IFRS 9  | Financial Instruments - amendments regarding prepayment features with negative compensation and modifications of financial liabilities | January 01, 2019                                                         |
| IFRS 16 | Leases - Original issue                                                                                                                | July 01, 2018                                                            |

Other than the amendments to standards mentioned above, there are certain annual improvements made to IFRS that became effective during the year:

#### **Annual improvements to IFRSs (2015 – 2017) Cycle:**

|         |                       |                  |
|---------|-----------------------|------------------|
| IFRS 3  | Business Combinations | January 01, 2019 |
| IFRS 11 | Joint Arrangements    | January 01, 2019 |
| IAS 12  | Income Taxes          | January 01, 2019 |
| IAS 23  | Borrowing Costs       | January 01, 2019 |

## Notes to the Financial Statements

For the year ended June 30, 2020

**Effective date  
(annual periods  
beginning on or  
after)**

### 3.2 Standards / amendments that are effective in current year and not relevant to the Modaraba

The following amendments to the approved accounting standards as applicable in Pakistan that are effective in current year and not relevant to the Modaraba:

|          |                                                                                                                                     |                  |
|----------|-------------------------------------------------------------------------------------------------------------------------------------|------------------|
| IFRS 8   | Operating Segments - Amendments regarding prepayment features with negative compensation and modifications of financial liabilities | January 01, 2019 |
| IFRS 14  | Regulatory Deferral Accounts - Original issue                                                                                       | July 01, 2019    |
| IAS 19   | Employee benefits - Amendments regarding plan amendments, curtailments or settlements                                               | January 01, 2019 |
| IAS 28   | Investments in Associates and Joint Ventures - Amendments regarding long-term interests in associates and joint ventures            | January 01, 2019 |
| IFRIC 23 | Uncertainty over Income Tax Treatments                                                                                              | January 01, 2019 |

### 3.3 Amendments not yet effective

The following amendments to the approved accounting standards as applicable in Pakistan would be effective from the dates mentioned below against the respective standard:

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 |
| IFRS 3 | Business Combinations - amendments to clarify the definition of a business          | January 01, 2020 |
| IFRS 3 | Business Combinations - amendments updating a reference to the Conceptual Framework | January 01, 2022 |
| IFRS 4 | Insurance Contracts - Amendments regarding the expiry date of the deferral approach | January 01, 2023 |

**Effective date  
(annual periods  
beginning on or  
after)**

|        |                                                                                                                    |                  |
|--------|--------------------------------------------------------------------------------------------------------------------|------------------|
| IFRS 7 | Financial Instruments: Disclosures - Amendments regarding pre-replacement issues in the context of the IBOR reform | January 01, 2020 |
| IFRS 9 | Financial Instruments - Amendments regarding pre-replacement issues in the context of the IBOR reform              | January 01, 2020 |
| IFRS 9 | Financial Instruments - Amendments regarding the interaction of IFRS 4 and IFRS 9                                  | January 01, 2023 |

## Notes to the Financial Statements

For the year ended June 30, 2020

### Effective date (annual periods beginning on or after)

|         |                                                                                                                                                                                                                                           |                  |
|---------|-------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|------------------|
| IFRS 16 | Leases - Amendment to provide lessees with an exemption from assessing whether a COVID-19-related rent concession is a lease modification                                                                                                 | January 01, 2020 |
| IFRS 17 | Insurance Contracts - Amendments to address concerns and implementation challenges that were identified after IFRS 17 was published                                                                                                       | January 01, 2023 |
| IAS 1   | Presentation of Financial Statements - amendments regarding the definition of materiality                                                                                                                                                 | January 01, 2020 |
| IAS 1   | Presentation of Financial Statements - Amendments regarding the classification of liabilities                                                                                                                                             | January 01, 2022 |
| IAS 8   | Accounting Policies, Changes in Accounting Estimates and Errors - amendments regarding the definition of materiality                                                                                                                      | January 01, 2020 |
| IAS 16  | Property, Plant and Equipment - Amendments prohibiting a company from deducting from the cost of property, plant and equipment amounts received from selling items produced while the company is preparing the asset for its intended use | January 01, 2022 |
| IAS 37  | Provisions, Contingent Liabilities and Contingent Assets - Amendments regarding the costs to include when assessing whether a contract is onerous                                                                                         | January 01, 2022 |
| IAS 39  | Financial Instruments: Recognition and Measurement - Amendments regarding pre-replacement issues in the context of the IBOR reform                                                                                                        | January 01, 2020 |

The annual improvements to IFRSs that are effective from the dates mentioned below against respective standards:

### Effective date (annual periods beginning on or after)

#### Annual improvements to IFRSs (2018 – 2020) Cycle:

|         |                                                                    |                  |
|---------|--------------------------------------------------------------------|------------------|
| IFRS 1  | First-time Adoption of International Financial Reporting Standards | January 01, 2022 |
| IFRS 9  | Financial Instruments                                              | January 01, 2022 |
| IFRS 41 | Agriculture                                                        | January 01, 2020 |

## Notes to the Financial Statements

For the year ended June 30, 2020

### 3.4 Standards or interpretations not yet effective

The following new standards have been issued by the International Accounting Standards Board (IASB), which have 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.

### 3.5 IFRS 16: Leases

IFRS 16 'Leases' was issued on January 01, 2016. This standard is adopted locally by the Securities and Exchange Commission of Pakistan and is effective for accounting periods beginning on or after January 1, 2019. IFRS 16 replaced IAS 17 'Leases', IFRIC 4 'Determining whether an Arrangement contains a Lease'. The Modaraba applied IFRS 16 with a date of initial application of January 01, 2019.

IFRS 16 provides a single lessee accounting model, requiring the recognition of assets and liabilities for all leases, together with options to exclude leases where the lease term is 12 months or less, or where the underlying asset is of low value. IFRS 16 substantially carries forward the lessor accounting in IAS 17, with the distinction between operating leases and finance leases being retained. However, this standard does not have any impact on these financial statements.

## 4 SIGNIFICANT ACCOUNTING POLICIES

The principal accounting policies applied in the presentation of these financial statements are set out below.

### 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 profit and loss account 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 profit and loss account as and when incurred. Major renewals and improvements are capitalized if the recognition criteria are met.

The carrying values 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 each year end.

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

## Notes to the Financial Statements

For the year ended June 30, 2020

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 profit and loss account.

### 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 profit and loss account 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 day on which asset is available for use while no amortisation is charged up to the day 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 profit and loss account.

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.

All financial assets of the Modaraba as at the reporting date are carried at amortized cost.

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 profit and loss account.

## Notes to the Financial Statements

For the year ended June 30, 2020

### 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.

### 4.6 Cash and cash equivalents

Cash and cash equivalents are carried at cost. 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 are stated net of provision and suspense income. Provision is recognized for Diminishing musharaka financing installments receivable, in accordance with the Prudential Regulations for Modarabas.

### 4.9 Impairment

#### 4.9.1 Financial assets

Impairment is recognized by the Modaraba on the basis of provision requirements given under Prudential Regulations for Modaraba issued by Securities and Exchange Commission of Pakistan and subjective evaluation carried out on an ongoing basis.

#### 4.9.2 Non-financial assets

The Modaraba assesses at each balance sheet date 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 profit and loss account. 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 profit and loss account.

### 4.10 Taxation

#### 4.10.1 Current tax

The charge for current taxation is based on taxable income at the current rates of taxation after taking into account tax credit and tax rebates realisable, if any. Under clause 100 of Part I of the Second Schedule to the Income Tax Ordinance, 2001, the non-trading income of modarabas is exempt from income tax, provided not less than ninety percent of its profits, after appropriation to statutory reserves as required under Modaraba Regulations, are distributed to the certificate holders.

## Notes to the Financial Statements

For the year ended June 30, 2020

### 4.11 Deferred tax

The Modaraba accounts for deferred taxation on all material temporary differences using the balance sheet liability method arising between the amounts attributed to assets and liabilities for financial reporting purposes and financial statements used for taxation purposes. However, deferred tax liability has not been provided in these financial statements as the management believes that the future income of Modaraba will not be taxable in the foreseeable future, due to the fact that the Modaraba intends to continue availing the tax exemption through profit distribution to the extent of ninety percent of distributable profit.

### 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 balance sheet date. Foreign currency transactions are converted into Pak Rupees at the rate of exchange prevailing on the date of transactions. Exchange gains and losses on translation are recognized in profit and loss account.

### 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 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.

### 4.16 Related party transactions

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

### 4.17 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 per the requirements of Third Schedule of Modaraba Companies and Modaraba Rules, 1981.

## Notes to the Financial Statements

For the year ended June 30, 2020

### 5 PROPERTY AND EQUIPMENT

|                                                  | Leasehold improvements | Furniture and fixtures | Office equipment    | Vehicle          | Total            |
|--------------------------------------------------|------------------------|------------------------|---------------------|------------------|------------------|
| -----Rupees-----                                 |                        |                        |                     |                  |                  |
| <b>Net carrying value basis</b>                  |                        |                        |                     |                  |                  |
| <b>Year ended June 30, 2020</b>                  |                        |                        |                     |                  |                  |
| 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)      |
| <b>Closing net book value</b>                    | <b>1,797,071</b>       | <b>123,714</b>         | <b>370,782</b>      | <b>1,031,567</b> | <b>3,323,134</b> |
| <b>Gross carrying value basis</b>                |                        |                        |                     |                  |                  |
| <b>Year ended June 30, 2020</b>                  |                        |                        |                     |                  |                  |
| 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)      |
| <b>Net book value</b>                            | <b>1,797,071</b>       | <b>123,714</b>         | <b>370,782</b>      | <b>1,031,567</b> | <b>3,323,134</b> |
| <b>Net carrying value basis</b>                  |                        |                        |                     |                  |                  |
| <b>Year ended June 30, 2019</b>                  |                        |                        |                     |                  |                  |
| Opening net book value                           | 2,224,774              | 228,862                | 691,380             | 1,661,667        | 4,806,683        |
| Additions ( at cost )                            | 342,000                | -                      | 249,000             | 50,794           | 641,794          |
| Depreciation charge                              | (431,394)              | (52,574)               | (282,672)           | (340,095)        | (1,106,735)      |
| <b>Closing net book value</b>                    | <b>2,135,380</b>       | <b>176,288</b>         | <b>657,708</b>      | <b>1,372,366</b> | <b>4,341,742</b> |
| <b>Gross carrying value basis</b>                |                        |                        |                     |                  |                  |
| <b>Year ended June 30, 2019</b>                  |                        |                        |                     |                  |                  |
| Cost                                             | 2,844,870              | 262,871                | 1,085,920           | 2,044,794        | 6,238,455        |
| Accumulated depreciation                         | (709,490)              | (86,583)               | (428,212)           | (672,428)        | (1,896,713)      |
| <b>Net book value</b>                            | <b>2,135,380</b>       | <b>176,288</b>         | <b>657,708</b>      | <b>1,372,366</b> | <b>4,341,742</b> |
| <b>Annual rate of depreciation (% per annum)</b> | <b>16.67%</b>          | <b>20%</b>             | <b>25% - 33.33%</b> | <b>16.67%</b>    |                  |

|                                      | Note | 2020<br>Rupees | 2019<br>Rupees |
|--------------------------------------|------|----------------|----------------|
| <b>6 INTANGIBLE ASSETS</b>           |      |                |                |
| <b>6.1 Net carrying value basis</b>  |      |                |                |
| Opening net book value               |      | 181,856        | 296,710        |
| Amortization charge                  |      | (114,854)      | (114,854)      |
| Closing net book value               |      | <u>67,002</u>  | <u>181,856</u> |
| <b>Gross carrying value basis</b>    |      |                |                |
| Cost                                 |      | 344,565        | 344,565        |
| Accumulated amortization             |      | (277,563)      | (162,709)      |
| Net book value                       |      | <u>67,002</u>  | <u>181,856</u> |
| <b>Amortization rate % per annum</b> |      | <b>33%</b>     | <b>33%</b>     |

### 7 VEHICLES AVAILABLE FOR DIMINISHING MUSHARAKA FINANCING

|                                                        |     |          |                   |
|--------------------------------------------------------|-----|----------|-------------------|
| Vehicles available for diminishing musharaka financing | 7.1 | <u>-</u> | <u>28,889,899</u> |
|--------------------------------------------------------|-----|----------|-------------------|

## Notes to the Financial Statements

For the year ended June 30, 2020

- 7.1** This represents amount that was paid to local car assemblers / dealers against advance booking of vehicles. The motor vehicles have been delivered by the assemblers / dealers as at the reporting date and these vehicles have been placed with the various car dealers/showrooms for onward financing to prospective customers.

| <b>8 DIMINISHING MUSHARAKA FINANCING</b>                 | <b>Note</b> | <b>2020<br/>Rupees</b> | <b>2019<br/>Rupees</b> |
|----------------------------------------------------------|-------------|------------------------|------------------------|
| Secured                                                  |             |                        |                        |
| Diminishing musharaka financing                          | 8.1 & 8.2   | 187,805,663            | 164,218,488            |
| Less: Current portion of diminishing musharaka financing |             | (64,758,281)           | (36,963,869)           |
|                                                          |             | <u>123,047,382</u>     | <u>127,254,619</u>     |
| Advance against diminishing musharaka financing          | 8.3         | 7,405,700              | 3,799,100              |
|                                                          |             | <u>130,453,082</u>     | <u>131,053,719</u>     |

- 8.1** 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.

- 8.2** Due to the prevailing conditions amid CoVID-19, as further detailed in note 35.2 to these financial statements, the State Bank of Pakistan has issued BPRD Circular Letter No. 13 of 2020 (Para 3(a) of Regulation R-8 - Rescheduling / Restructuring of Financing Facilities) dated March 26, 2020 whereby certain relief measures were allowed in the Prudential Regulations for Modarabas. In pursuance of the above mentioned BPRD Circular, SECP vide circular No. 15 of 2020 dated April 24, 2020 has allowed relaxation to all lending Modarabas in terms of serial No. 5 of Part III of circular No. 4 of 2004 dated January 28, 2004. Accordingly, during the year, diminishing musharaka financing of certain customers amounting to Rs. 29.100 million was restructured by Modaraba. However, the rescheduling of diminishing musharaka financing does not have an impact on these financial statements.

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

|                                                    | <b>Note</b> | <b>2020<br/>Rupees</b> | <b>2019<br/>Rupees</b> |
|----------------------------------------------------|-------------|------------------------|------------------------|
| <b>9 PRELIMINARY EXPENSES AND FLOATATION COSTS</b> |             |                        |                        |
| Preliminary expenses and floatation costs          | 9.1         | 7,881,758              | 10,496,639             |
| Amortization during the year                       |             | (2,631,070)            | (2,614,881)            |
|                                                    |             | <u>5,250,688</u>       | <u>7,881,758</u>       |

- 9.1** 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 per the requirements of Third Schedule of Modaraba Companies and Modaraba Rules, 1981.

## 10 SHORT TERM INVESTMENT

|                                     |             |                    |                   |
|-------------------------------------|-------------|--------------------|-------------------|
| Islamic Term Deposit Receipts (TDR) | 10.1 & 10.2 | <u>100,000,000</u> | <u>70,000,000</u> |
|-------------------------------------|-------------|--------------------|-------------------|

- 10.1** This represents term deposit receipts (TDR) in Soneri Bank Limited having a tenure of six months and carry floating profit rate ranging from 7.5% to 12.75% per annum (2019: 10.25% to 11.60% per annum).

## Notes to the Financial Statements

For the year ended June 30, 2020

|                                                                                                                                                                                                                                                                                                                                                         | Note        | 2020<br>Rupees     | 2019<br>Rupees    |
|---------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|-------------|--------------------|-------------------|
| <b>10.2 Movement in Islamic Term Deposit Receipt (TDR)</b>                                                                                                                                                                                                                                                                                              |             |                    |                   |
| Opening balances                                                                                                                                                                                                                                                                                                                                        |             | 70,000,000         | -                 |
| Add: Additions during the year                                                                                                                                                                                                                                                                                                                          |             | 80,000,000         | 70,000,000        |
| Less: Matured during the year                                                                                                                                                                                                                                                                                                                           |             | (50,000,000)       | -                 |
|                                                                                                                                                                                                                                                                                                                                                         |             | <u>100,000,000</u> | <u>70,000,000</u> |
| <b>11 SHORT TERM PREPAYMENTS AND OTHER RECEIVABLE</b>                                                                                                                                                                                                                                                                                                   |             |                    |                   |
| Short term prepayments                                                                                                                                                                                                                                                                                                                                  |             | 429,011            | 356,446           |
| Other receivable                                                                                                                                                                                                                                                                                                                                        | 11.1        | 822,161            | 1,765,603         |
|                                                                                                                                                                                                                                                                                                                                                         |             | <u>1,251,172</u>   | <u>2,122,049</u>  |
| <b>11.1</b> This includes Diminishing Musharaka financing installement receivable amounting to Rs. 0.638 million. (2019: Rs. 0.072 million) and insurance and takaful premium receivable amounting to Rs. 1,298 (2019: Rs. 1.352 million).                                                                                                              |             |                    |                   |
|                                                                                                                                                                                                                                                                                                                                                         | Note        | 2020<br>Rupees     | 2019<br>Rupees    |
| <b>12 ACCRUED PROFIT</b>                                                                                                                                                                                                                                                                                                                                |             |                    |                   |
| Accrued profit on:                                                                                                                                                                                                                                                                                                                                      |             |                    |                   |
| Islamic term deposit certificates                                                                                                                                                                                                                                                                                                                       |             | -                  | 277,397           |
| Islamic Term Deposit Receipts (TDR)                                                                                                                                                                                                                                                                                                                     |             | 334,750            | 681,964           |
| Modaraba's deposit account                                                                                                                                                                                                                                                                                                                              |             | 425,917            | 51,136            |
|                                                                                                                                                                                                                                                                                                                                                         |             | <u>760,667</u>     | <u>1,010,497</u>  |
| <b>13 TAXATION</b>                                                                                                                                                                                                                                                                                                                                      |             |                    |                   |
| Advance tax                                                                                                                                                                                                                                                                                                                                             | 13.1 & 13.2 | <u>5,530,605</u>   | <u>4,697,122</u>  |
| <b>13.1</b> This includes advance tax amounting to Rs. 4.1 million (2019: Rs. 3.5 million) pertaining to vehicles purchased for diminishing musharaka financing. The amounts are adjustable against diminishing musharaka contracts upon receipt of refunds from tax authorities.                                                                       |             |                    |                   |
| <b>13.2</b> This includes the advance tax deducted by the various withholding agents amounting to Rs. 1.430 million (2019: Rs. 1.147 million) under various sections of the Income Tax Ordinance, 2001. The management has claimed the tax deducted in return for the Tax Year 2019, since the management is confident that the same shall be refunded. |             |                    |                   |
|                                                                                                                                                                                                                                                                                                                                                         | Note        | 2020<br>Rupees     | 2019<br>Rupees    |
| <b>14 CASH AND BANK BALANCES</b>                                                                                                                                                                                                                                                                                                                        |             |                    |                   |
| Stamps in hand                                                                                                                                                                                                                                                                                                                                          |             | 26,600             | 31,200            |
| Cash with banks in:                                                                                                                                                                                                                                                                                                                                     |             |                    |                   |
| Modaraba's deposit account                                                                                                                                                                                                                                                                                                                              | 14.1        | 34,329,172         | 7,099,723         |
| Current accounts                                                                                                                                                                                                                                                                                                                                        | 14.2        | 166,837            | 144,868           |
| Habib Islamic Investment Certificate                                                                                                                                                                                                                                                                                                                    | 14.3 & 14.4 | -                  | 25,000,000        |
|                                                                                                                                                                                                                                                                                                                                                         |             | <u>34,522,609</u>  | <u>32,275,791</u> |

## Notes to the Financial Statements

For the year ended June 30, 2020

**14.1** These carry profit at rates ranging from 6% to 10.80% (2019: 5% to 9.25%) per annum.

**14.2** This balance includes an amount of Rs. 0.02 million (2019: Rs. 0.020 million) which has been deposited in the State Bank of Pakistan, Banking Services Corporation Karachi to maintain a minimum balance of Rs. 0.01 million to facilitate recovery of Electronic Credit Information Bureau (ECIB) service charges on monthly basis.

|                                                              | Note | 2020<br>Rupees | 2019<br>Rupees    |
|--------------------------------------------------------------|------|----------------|-------------------|
| <b>14.3 Movement in Habib Islamic Investment Certificate</b> |      |                |                   |
| Opening balances                                             |      | 25,000,000     | 25,000,000        |
| Add: Additions during the year                               |      | 75,000,000     | 100,000,000       |
| Less: Matured during the year                                |      | (100,000,000)  | (100,000,000)     |
|                                                              |      | <u>-</u>       | <u>25,000,000</u> |

**14.4** This represents investments in Habib Islamic Income Certificates issued by Habib Metropolitan Bank Limited, the Holding Company having tenure ranging from one to three months and carry profit at the rate of 11.5% (2019: 7.5%) per annum.

|                                                              | Note        | 2020<br>Rupees     | 2019<br>Rupees     |
|--------------------------------------------------------------|-------------|--------------------|--------------------|
| <b>15 ISSUED, SUBSCRIBED AND PAID-UP CERTIFICATE CAPITAL</b> |             |                    |                    |
| <b>Modaraba certificates of Rs. 10 each</b>                  |             |                    |                    |
| <b>Number of certificates</b>                                |             |                    |                    |
| <b>2019</b>                                                  |             |                    |                    |
| <b>2020</b>                                                  |             |                    |                    |
| Certificates issued as fully paid in cash                    | 15.1 & 15.2 | 300,000,000        | 300,000,000        |
|                                                              |             | <u>300,000,000</u> | <u>300,000,000</u> |

**15.1** Habib Metropolitan Modaraba Management Company (Private) Limited (the Management Company) held 3,000,000 (10%) certificates of Rs. 10 each as at June 30, 2020.

**15.2** Habib Metropolitan Bank Limited (the Holding Company), held 18,000,000 (60%) certificates of Rs.10 each as at June 30, 2020.

|                       | Note | 2020<br>Rupees    | 2019<br>Rupees    |
|-----------------------|------|-------------------|-------------------|
| <b>16 RESERVE</b>     |      |                   |                   |
| Capital reserve       |      |                   |                   |
| Statutory reserve     | 16.1 | 9,337,926         | 3,021,377         |
| Revenue               |      |                   |                   |
| Unappropriated profit |      | 26,101,707        | 9,085,511         |
|                       |      | <u>35,439,633</u> | <u>12,106,888</u> |

**16.1** Prudential Regulations for Modarabas issued by Securities and Exchange Commission of Pakistan (SECP) requires creation of reserve fund to which shall be credited:

- a) an amount not less than 20% and not more than 50% of its after tax profits till such time the reserve fund equals the amount of paid-up capital; and
- b) thereafter a sum not less than 5% of its after tax profits.

## Notes to the Financial Statements

For the year ended June 30, 2020

|                                                    | Note | 2020<br>Rupees    | 2019<br>Rupees   |
|----------------------------------------------------|------|-------------------|------------------|
| <b>17 CREDITORS, ACCRUED AND OTHER LIABILITIES</b> |      |                   |                  |
| Provision for Workers' Welfare Fund                | 17.1 | 596,422           | 308,304          |
| Adjustable against diminishing musharaka           | 17.2 | 4,100,000         | 3,550,000        |
| Diminishing musharaka customer contribution        |      | -                 | 1,187,700        |
| Accrued expenses                                   |      | 242,982           | 110,638          |
| Management fee payable                             |      | 3,222,729         | -                |
| Sales tax on management fee payable                |      | 418,955           | -                |
| Residual Value received in advance                 |      | 1,933,929         | 514,421          |
| Other liabilities                                  |      | 3,084,754         | 1,298,584        |
| Audit fee payable                                  |      | 424,710           | 335,200          |
|                                                    |      | <u>10,455,631</u> | <u>7,304,847</u> |

- 17.1** 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.

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

During the year, the Modaraba received a notice vide letter no. SRB /AC-37/2019-20/80 dated August 19, 2019, wherein, the Sindh Revenue Board (SRB) has advised the Modaraba to pay off all its liabilities falling due under the Sindh Workers' Welfare Fund Act, 2014 (SWWF Act). As per SWWF Act, Workers' Welfare Fund (WWF) levy is required to be paid on total income accruing after December 31, 2013. As the Modaraba has its operations all across Pakistan therefore total income declared in its tax return is a cumulative sum of income for all provinces but the management understands that the SWWF Act is limited only to the province of Sindh and till the time there is any mechanism available for apportionment of total income relevant to the province of Sindh, no WWF liability to SRB can be paid out. On these grounds and foreseeing the expected WWF demand along with penal actions from SRB, the Modaraba filed an appeal with the Honorable Sindh High Court (SHC). However, as per the order of Honourable High Court of Sindh dated March 16, 2020 the Modaraba has deposited an amount of Rs. 0.283 million for the period from October 06, 2017 to June 30, 2019 to Sindh Worker Welfare Fund (SWWF) based on the income pertaining to Sindh.

- 17.2** 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.

## 18 CONTINGENCIES AND COMMITMENTS

### 18.1 Contingencies

There were no contingencies as at June 30, 2020.

### 18.2 Commitments

- 18.2.1** Commitments in respect of financing transactions amounted to Rs. 2.528 million (2019: Rs. 13.037 million) as at June 30, 2020.

## Notes to the Financial Statements

For the year ended June 30, 2020

|                                                                 | 2020<br>Rupees     | 2019<br>Rupees     |
|-----------------------------------------------------------------|--------------------|--------------------|
| <b>18.2.2 Musharaka receivables</b>                             |                    |                    |
| Receivables - not later than one year                           | 64,758,281         | 36,963,869         |
| Receivables - later than one year and not later than five years | <u>130,453,082</u> | <u>131,053,719</u> |
|                                                                 | <u>195,211,363</u> | <u>168,017,588</u> |

### 19 OTHER FINANCE INCOME

During the year, the Modaraba has earned other finance income of Rs. 4.322 million (2019:Rs. 8.852 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 | 2020<br>Rupees    | 2019<br>Rupees    |
|-----------------------------------------|------|-------------------|-------------------|
| <b>20 ADMINISTRATIVE EXPENSES</b>       |      |                   |                   |
| Salaries, allowances and other benefits |      | 7,763,343         | 6,887,578         |
| Repairs and maintenance                 |      | 371,893           | 408,184           |
| Legal and professional charges          |      | 2,169,422         | 1,452,326         |
| Fees and subscription                   |      | 1,594,028         | 1,778,200         |
| Printing and stationery                 |      | 317,550           | 392,397           |
| Utilities expenses                      |      | 347,317           | 601,803           |
| Takaful premium                         |      | 222,078           | 165,177           |
| Depreciation                            | 5    | 1,218,508         | 1,106,735         |
| Amortisation                            | 6    | 114,854           | 114,854           |
| Auditor's remuneration                  | 20.1 | 716,958           | 643,300           |
| Advertisement expense                   |      | 288,552           | 1,188,776         |
| IT related expenses                     |      | 121,386           | 71,933            |
| Others                                  |      | <u>462,879</u>    | <u>461,807</u>    |
|                                         |      | <u>15,708,768</u> | <u>15,273,070</u> |

#### 20.1 Auditor's remuneration

|                                                            |                |                |
|------------------------------------------------------------|----------------|----------------|
| Annual fee                                                 | 302,500        | 275,000        |
| Half yearly review fee                                     | 121,000        | 110,000        |
| Special reports, certification and sundry advisor services | 213,840        | 179,800        |
| Out of pocket expenses                                     | 42,350         | 41,500         |
| Sales tax                                                  | <u>37,268</u>  | <u>37,000</u>  |
|                                                            | <u>716,958</u> | <u>643,300</u> |

### 21 FINANCIAL CHARGES

|              |                |                |
|--------------|----------------|----------------|
| Bank charges | <u>147,357</u> | <u>184,415</u> |
|--------------|----------------|----------------|

### 22 MODARABA MANAGEMENT COMPANY'S FEE

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 not charged any management fee.

## Notes to the Financial Statements

For the year ended June 30, 2020

### 23 TAXATION - NET

- 23.1** The income of non-trading modarabas is exempt from tax under clause 100 of the Second Schedule of the Income Tax Ordinance 2001, provided not less than ninety percent of its profits after appropriation to statutory reserves as required under Modaraba Companies and Modaraba (Floatation and Control) Ordinance, 1980 is distributed to the certificate holders. The Modaraba has decided to continue availing the tax exemption and hence no provision has been made in there financial statements for tax liabilities for the year.

|                                                                                            | 2020<br>Rupees | 2019<br>Rupees |
|--------------------------------------------------------------------------------------------|----------------|----------------|
| <b>24 EARNINGS PER CERTIFICATE - BASIC AND DILUTED</b>                                     |                |                |
| The earnings per certificate as required under IAS 33 "Earnings per share" is given below: |                |                |
| Profit for the year                                                                        | 31,582,745     | 11,094,811     |
| Weighted average number of certificates outstanding                                        | 30,000,000     | 30,000,000     |
| Earnings per certificate - Basic and diluted (Rupees)                                      | 1.05           | 0.37           |

|                                             | 2020<br>Rupees | 2019<br>Rupees |
|---------------------------------------------|----------------|----------------|
| <b>25 REMUNERATION OF EXECUTIVES</b>        |                |                |
| Remuneration                                | 3,932,000      | 3,900,000      |
| 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.

### 26 FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES

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 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 over sight 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.

#### 26.1 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.

#### 26.2 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.

There were no convertible dilutive potential ordinary certificates outstanding as on June 30, 2020 which have dilutive effect on earnings per certificate.

## Notes to the Financial Statements

For the year ended June 30, 2020

### 26.3 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 in foreign currencies and hence is not exposed to such risk.

### 26.4 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, 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 | 10,455,631           | -                 | -               | -                | 10,455,631                   |
| Dividend payable                         | 21,976               | -                 | -               | -                | 21,976                       |
| <b>Total</b>                             | <b>10,477,607</b>    | <b>-</b>          | <b>-</b>        | <b>-</b>         | <b>10,477,607</b>            |
|                                          | Rupees               |                   |                 |                  |                              |
| As at June 30, 2019                      | Six to Twelve months | One to five years | Over five years | Above five years | Total contractual cash flows |
|                                          | Rupees               |                   |                 |                  |                              |
| Creditors, accrued and other liabilities | 7,304,847            | -                 | -               | -                | 7,304,847                    |
| Dividend payable                         | 6,567                | -                 | -               | -                | 6,567                        |
| <b>Total</b>                             | <b>7,311,414</b>     | <b>-</b>          | <b>-</b>        | <b>-</b>         | <b>7,311,414</b>             |

### 26.5 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:

|                                                    | 2020<br>Rupees     | 2019<br>Rupees     |
|----------------------------------------------------|--------------------|--------------------|
| Diminishing musharaka finance                      | 130,453,082        | 131,053,719        |
| Current portion of diminishing musharaka financing | 64,758,281         | 36,963,869         |
| Other receivables                                  | 822,161            | 1,765,603          |
| Accrued profit                                     | 760,667            | 1,010,497          |
| Short term investments                             | 100,000,000        | 70,000,000         |
| Cash and bank balances                             | 34,522,609         | 32,275,791         |
|                                                    | <b>331,316,800</b> | <b>273,069,479</b> |

## Notes to the Financial Statements

For the year ended June 30, 2020

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.

### 26.6 Segment by class of business for musharaka finances

|             | 2020<br>Rupees     | %   | 2019<br>Rupees     | %   |
|-------------|--------------------|-----|--------------------|-----|
| Individuals | 59,057,361         | 30% | 62,348,257         | 37% |
| Corporate   | 136,154,002        | 70% | 105,669,331        | 63% |
|             | <u>195,211,363</u> |     | <u>168,017,588</u> |     |

### 26.7 Financial instruments by category

#### Financial assets

##### Financial assets at amortised cost

|                                                    | 2020<br>Rupees     | 2019<br>Rupees     |
|----------------------------------------------------|--------------------|--------------------|
| Diminishing musharaka finance                      | 130,453,082        | 131,053,719        |
| Current portion of diminishing musharaka financing | 64,758,281         | 36,963,869         |
| Other receivables                                  | 822,161            | 1,765,603          |
| Accrued profit                                     | 760,667            | 1,010,497          |
| Cash and bank balances                             | 34,522,609         | 32,275,791         |
| Short term investments                             | 100,000,000        | 70,000,000         |
|                                                    | <u>331,316,800</u> | <u>273,069,479</u> |

#### Financial liabilities

##### Financial liabilities at amortised cost

|                                          | 2020<br>Rupees    | 2019<br>Rupees   |
|------------------------------------------|-------------------|------------------|
| Creditors, accrued and other liabilities | 10,455,631        | 7,304,847        |
| Dividend payable                         | 21,976            | 6,567            |
|                                          | <u>10,477,607</u> | <u>7,311,414</u> |

## 27 FAIR VALUE OF FINANCIAL INSTRUMENTS

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

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

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

The carrying values of all financial assets and liabilities reflected in the financial statements are 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, 2020.

## Notes to the Financial Statements

For the year ended June 30, 2020

|                                                    | As at June 30, 2020 |             | As at June 30, 2019 |             |
|----------------------------------------------------|---------------------|-------------|---------------------|-------------|
|                                                    | Carrying amount     | Fair value  | Carrying amount     | Fair value  |
|                                                    | -----Rupees-----    |             | -----Rupees-----    |             |
| <b>Financial assets</b>                            |                     |             |                     |             |
| <b>Loans and receivables at amortised cost</b>     |                     |             |                     |             |
| Diminishing musharaka finance                      | 130,453,082         | 130,453,082 | 131,053,719         | 131,053,719 |
| Current portion of diminishing musharaka financing | 64,758,281          | 64,758,281  | 36,963,869          | 36,963,869  |
| Other receivables                                  | 822,161             | 822,161     | 1,765,603           | 1,765,603   |
| Accrued profit                                     | 760,667             | 760,667     | 1,010,497           | 1,010,497   |
| Cash and bank balances                             | 34,522,609          | 34,522,609  | 32,275,791          | 32,275,791  |
| Short term investments                             | 100,000,000         | 100,000,000 | 70,000,000          | 70,000,000  |
| <b>Financial liabilities</b>                       |                     |             |                     |             |
| <b>Financial liabilities at amortised cost</b>     |                     |             |                     |             |
| Creditors, accrued and other liabilities           | 10,455,631          | 10,455,631  | 7,304,847           | 7,304,847   |
| Dividend payable                                   | 21,976              | 21,976      | 6,567               | 6,567       |

### 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).

As at June 30, 2020, none of the financial instruments of the Modaraba are carried at fair value.

### 27.2 Transfers during the year

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

## 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.

The Modaraba's objective in managing risks 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 and monitoring, subject to risk limits and other controls. The process of risk management is critical to the Modaraba's continuing profitability. The Modaraba is exposed to market risk (which includes profit rate risk and price risk), credit risk and liquidity risk arising from the financial instruments it holds.

## 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.



## Notes to the Financial Statements

For the year ended June 30, 2020

### 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                                                          | <u>300,000,000</u> | <u>300,000,000</u> |
| Purchase of property and equipment                                         | 6,438,355          | 6,238,455          |
| 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. |                    |                    |
| Held for working capital, purchase of additional assets / investments etc. | <u>80,401,292</u>  | <u>80,601,192</u>  |
|                                                                            | <u>300,000,000</u> | <u>300,000,000</u> |

|                                                           | <b>2020<br/>Rupees</b> | <b>2019<br/>Rupees</b> |
|-----------------------------------------------------------|------------------------|------------------------|
| <b>31 CASH USED IN OPERATIONS</b>                         |                        |                        |
| Profit before taxation                                    | 31,582,745             | 11,094,811             |
| Adjustment of non-cash and other items:                   |                        |                        |
| Depreciation                                              | 1,218,508              | 1,106,735              |
| Amortization of preliminary expenses and floatation costs | 2,631,070              | 2,614,881              |
| Amortization of intangible asset                          | 114,854                | 114,854                |
| Financial charges                                         | 147,357                | 184,415                |
| Profit on Islamic Certificate                             | (1,697,260)            | (3,275,082)            |
| Income from diminishing musharaka financing               | (32,661,276)           | (13,757,843)           |
| Profit on Islamic Term Deposit Receipts (TDR)             | (2,830,619)            | (1,926,362)            |
| Profit on Modaraba's deposit accounts                     | (8,693,275)            | (1,393,474)            |
| Movement in working capital                               | 31.1 (23,772,751)      | (28,471,023)           |
|                                                           | <u>(33,960,647)</u>    | <u>(33,708,088)</u>    |

#### 31.1 Movement in working capital

|                                                    |                     |                     |
|----------------------------------------------------|---------------------|---------------------|
| Increase in current assets:                        |                     |                     |
| Short term prepayments and other receivables       | 870,877             | (1,732,603)         |
| Current portion of diminishing musharaka financing | (27,794,412)        | (33,065,667)        |
| Increase in current liabilities:                   |                     |                     |
| Creditors, accrued and other liabilities           | <u>3,150,784</u>    | <u>6,327,247</u>    |
|                                                    | <u>(23,772,751)</u> | <u>(28,471,023)</u> |

### 32 NON-ADJUSTING EVENT AFTER THE BALANCE SHEET DATE

The Board of Directors of the Modaraba Management Company in their meeting held on September 23, 2020 have approved profit distribution at the rate of 7% i.e. Re. 0.70 per certificate for the year ended June 30, 2019. These financial statements do not reflect this distribution.

### 33 DATE OF AUTHORIZATION FOR ISSUE

These financial statements was authorized for issue on September 23, 2020 by the Board of Directors of the Habib Metropolitan Modaraba Management Company (Private) Limited.

## Notes to the Financial Statements

For the year ended June 30, 2020

### 34 CORRESPONDING FIGURES

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

### 35 NUMBER OF EMPLOYEES

The number of employees as at year end was 8 (2019: 9) and average number of employees during the year was 8 (2019: 9).

### 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 June 30, 2020. 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.

Modaraba has worked on ability of its liquidity profile to accommodate various customer's request on rescheduling of their long term credit facilities. Rescheduling / deferment of monthly payments if requested was only accepted after conducting proper assessment.

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

CHIEF FINANCIAL OFFICER

CHIEF EXECUTIVE

DIRECTOR

DIRECTOR

