

Habib Metro Modaraba

(An Islamic Financial Institution)



Half Yearly Accounts

For the period ended December 31, 2019

HABIBMETRO
Modaraba Management

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CORPORATE INFORMATION

BOARD OF DIRECTORS

Mr. Syed Rasheed Akhtar	- Chairman (Non-Executive Independent Director)
Mr. Muhammad Shoaib Ibrahim	- Chief Executive Officer
Mr. Saeed Uddin Khan	- Non-Executive Independent Director
Mr. Mohammad Shams Izhar	- Non-Executive Director

LEGAL ADVISOR

Mohsin Tayebaly & Company

AUDIT COMMITTEE

Mr. Saeed Uddin Khan	- Chairman
Mr. Syed Rasheed Akhtar	- Member
Mr. Mohammad Shams Izhar	- Member
Mr. Shakeel Ahmed	- Secretary

HUMAN RESOURCE COMMITTEE

Mr. 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)

REGISTRAR

CDC Share Registrar Services Limited
 Share Registrar Department
 CDC House, 99-B, Block "B",
 S.M.C.H.S
 Main Shahr-e-Faisal,
 Karachi,
 Pakistan. Tel: 111-111-500

AUDITOR

BDO Ebrahim & Co.
 Chartered Accountants

BANKERS

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

REGISTERED OFFICE

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

DIRECTORS' REPORT

On behalf of the Board of Directors, it is our great pleasure to present the un-audited accounts of the Modaraba for the six months ended December 31, 2019.

Review of Operations

We have completed our first half of current financial year and shown satisfactory performance. The Modaraba has booked a profit of Rs.16.359 million for the half year ended December 31, 2019 as compared to profit of Rs.1.526 million for the previous corresponding period. During the half year, we made disbursement of Rs.40.739 million. The business activity in first half remain gloomy keeping in view overall economic slowdown and challenges in businesses due to high cost of lending rates, substantial rise in motor vehicle prices. Keeping in view of overall slump in business activity we had also moved cautiously in new business engagement due to our prudent approach.

Economic Outlook

On economic front the economy is showing slight improvement. However, businesses are still facing pressures of high cost doing business. Macroeconomic fundamentals are also unstable due to tight monetary policy, fiscal and regulatory adjustment which have squeezed national output, increased pressure on cost and slowed down the GDP growth. In Monetary Policy Statement (MPS) of last month, the SBP has maintained policy rate at same level. According to MPS, the outlook of inflation has broadly remained unchanged.

The recent inflation numbers have shown on higher side mainly from food prices and potential increase in utility cost. However, substantial reduction in current account deficit, slight improvement in business sentiments and fiscal development are showing positive sign. The present government faces tough economic challenges towards reviving of current state of economic affairs. Still structural transformations are needed in Pakistan's production system in all three main segments i.e., agriculture, manufacturing and services in order to support for enhancement of productivity and export competitiveness.

Future Prospects

Currently our economy is passing through with difficult time. Businesses are facing huge cash flows and liquidity issues due to overall dull business activities. Keeping in view of present business circumstances, we are carefully moving in booking of financing assets particularly in consumer segments. However, we are hopeful that we will be able to secure good results in terms of business volume and profits.

Besides all above challenges, HMM has successfully proceeding towards increasing business and market its product slowly and steadily to deal with decent customers. Although, the booking of assets is not up to the mark, but the emphasis is on selecting valued customers to build-up a trouble-free portfolio.

Acknowledgement

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

For and on behalf of Board of Directors

Syed Rasheed Akhtar
Chairman

Muhammad Shoaib Ibrahim
Chief Executive Officer

Karachi: February 26, 2020

ڈائریکٹرز کی رپورٹ

یہ ہمارے لئے باعث، مسرت ہیکہ بورڈ آف ڈائریکٹرز کی جانب سے، ۳۱ دسمبر، ۲۰۱۹ کو ختم ہونے والی ششماہی مدت اختتام پر مضاربہ کی غیر محتسب شدہ کھاتے پیش کریں۔

آپریشن کا جائزہ

ہم نے موجودہ مالی سال کا پہلا نصف حصہ بڑی اطمینان بخش کارکردگی کیساتھ مکمل کیا ہے۔ مضاربہ نے ۳۱ دسمبر ۲۰۱۹ کو ختم ہونے والی نصف مالی سال میں ۱۶.۳۵۹ ملین روپے کا منافع حاصل کیا جو کہ پچھلے سال کے اسی عرصے میں ۱.۵۲۶ ملین روپے تھا۔ اس نصف سال کے دوران ہم نے ۳۹.۷۰ ملین روپے کی ادائیگیاں کی ہیں۔ مالی سال کے پہلے حصے میں کاروباری سرگرمیاں ماند رہیں جس کی وجہ قرضے کی بڑھتی شرح اور موٹر وہیکل کی قیمتوں میں بے پناہ اضافے سے کاروبار کو مشکلات درپیش رہیں اور معاشی ست روی کا بھی شکار رہیں۔ کاروباری سرگرمی میں ہونے والی ساری گراؤ کو مد نظر رکھتے ہوئے ہم نے بھی اپنے محتاط انداز کے پیش نظر نئی کاروباری مصروفیات میں محتاط انداز میں قدم رکھا تھا۔

معاشی جائزہ

معاشی محاذ پر معیشت میں تھوڑی بہتری آئی ہے۔ تاہم کاروباری اداروں کو کاروبار جاری رکھنے کیلئے ابھی بھی کافی زیادہ کاروباری لاگت کا سامنا ہے۔ سخت مانیٹری پالیسی کے باعث قومی پیداوار کم ہو گئی، چیزوں پر لاگت بڑھ گئی اور جی ڈی پی کی رفتار کم ہو گئی جس کی وجہ سے معاشی بنیاد بھی غیر مستحکم رہی۔ پچھلے مہینے کی مانیٹری پالیسی اسٹیٹمنٹ (ایم پی ایس) میں، اسٹیٹ بینک آف پاکستان نے پالیسی ریٹ کو اسی سطح پر برقرار رکھا ہے۔ ایم پی ایس کے مطابق، افراط زر کے جائزہ میں وسیع پیمانے پر کوئی تبدیلی رونما نہیں ہوئی۔

حالیہ افراط زر کی بڑھوتری کی اصل وجہ ایشیائے خوردنوش اور یوٹیلیٹی کی لاگت میں خاطر خواہ اضافہ ہے۔ تاہم، کرنٹ اکاؤنٹ خسارے میں خاطر خواہ کمی اور کاروباری حالات میں تھوڑی بہتری مثبت مالی ترقی کا ظاہر کر رہی ہے۔ موجودہ حکومت کو حالیہ مالی و معاشی حالات کو بہتری میں لانے میں سخت معاشی مشکلات کا سامنا ہے۔ اب بھی پاکستان کے پیداواری نظام میں تینوں اہم طبقات یعنی زراعت، مینوفیکچرنگ اور خدمات میں تعمیری تبدیلیوں کی ضرورت ہے تاکہ پیداواری صلاحیت میں اضافے اور آمدی

مسابقت کو فروغ دیا جائے۔

مستقبل کے امکانات

اس وقت ہماری معیشت مشکل دور سے گزر رہی ہے۔ کاروباری سرگرمیوں کے ماند پڑنے کی وجہ سے کاروباری اداروں کو نقد بہاؤ اور لیکویڈیٹی کے مسائل کا سامنا ہے۔ موجودہ کاروباری حالات کو پیش نظر رکھتے ہوئے ہم مالی اثاثوں کی بنگ میں کافی احتیاط کا مظاہرہ کر رہے ہیں خاص کر کنزیومر شعبے میں۔ تاہم، ہم پر اُمید ہیکہ ہم کاروباری حجم اور منافع کے لحاظ سے اچھے نتائج حاصل کرنے میں کامیاب ہو جائیں گے۔

ان مشکلات کے باوجود، حبیب میٹرو مضاربہ کاروبار میں اضافے کی طرف بڑھا آہستہ اور مستقل مزاجی سے بڑھا ہے اور مارکیٹ میں اپنے پروڈکٹ کو اچھے اور مستحکم کسٹمرز کے ساتھ ڈیل کر رہا ہے۔ بہر حال، اثاثوں کی بنگ حوصلہ شکن ہیں، مگر ہماری ساری توجہ مستحکم اور قابل قدر کسٹمرز بنانے پر مرکوز ہے تاکہ اپنے پورٹ فولیو کو پریشانی اور وبال سے دور رکھا جائے۔

اظہارِ تشکر

بورڈ آف ڈائریکٹرز کی طرف سے ہم سیکورٹیز اینڈ ایکسچینج کمیشن آف پاکستان کا، رجسٹرار مضاربہ کے نہایت ہی مشکور ہیں کہ جنہوں نے ہماری مسلسل رہنمائی اور سرپرستی کی، اپنے قابل قدر کسٹمرز کا، اپنے سرٹیفیکیٹ ہولڈرز کا کہ انہوں نے ہم پر بھروسہ کیا فرسٹ حبیب مضاربہ کے ساتھ بنے رہے، ہم اپنے ملازمین کی اعلیٰ پائے کی پیشہ ورانہ مہارت اور مسلسل بے انتہا محنت کا جس کی وجہ سے ہم نے اطمینان بخش نتائج حاصل کئے۔

بورڈ آف ڈائریکٹرز کیلئے اور ان کی جانب سے

۲۶ فروری ۲۰۲۰

سید رشید اختر
چئیرمین

شعیب ابراہیم
چیف ایگزیکٹو آفیسر

INDEPENDENT AUDITORS' REPORT ON REVIEW OF CONDENSED INTERIM FINANCIAL INFORMATION TO THE CERTIFICATE HOLDERS

Introduction

We have reviewed the accompanying condensed interim balance sheet of Habib Metro Modaraba (“the Modaraba”) as at December 31, 2019 and the related condensed interim profit and loss account, condensed interim statement of comprehensive income, condensed interim cash flow statement, condensed interim statement of changes in equity and notes to the accounts for the half year ended December 31, 2019 (here-in-after referred as the “interim financial information”). Management is responsible for the preparation and presentation of this interim financial information in accordance with approved accounting standards as applicable in Pakistan for interim financial reporting. Our responsibility is to express a conclusion on this interim financial information based on our review.

Scope of review

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

Conclusion

Based on our review, nothing has come to our attention that causes us to believe that the accompanying interim financial information as at and for the period ended December 31, 2019 is not prepared, in all material respects, in accordance with approved accounting standards as applicable in Pakistan for interim financial reporting.

Other matter

The figures for the quarter ended December 31, 2019 and December, 31 2018 in the condensed interim profit and loss account and condensed interim statement of comprehensive income have not been reviewed and we do not express a conclusion on them.

KARACHI

DATED: February 19, 2020

CHARTERED ACCOUNTANTS
Engagement Partner: Raheel Shahnawaz

CONDENSED INTERIM BALANCE SHEET (UNAUDITED)

As at December 31, 2019

	Note	(Un-audited) December 31, 2019 Rupees	(Audited) June 30, 2019 Rupees
ASSETS			
NON CURRENT ASSETS			
Property and equipment	4	3,909,727	4,341,742
Intangible assets		124,429	181,856
Vehicles available for diminishing musharaka financing	5	7,541,899	28,889,899
Diminishing musharaka financing	6	134,907,854	131,053,719
Preliminary expenses and floatation costs	7	6,559,034	7,881,758
		<u>153,042,943</u>	<u>172,348,974</u>
CURRENT ASSETS			
Short term investments	8	75,000,000	70,000,000
Current portion of diminishing musharaka financing	6	52,144,171	36,963,869
Short term prepayments and other receivables		2,830,595	2,122,049
Accrued profit		1,467,412	1,010,497
Taxation - net	9	4,505,593	4,697,122
Cash and bank balances	10	38,762,559	32,275,791
		<u>174,710,330</u>	<u>147,069,328</u>
		<u>327,753,273</u>	<u>319,418,302</u>
TOTAL ASSETS			
EQUITY AND LIABILITIES			
SHARE CAPITAL AND RESERVES			
Authorized capital			
30,000,000 Modaraba certificates of Rs. 10/- each		300,000,000	300,000,000
Issued, subscribed and paid-up certificate capital	11	300,000,000	300,000,000
Statutory reserve	12	3,021,377	3,021,377
Unappropriated profit		17,194,575	9,085,511
		<u>320,215,952</u>	<u>312,106,888</u>
CURRENT LIABILITIES			
Creditors, accrued and other liabilities	13	7,512,657	7,304,847
Dividend payable		24,664	6,567
		<u>7,537,321</u>	<u>7,311,414</u>
TOTAL EQUITY AND LIABILITIES			
		<u>327,753,273</u>	<u>319,418,302</u>
CONTINGENCIES AND COMMITMENTS			
	14		

The annexed notes from 1 to 25 form an integral part of this condensed interim financial information.

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

CHIEF FINANCIAL OFFICER

CHIEF EXECUTIVE

DIRECTOR

DIRECTOR

CONDENSED INTERIM PROFIT AND LOSS ACCOUNT (UNAUDITED)

For the period ended December 31, 2019

	Note	Half year ended December 31, 2019 Rupees	Half year ended December 31, 2018 Rupees	Quarter ended December 31, 2019 Rupees	Quarter ended December 31, 2018 Rupees
INCOME					
Profit on Islamic term deposit certificates		1,370,205	2,112,876	740,411	989,657
Income from diminishing musharaka financing		15,551,635	2,830,557	7,997,177	2,039,048
Profit on Modaraba's deposit accounts		5,680,354	301,496	3,023,432	140,394
Other financing income		3,308,600	4,679,000	1,665,600	3,974,500
Other income		148,680	83,355	146,767	60,775
		<u>26,059,474</u>	<u>10,007,284</u>	<u>13,573,387</u>	<u>7,204,374</u>
EXPENSES					
Amortization of preliminary expenses and floatation costs		1,322,724	1,322,722	661,362	661,361
Administrative expenses		7,949,756	6,999,975	4,010,977	4,518,515
Financial charges		94,071	127,028	67,671	111,530
		<u>9,366,551</u>	<u>8,449,725</u>	<u>4,740,010</u>	<u>5,291,406</u>
		<u>16,692,923</u>	<u>1,557,559</u>	<u>8,833,377</u>	<u>1,912,968</u>
Modaraba management company's fee	15	-	-	-	-
Sales tax on Modaraba management company's fee		-	-	-	-
Provision for Workers' Welfare Fund		333,859	31,151	175,785	38,259
Profit before taxation		<u>16,359,064</u>	<u>1,526,408</u>	<u>8,657,592</u>	<u>1,874,709</u>
Taxation	16	-	-	-	-
Profit for the period		<u>16,359,064</u>	<u>1,526,408</u>	<u>8,657,592</u>	<u>1,874,709</u>
Earnings per certificate - basic and diluted	17	<u>0.55</u>	<u>0.05</u>	<u>0.29</u>	<u>0.06</u>

The annexed notes from 1 to 25 form an integral part of this condensed interim financial information.

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

CHIEF FINANCIAL OFFICER

CHIEF EXECUTIVE

DIRECTOR

DIRECTOR

CONDENSED INTERIM STATEMENT OF COMPREHENSIVE INCOME (UNAUDITED)

For the period ended December 31, 2019

	Half year ended December 31, 2019 Rupees	Half year ended December 31, 2018 Rupees	Quarter ended December 31, 2019 Rupees	Quarter ended December 31, 2018 Rupees
Profit for the period	16,359,064	1,526,408	8,657,592	1,874,709
Other comprehensive income	-	-	-	-
Total comprehensive income for the period	<u>16,359,064</u>	<u>1,526,408</u>	<u>8,657,592</u>	<u>1,874,709</u>

The annexed notes from 1 to 25 form an integral part of this condensed interim financial information.

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

CHIEF FINANCIAL OFFICER

CHIEF EXECUTIVE

DIRECTOR

DIRECTOR

CONDENSED INTERIM CASH FLOW STATEMENT

For the period ended December 31, 2019

	Note	Half year ended December 31, 2019 Rupees	Half year ended December 31, 2018 Rupees
CASH FLOWS FROM OPERATING ACTIVITIES			
Cash used in operations	21	(4,289,795)	(14,556,178)
Advance		-	190,321,049
Vehicles available for diminishing musharaka financing - net		21,348,000	(78,125,720)
Diminishing musharaka financing - net		(3,854,135)	(81,207,676)
Income tax reverse / (paid)		191,529	(2,769,213)
Financial charges paid		(94,071)	(127,028)
Net cash generated from operating activities		<u>13,301,528</u>	<u>13,535,234</u>
CASH FLOWS FROM INVESTING ACTIVITIES			
Additions to property and equipment		(176,500)	(219,794)
Investment-net		(5,000,000)	-
Profit received on Islamic term deposit certificates		1,213,012	3,221,678
Profit received on Modaraba's deposits accounts		5,380,631	283,019
Net cash generated from investing activities		<u>1,417,143</u>	<u>3,284,903</u>
CASH FLOWS FROM FINANCING ACTIVITIES			
Dividend paid		(8,231,903)	(2,989,072)
Net cash used in financing activities		<u>(8,231,903)</u>	<u>(2,989,072)</u>
Net increase in cash and cash equivalents during the period		6,486,768	13,831,065
Cash and cash equivalent at the beginning of the period		32,275,791	33,525,457
Cash and cash equivalent at the end of the period	10	<u>38,762,559</u>	<u>47,356,522</u>

The annexed notes from 1 to 25 form an integral part of this condensed interim financial information.

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

CHIEF FINANCIAL OFFICER

CHIEF EXECUTIVE

DIRECTOR

DIRECTOR

CONDENSED INTERIM STATEMENT OF CHANGES IN EQUITY (UNAUDITED)

For the period ended December 31, 2019

	Issued, subscribed and paid-up certificate capital	*Statutory reserve	Unappropriated profit	Total
-----Rupees-----				
Balance as at July 01, 2018	300,000,000	802,415	3,209,662	304,012,077
Transaction with owners				
Dividend paid during the period @ Re. 0.1 per certificate	-	-	(3,000,000)	(3,000,000)
Profit for the period	-	-	1,526,408	1,526,408
Other comprehensive income	-	-	-	-
Total comprehensive income for the period	-	-	1,526,408	1,526,408
Balance as at December 31, 2018	300,000,000	802,415	1,736,070	302,538,485
Balance as at July 01, 2019	300,000,000	3,021,377	9,085,511	312,106,888
Transaction with owners				
Dividend paid during the period @ Re. 0.275 per certificate	-	-	(8,250,000)	(8,250,000)
Profit for the period	-	-	16,359,064	16,359,064
Other comprehensive income	-	-	-	-
Total comprehensive income for the period	-	-	16,359,064	16,359,064
Balance as at December 31, 2019	300,000,000	3,021,377	17,194,575	320,215,952

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

The annexed notes from 1 to 25 form an integral part of this condensed interim financial information.

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

CHIEF FINANCIAL OFFICER

CHIEF EXECUTIVE

DIRECTOR

DIRECTOR

NOTES TO THE CONDENSED INTERIM FINANCIAL INFORMATION

For the period ended December 31, 2019

1 NATURE AND STATUS OF BUSINESS

Habib Metro Modaraba (the Modaraba) is a multipurpose, perpetual modaraba floated under the Modaraba Companies and Modaraba (Floatation and Control) Ordinance, 1980 and the Rules framed there under and is managed by Habib Metropolitan Modaraba Management Company (Private) Limited (the Modaraba Management Company). After receiving certificate of minimum subscription, the Modaraba commenced its business operations with effect from October 06, 2017. The address of registered office is 3rd Floor, Al-Manzoor Building, Dr. Ziauddin Ahmed Road, Karachi.

The Modaraba is listed on the Pakistan Stock Exchange Limited. The Modaraba is engaged in Residual Value car financing model on diminishing musharaka basis, providing financing for solar power equipments and other related business.

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

2 BASIS OF PREPARATION

2.1 Statement of compliance

This condensed interim financial information has been prepared in accordance with the accounting and reporting standards as applicable in Pakistan for interim financial reporting. The accounting and reporting standards as applicable in Pakistan for interim financial reporting comprise of International Accounting Standard (IAS) 34 - Interim Financial Reporting, Islamic Financial Accounting Standards (IFAS) as notified under the provisions of the Companies Act, 2017 and made applicable to Modarabas, Modaraba Companies and Modaraba (Floatation and Control) Ordinance, 1980, the Modaraba Companies and Modaraba Rules, 1981 and directives issued by the Securities and Exchange Commission of Pakistan (SECP) [‘the Modaraba Regulations’].

Wherever the requirements of ‘the Modaraba Regulations’ differ from the requirements of International Accounting Standard (IAS) 34 - Interim Financial Reporting and Islamic Financial Accounting Standards (IFAS) as notified under the provisions of the Companies Act, 2017 and made applicable to Modarabas, requirements of ‘the Modaraba Regulations’ have been followed.

The disclosures made in this condensed interim financial information have, however, been limited based on the requirements of IAS 34. This condensed interim financial information does not include all the information and disclosures required in a full set of financial statements and should be read in conjunction with the annual published audited financial statements of the Modaraba for the year ended June 30, 2019.

The comparative year presented in this condensed interim financial information has been extracted from the annual audited financial statements of the Modaraba for the year ended June 30, 2019, whereas the comparative condensed profit and loss account, condensed interim statement of comprehensive income, condensed interim cash flows statement, condensed interim statement of changes in equity of the Modaraba are extracted from the unaudited condensed interim financial information for the period ended December 31, 2018.

NOTES TO THE CONDENSED INTERIM FINANCIAL INFORMATION

For the period ended December 31, 2019

This condensed interim financial information is unaudited, but has been reviewed by the auditors. Further, the figures of the condensed interim income statement and condensed interim statement of comprehensive income for the quarter ended December 31, 2018 and December 31, 2019 have not been reviewed.

The SECP has issued directive (vide SRO 431 (I) / 2007 dated May 22, 2007) that Islamic Financial Accounting Standard 2 (IFAS-2) shall be followed in preparation of the condensed interim financial informations by Companies and Modarabas while accounting for Lease Financing transactions as defined by the said standard. The Modaraba has adopted the said standard.

This condensed interim financial information comprises of condensed interim balance sheet as at December 31, 2019 and the related condensed interim profit and loss account, condensed interim statement of comprehensive income, condensed interim statement of cash flows, condensed interim statement of changes in equity and notes thereto, for the period ended December 31, 2019.

2.2 Basis of measurement

This condensed interim financial information has been prepared under the historical cost convention.

This condensed interim financial information has been prepared following basis of accounting except for cash flow information.

Permissible Islamic financial products including Murabaha (as a liability) and Musharaka have been used by the Modaraba, in line with similar industry practices. The accounting and presentation of the same are in line with the substance of the transaction and are limited to the extent of actual amount of facility utilized and mutually agreed profit thereon. Accordingly, purchases, sales and Musharaka profits / reserves are not reflected in this condensed interim financial information.

2.3 Functional and presentation currency

This condensed interim financial information has been presented in Pakistani Rupees, which is the functional and presentation currency of the Modaraba.

3 SIGNIFICANT ACCOUNTING POLICIES

The accounting policies and methods of computation adopted for the preparation of this condensed interim financial information is the same as those applied in the preparation of the financial statements for the year ended June 30, 2019 except as disclosed in note 3.1 to this condensed interim financial information.

3.1 Applicability of 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 Company 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

NOTES TO THE CONDENSED INTERIM FINANCIAL INFORMATION

For the period ended December 31, 2019

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 this condensed interim financial information.

4 PROPERTY AND EQUIPMENT

	Leasehold improvements	Furniture and fixtures	Office equipment	Vehicle	Total
-----Rupees-----					
Owned assets					
Net carrying value basis					
Period ended December 31, 2019					
Opening net book value	2,135,380	176,288	657,708	1,372,366	4,341,742
Additions	163,000	-	13,500	-	176,500
Depreciation	(250,652)	(26,288)	(161,174)	(170,401)	(608,515)
Closing net book value	2,047,728	150,000	510,034	1,201,965	3,909,727
Period ended December 31, 2019					
Cost	3,007,870	262,871	1,099,420	2,044,794	6,414,955
Accumulated depreciation	(960,142)	(112,871)	(589,386)	(842,829)	(2,505,228)
Net book value	2,047,728	150,000	510,034	1,201,965	3,909,727
Owned assets					
Net carrying value basis					
Year ended June 30, 2019					
Opening net book value	2,224,774	228,862	691,380	1,661,667	4,806,683
Additions	342,000	-	249,000	50,794	641,794
Depreciation	(431,394)	(52,574)	(282,672)	(340,095)	(1,106,735)
Closing net book value	2,135,380	176,288	657,708	1,372,366	4,341,742
Year ended June 30, 2019					
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)
Net book value	2,135,380	176,288	657,708	1,372,366	4,341,742
Annual rate of depreciation (% per annum)	16.67%	20%	25%	16.67%	

	Note	(Un-audited) December 31, 2019 Rupees	(Audited) June 30, 2019 Rupees
5 VEHICLES AVAILABLE FOR DIMINISHING MUSHARAKA FINANCING			
Vehicles available for diminishing musharaka financing	5.1	7,541,899	28,889,899

NOTES TO THE CONDENSED INTERIM FINANCIAL INFORMATION

For the period ended December 31, 2019

- 5.1** This represents amount that was paid to local car assemblers / dealers against advance booking of vehicles. The majority of 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 respective customers.

	Note	(Un-audited) December 31, 2019 Rupees	(Audited) June 30, 2019 Rupees
6 DIMINISHING MUSHARAKA FINANCING			
Secured			
Diminishing musharaka financing	6.1	177,143,225	164,218,488
Less: Provision in respect of diminishing musharaka		-	-
		<u>177,143,225</u>	<u>164,218,488</u>
Less: Current portion of diminishing musharaka financing		52,144,171	36,963,869
		<u>124,999,054</u>	<u>127,254,619</u>
Advance against diminishing musharaka financing		9,908,800	3,799,100
		<u>134,907,854</u>	<u>131,053,719</u>

- 6.1** This represents diminishing musharaka financing for a term of 3 to 5 years in order to provide residual value car financing on diminishing musharaka basis.

- 6.2** This represents vehicles provided in advance to the customers against diminishing musharaka financing.

	Note	(Un-audited) December 31, 2019 Rupees	(Audited) June 30, 2019 Rupees
7 PRELIMINARY EXPENSES AND FLOATION COSTS			
Preliminary expenses and floatation costs	7.1	7,881,758	10,496,639
Amortization during the period / year		(1,322,724)	(2,614,881)
		<u>6,559,034</u>	<u>7,881,758</u>

- 7.1** This represents expenses incurred in respect of issue of the Modaraba certificates to the public and includes cost of organization and floatation of the Modaraba, cost of printing, publication and distribution of the prospectus, underwriting expenses, commission to the bankers to the issue and brokerage and other ancillary cost. Preliminary expenses and floatation costs are being amortized on prorata basis over the period of 5 years as per Third Schedule of Modaraba Companies and Modaraba Rules, 1981.

	Note	(Un-audited) December 31, 2019 Rupees	(Audited) June 30, 2019 Rupees
8 SHORT TERM INVESTMENTS			
Financial assets at amortized cost			
Islamic Term Deposit Receipts (TDR)		75,000,000	70,000,000
		<u>75,000,000</u>	<u>70,000,000</u>

NOTES TO THE CONDENSED INTERIM FINANCIAL INFORMATION

For the period ended December 31, 2019

- 8.1** This represents term deposit receipts (TDR) in Soneri Bank Limited having a tenure of six months and carry floating profit rate ranging from 10.25% to 12.75% per annum (June 30, 2019: 10.25% to 11.60% per annum.)

	Note	(Un-audited) December 31, 2019 Rupees	(Audited) June 30, 2019 Rupees
8.2 Movement in Islamic Term Deposit Receipt (TDR)			
Opening balances		70,000,000	-
Add: Additions during the year		5,000,000	70,000,000
Less: Matured during the year		-	-
		<u>75,000,000</u>	<u>70,000,000</u>

9 TAXATION

Advance tax	9.1 & 9.2	<u>4,505,593</u>	<u>4,697,122</u>
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- 9.1** This includes advance tax amounting to Rs. 3.075 million (June 30, 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.

- 9.2** This includes the advance tax deducted by the various withholding agents amounting to Rs. 1.430 million (June 30, 2019: Rs. 1.197 million) under various sections of the Income Tax Ordinance, 2001. The management has claimed the tax deducted in return for the Tax Year 2018, since the management is confident that the same shall be refunded.

	Note	(Un-audited) December 31, 2019 Rupees	(Audited) June 30, 2019 Rupees
10 CASH AND BANK BALANCES			
Cash in hand		10,000	-
Stamps in hand		17,600	31,200
Cash with banks in:			
PLS savings accounts	10.1	13,564,392	7,099,723
Current accounts	10.2	170,567	144,868
Islamic term deposit certificates	10.3	25,000,000	25,000,000
		<u>38,762,559</u>	<u>32,275,791</u>

- 10.1** These carry profit at rates ranging from 5.11% to 10.8% per annum (June 30, 2019: 5% to 9.25% per annum).

- 10.2** This balance includes an amount of Rs 0.020 million (June 30, 2019: 0.020 million) which has been deposited in the State Bank of Pakistan, Banking Services Corporation Karachi to maintain a minimum

NOTES TO THE CONDENSED INTERIM FINANCIAL INFORMATION

For the period ended December 31, 2019

balance of Rs. 0.01 million to facilitate recovery of Electronic Credit Information Bureau (ECIB) service charges on monthly basis.

- 10.3** 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 rates ranging from 5.68% to 11.75% per annum (June 30, 2019: 7.5% per annum).

	Note	(Un-audited) December 31, 2019 Rupees	(Audited) June 30, 2019 Rupees
11 ISSUED, SUBSCRIBED AND PAID-UP CERTIFICATE CAPITAL			
Modaraba certificates of Rs. 10 each			
Number of certificates			
		2019	2018
		30,000,000	30,000,000
	Certificates issued as fully & paid in cash		
	11.1		
	11.2		
		300,000,000	300,000,000

- 11.1** Habib Metropolitan Modaraba Management Company (Private) Limited (the Management Company) held 3,000,000 (10%) (June 30, 2019: 3,000,000) certificates of Rs. 10 each as at December 31, 2019.

- 11.2** Habib Metropolitan Bank Limited, held 18,000,000 (60%) (June 30, 2019: 18,000,000) certificates of Rs.10 each as at December 31, 2019.

12 RESERVE

Capital reserve		
Statutory reserve	3,021,377	3,021,377
Revenue reserve		
Unappropriated profit	17,194,575	9,085,511
	20,215,952	12,106,888

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

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

NOTES TO THE CONDENSED INTERIM FINANCIAL INFORMATION

For the period ended December 31, 2019

	Note	(Un-audited) December 31, 2019 Rupees	(Audited) June 30, 2019 Rupees
13 CREDITORS, ACCRUED AND OTHER LIABILITIES			
Provision for Sindh Workers' Welfare Fund	13.1	642,163	308,304
Sundry creditors		484,051	-
Adjustable against Diminishing Musharaka	13.2	3,075,000	3,550,000
Diminishing Musharaka customer contribution		9,700	1,187,700
Accrued expenses		333,019	110,638
Maintenance service charges payable		1,357,267	674,501
Residual Value received in advance		879,548	514,421
Other liabilities		454,673	624,083
Audit fee payable		277,236	335,200
		<u>7,512,657</u>	<u>7,304,847</u>

13.1 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 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 period, the Modaraba received a notice vide letter no. SRB /AC-37/2019-20/63, 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) and, the Honorable SHC has restrained the SRB from levy of WWF under the SWWF Act. However, the management has recognized the provision in respect of SWWF on daily basis with effect from the date of enactment of the SWWF Act, 2014 (i.e. starting from May 21, 2015) considering it as prudent.

13.2 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.

NOTES TO THE CONDENSED INTERIM FINANCIAL INFORMATION

For the period ended December 31, 2019

14 CONTINGENCIES AND COMMITMENTS

14.1 Contingencies

There were no contingencies as at December 31, 2019 (June 30, 2019: nil).

14.2 Commitments

Commitments in respect of financing transactions amounted to Rs. nil as at December 31, 2019 (June 30, 2019: Rs. 13.037 million).

15 MODARABA MANAGEMENT COMPANY'S FEE

As per section 18 of Modaraba Companies and Modaraba (Floatation and Control) Ordinance, 1980, the remuneration of the Modaraba Management Company in respect of the Modaraba floated by it shall be a fixed percentage of the net annual profits of the Modaraba and shall not exceed ten percentage of the net profits as prescribed.

In accordance with the Modaraba Companies and Modaraba Rules, 1981, the Modaraba Management Company has not charged any management fee. (2018: Nil)

16 TAXATION

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 90% of its profits after appropriation to statutory reserves as required under Modaraba Regulations is distributed to the certificate holders. The Modaraba has decided to continue availing the tax exemption and hence no provision has been made in this condensed interim financial information for tax liabilities for the period.

(Un-audited) December 31, 2019 Rupees	(Un-audited) December 31, 2018 Rupees
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17 EARNINGS PER CERTIFICATE - BASIC AND DILUTED

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

Profit for the period	16,359,064	1,526,408
Weighted average number of certificates outstanding	30,000,000	30,000,000
Earnings per certificate - Basic and diluted (Rupees)	<u>0.55</u>	<u>0.05</u>

There were no convertible dilutive potential ordinary certificates outstanding as on December 31, 2018 which have dilutive effect on earnings per certificate.

18 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.

NOTES TO THE CONDENSED INTERIM FINANCIAL INFORMATION

For the period ended December 31, 2019

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

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

The carrying values of all financial assets and liabilities reflected in the financial statements are reasonable approximation to their fair values. Fair value is determined on the basis of the objective evidence at each required date. The following table compares the carrying amounts and fair values of the Modaraba's financial assets and financial liabilities as at December 31, 2019.

	(Un-audited)		(Audited)	
	As at December 31, 2019		As at June 30, 2019	
	Carrying amount	Fair value	Carrying amount	Fair value
-----Rupees-----				
Financial assets				
At amortised cost				
Diminishing musharaka financing	134,907,854	134,907,854	131,053,719	131,053,719
Current portion of diminishing musharaka financing	52,144,171	52,144,171	36,963,869	36,963,869
Advances and other receivables	1,122,164	1,122,164	-	-
Accrued profit	1,467,412	1,467,412	1,010,497	1,010,497
Short term investments	75,000,000	75,000,000	70,000,000	70,000,000
Cash and bank balances	38,762,559	38,762,559	32,275,791	32,275,791
Financial liabilities				
At amortised cost				
Creditors, accrued and other liabilities	7,512,657	7,512,657	7,304,847	7,304,847
Dividend payable	24,664	24,664	6,567	6,567

18.1 Fair value hierarchy

"The level in the fair value hierarchy within which the financial asset or financial liability is categorised is determined on the basis of the lowest level input that is significant to the fair value measurement.

Financial assets and financial liabilities are classified in their entirety into only one of the three levels.

- Level 1:** quoted prices (unadjusted) in active markets for identical assets or liabilities.
- Level 2:** inputs other than quoted prices included within Level 1 that are observable for the asset or liability, either directly (i.e. as prices) or indirectly (i.e. derived from prices).
- Level 3:** inputs for the asset or liability that are not based on observable market data (unobservable inputs).

As at December 31, 2019, no financial instruments of the Modaraba are carried at fair value.

NOTES TO THE CONDENSED INTERIM FINANCIAL INFORMATION

For the period ended December 31, 2019

Transfers during the period

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.

19 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.

A number of transactions are entered into with related parties in the normal course of business. These include financings, investments and sharing of common expenses.

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

Relationship with the Modaraba	Nature of transactions / Balances	(Un-audited) December 31, 2019 Rupees	(Un-audited) December 31, 2018 Rupees
Holding Company of the Management Company			
Habib Metropolitan Bank Limited	Profit on Modaraba's deposit account and Islamic term deposit certificates	3,137,938	2,414,372
	Investments purchased	50,000,000	75,000,000
	Investments matured	50,000,000	75,000,000
	Dividend payment	4,950,000	1,800,000
	Payment of Electricity, Building security and generator service	213,982	1,006,964
	Financial charges	94,071	127,028
Management Company			
Habib Metropolitan Modaraba Management Company (Private) Limited	Management fee	-	-
Habib Metropolitan Modaraba Management Company (Private) Limited	Dividend payment	701,250	300,000
Associate Company			
Habib Management (Private) Limited	Dividend payment	-	567,774

NOTES TO THE CONDENSED INTERIM FINANCIAL INFORMATION

For the period ended December 31, 2019

	(Un-audited) December 31, 2019 Rupees	(Audited) June 30, 2019 Rupees
19.1 Period end balances		
Holding Company of the Management Company		
Habib Metropolitan Bank Limited	Bank balances	5,284,166
	Short term investments	25,000,000
	Accrued profit on bank accounts and Islamic term deposit certificates	
	646,128	585,761
	Prepaid expenses	213,483
	-	

19.2 Group shared services

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

	(Un-audited) December 31, 2019 Rupees	(Audited) June 30, 2019 Rupees
20 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(l) of Chapter VIII of Public Offering Regulations, 2017. The Modaraba has utilized the proceeds from initial public offering as follows:

Proceeds realized	300,000,000	300,000,000
Purchase of property, plant and equipment	6,414,955	6,238,455
Purchase of intangible assets	344,565	344,565
Preliminary expenses and floatation cost paid	12,422,100	12,422,100
Vehicles available for diminishing musharaka financing	200,393,688	200,393,688
Held for working capital, additional assets, investments etc.	80,424,692	80,601,192
	300,000,000	300,000,000

NOTES TO THE CONDENSED INTERIM FINANCIAL INFORMATION

For the period ended December 31, 2019

	(Un-audited) December 31, 2019 Rupees	(Audited) June 30, 2019 Rupees
21 CASH GENERATED FROM OPERATIONS		
Profit before taxation	16,359,064	1,526,408
Adjustment of non-cash and other items:		
Depreciation	608,515	539,999
Amortisation	57,428	57,427
Amortization of preliminary expenses and floatation costs	1,322,724	1,322,722
Financial charges	94,071	127,028
Profit on Islamic certificates	(1,370,205)	(2,112,876)
Profit on Modaraba's deposit account	(5,680,354)	(301,496)
Movement in working capital	21.1 (15,681,038)	(15,715,390)
	<u>(4,289,795)</u>	<u>(14,556,178)</u>

	(Un-audited) December 31, 2019 Rupees	(Un-audited) December 31, 2018 Rupees
21.1 Movement in working capital		
Increase in current assets:		
Current portion of diminishing musharaka financing	(15,180,302)	(18,816,878)
Short term prepayments and other receivables	(708,546)	(1,274,569)
Increase in current liabilities:		
Creditors, accrued and other liabilities	207,810	4,376,057
	<u>(15,681,038)</u>	<u>(15,715,390)</u>

22 DATE OF AUTHORIZATION FOR ISSUE

This condensed interim financial information was authorized for issue on 26 February, 2020 by the Board of Directors of the Habib Metropolitan Modaraba Management Company (Private) Limited.

23 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.

24 NUMBER OF EMPLOYEES

The number of employees as at period end was 9 (2018: 8) and average number of employees during the period was 9 (2018: 8).

25 GENERAL

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

CHIEF FINANCIAL OFFICER

CHIEF EXECUTIVE

DIRECTOR

DIRECTOR