

Habib Metro Modaraba

(An Islamic Financial Institution)



**Half Yearly Accounts 2018-19
(UNAUDITED)**

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CORPORATE INFORMATION

BOARD OF DIRECTORS

Mr. Wazir Mumtaz Ahmed	- Chairman
Mr. Muhammad Shoaib Ibrahim	- Chief Executive Officer
Mr. Syed Rasheed Akhtar	- Non-Executive Independent Director
Mr. Mohammad Shams Izhar	- Non-Executive Director

LEGAL ADVISOR

Mohsin Tayebaly & Company

AUDIT COMMITTEE

Mr. Syed Rasheed Akhtar	- Chairman
Mr. Wazir Mumtaz Ahmed	- Member
Mr. Mohammad Shams Izhar	- Member
Mr. Shakeel Ahmed	- Secretary

HUMAN RESOURCE COMMITTEE

Mr. Syed Rasheed Akhtar	- Chairman
Mr. Wazir Mumtaz Ahmed	- Member
Mr. Mohammad Shams Izhar	- Member
Mr. Tehsin Abbas	- Secretary

COMPANY SECRETARY

Mr. Muhammad Mustafa

REGISTRAR

Central Depository Company of Pakistan 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

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 unaudited accounts of the Habib Metro Modaraba for the six months ended December 31, 2018, duly reviewed by the external auditors in compliance of the Code of Corporate Governance.

We have completed our first half of current financial year and depicted satisfactory position in overall business volume and profitability. Modaraba has reached to financing assets size of around Rs.112.0 million. Disbursement in residual value car financing is gradually picking up and Modaraba has made profit of Rs.1.526 million as compared to loss of Rs.0.481 million in last quarter. Recently pace of financing has been slow down due to sudden increase of lending rates of around four percent including surge in value of motor cars due to weakening of Pak rupees. Our marketing team is continuously exploring new customer segment for enhancement in financing assets in prudent manner.

In first half of current year the economy of Pakistan remain in difficult time. The country witnessed 3rd consecutive democratic transitions in smooth manner. The new government faces tough economic challenges towards reviving of current state of economic affairs particularly current account and trade deficit, weakening of Pak rupee and low exports. The government borrowing reached to a historic high. The present government inherited much higher external deficit and it is continuously pressurizing for higher financing needs. Low foreign currency reserve has created difficulties to government to finance the balance of payments deficit and forcing roll over external debt. The potential financial assistance from friendly countries has supported partially to address external balance of payment issue. In order to meet the large external gaps the government is planning to seek assistance under a new IMF program for long term support.

According to economic statistics of last month, the sign of stability of economy has been witnessed to some extent. In January, 2019, the large current account deficit slightly narrowed down and weakening of the rupee has slowed substantially. A marginal increase in exports and a healthy growth in remittances also noticed which has helped to contain the current account deficit. Recent mini budget announced by government will also support for revival of economy through few fiscal incentives and structural changes on long term basis.

We expect that economy and businesses will remain in struggle phase till the end of current fiscal year due to high lending rate, weak Pak rupee and growing inflation. However, we are hopeful that by the end of current accounting year, we will be able to add quality financing assets both in residual value car financing and solar power equipment.

The Board would like to express its 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 & business and Certificate holders who have remained committed to HMM. The Board also appreciates 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 Rashid Akhtar
Director

Muhammad Shoaib Ibrahim
Chief Executive Officer

Karachi: February 25, 2019

ڈائریکٹر کی رپورٹ

یہ میرے لئے بہت خوشی کا باعث ہے کہ میں بورڈ آف ڈائریکٹرز کی جانب سے حبیب میٹرو مضاربہ کی ۳۱ دسمبر ۲۰۱۸ کو ختم ہونے والی ششماہی مدت کی غیر مختص شدہ کھاتے پیش کروں جو کہ باضابطہ طور پر ایکسٹرنل آڈیٹرز سے ریویو کر کر بنائی گئی ہے تاکہ کوڈ آف کارپوریٹ گورنس پر عمل ہو سکے۔

ہم نے موجودہ مالی سال کا نصف حصہ مجموعی طور پر کاروباری حجم میں اضافے اور منافع کے ساتھ مکمل کیا۔ مضاربہ نے اپنی فعال حکمت عملی کو اپناتے ہوئے اپنے مالی اثاثوں میں اضافہ کیا۔ مضاربہ نے اپنے معاشی حجم کو تقریباً ۱۱۲ ملین روپے تک پہنچا دیا ہے۔ بقایا قیمت (Residual Value) کارفنانسنگ کی ادائیگیوں نے بھی رفتار پکڑ لی ہے اور مضاربہ نے ۵۲۶ ملین روپے کا منافع کمایا جو کہ آخری سہ ماہی میں ۴۸۱ ملین روپے نقصان میں تھا۔ ابھی سرمایہ کاری کی رفتار زرد بھی ہے اور اس کی وجہ قرضے کی شرح میں اضافہ ہے جو کہ تقریباً چار فیصد ہے اور گاڑیوں کی بڑھتی قیمت کیونکہ روپے کی قدر میں کافی کمی واقع ہوئی ہے۔ ہمارا مارکیٹنگ کا عملہ پرجوش طریقے سے نئے کسٹمرز کو تلاش کر رہا ہے تاکہ معاشی اثاثوں کو بڑھایا جاسکے۔

موجودہ مالی سال کے نصف میں پاکستان کی معیشت ابھی بھی مشکلات میں ہے۔ یہ ملک تسلسل کے ساتھ تین دفعہ جمہوری ادوار سے گزر چکا ہے۔ نئی حکومت کو کرنٹ اکاؤنٹ اور ٹریڈ کا خسارہ، پاکستانی روپے کی گرتی ہوئی قدر اور برآمدات کی کمی کی وجہ سے شدید معاشی چیلنجز کا سامنا ہے۔ حکومتی قرضے تاریخ کی بلند سطح پر پہنچ چکے ہیں۔ موجودہ حکومت کو وراثت میں بہت بڑا بیرونی خسارہ ملا ہے اور مالیاتی ضروریات کو پورا کرنے کیلئے اس پر مسلسل دباؤ بڑھتا جا رہا ہے۔ فارن کرنسی ریزروز کی کمی کی وجہ سے حکومت کو بیرونی ادائیگیوں میں مشکلات کا سامنا ہے جو کہ پوری معیشت پر اثر انداز ہو رہی ہے۔ دوست ممالک کی طرف سے ممکنہ مالی امداد کی وجہ سے جزوی طور پر اس مسئلہ پر قابو پایا گیا ہے۔ اس بڑے بیرونی فرق کو ختم کرنے کیلئے حکومت نے IMF پروگرام کے تحت مدد لینے پر غور کر رہی ہے تاکہ اس مسئلے سے طویل مدت تک کیلئے چھکارہ پایا جاسکے۔

موجودہ اعداد و شمار کے مطابق معیشت میں کچھ بڑھوتری اور متوازن ہوئی ہے۔ جنوری ۲۰۱۹ میں کرنٹ اکاؤنٹ کے بڑے خسارے کو تھوڑا سا کم کیا گیا اور روپے کی تیزی سے گرتی ہوئی قدر میں بھی کمی آئی ہے۔ برآمدات کے حجم میں خاطر خواہ اضافہ اور ترسیلات کی مد میں صحت مندانہ اضافہ دیکھا گیا جس کی وجہ سے کرنٹ اکاؤنٹ کے خسارے پر قابو پایا گیا۔ حالیہ مئی بجٹ میں حکومت نے معیشت کی بحالی کیلئے کچھ معاشی مراعات اور طویل مدت کیلئے بنیادی ڈھانچے میں کچھ تبدیلیاں کی ہیں۔

ہم یہ توقع رکھتے ہیں کہ اس مالی سال کے اختتام تک معیشت اور کاروباری قرضے کی شرح میں اضافے، پاکستانی روپے کی قدر میں کمی اور بڑھتی ہوئی مہنگائی کے باعث مشکلات کا شکار رہے گی۔ البتہ ہم پر امید ہیں کہ رواں مالی سال کے اختتام پر ہم بقایا قیمت کارفنانسنگ اور شمسی توانائی کے آلات میں معیاری فنانسنگ کے اثاثے شامل کر لیں گے۔

بورڈ سیکورٹیز اینڈ ایکسچینج کمیشن آف پاکستان، رجسٹرڈ مضاربہ کمپنیز کا ان کی وقت فوقتہ قیام رہنمائی اور مسلسل حمایت کا شکریہ اور اظہار ممنونیت کرنا چاہتا ہے اور مضاربہ کے معزز گاہکوں کا ان کی سرپرستی، کاروبار اور حالیہ سرٹیفیکیٹس کا حبیب میٹرو مضاربہ کے ساتھ مخلص رہنے کا۔ بورڈ، ادارے کے رواں آپریشن اور اطمینان بخش نتائج کے حاصل کرنے کے سلسلے میں حبیب میٹرو مضاربہ کے ملازمین کی لگن، اعلیٰ پائے کی پیشہ ورانہ خصوصیات اور سخت جدوجہد کو بھی سراہتا ہے۔

بورڈ آف ڈائریکٹرز کی جانب اور ان کے لیے

سید رشید اختر
ڈائریکٹر

شعیب ابراہیم
چیف ایگزیکٹو آفیسر

فروری ۲۵، ۲۰۱۹

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, 2018 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, 2018 (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, 2018 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, 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 25, 2019

CHARTERED ACCOUNTANTS
Engagement Partner: Raheel Shah Nawaz

CONDENSED INTERIM BALANCE SHEET (UNAUDITED)

As at December 31, 2018

	Note	(Unaudited) December 31, 2018 Rupees	(Audited) June 30, 2018 Rupees
ASSETS			
NON CURRENT ASSETS			
Property and equipment	4	4,486,479	4,806,683
Intangible assets		239,283	296,710
Vehicles available for diminishing musharaka financing	5	78,125,720	-
Advance	6	-	190,321,049
Diminishing musharaka financing	7	89,649,966	8,442,291
Preliminary expenses and floatation costs	8	9,173,917	10,496,639
		181,675,365	214,363,372
CURRENT ASSETS			
Short term investments	9	50,000,000	50,000,000
Current portion of diminishing musharaka financing	7	22,715,080	3,898,202
Advances, short term prepayments and other receivable		1,664,015	389,446
Accrued profit		652,877	1,743,202
Taxation - net		3,839,211	1,069,998
Cash and bank balances	10	47,356,522	33,525,457
		126,227,705	90,626,305
TOTAL ASSETS		307,903,070	304,989,677
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	802,415	802,415
Unappropriated profit		1,736,070	3,209,662
		302,538,485	304,012,077
CURRENT LIABILITIES			
Advance diminishing musharaka installments		102,068	-
Creditors, accrued and other liabilities	13	5,251,589	977,600
Profit distribution payable		10,928	-
TOTAL EQUITY AND LIABILITIES		307,903,070	304,989,677
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The annexed notes from 1 to 26 form an integral part of these financial statements.

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

CHIEF EXECUTIVE

DIRECTOR

DIRECTOR

CHIEF FINANCIAL OFFICER

CONDENSED INTERIM PROFIT AND LOSS ACCOUNT (UNAUDITED)

For the period ended December 31, 2018

		Half year ended December 31, 2018 Rupees	For the period from October 6, 2017 to December 31, 2017 Rupees	Quarter ended December 31, 2018 Rupees	For the period from October 6, 2017 to December 31, 2017 Rupees
INCOME	Note				
Profit on Islamic certificates		2,112,876	3,482,330	989,657	3,482,330
Income from diminishing musharaka financing		2,830,557	-	2,039,048	-
Profit on Modaraba's deposit accounts		301,496	2,677,666	140,394	2,677,666
Other financing income		4,679,000	-	3,974,500	-
Other income		83,355	-	60,775	-
		<u>10,007,284</u>	<u>6,159,996</u>	<u>7,204,374</u>	<u>6,159,996</u>
EXPENSES					
Amortization of preliminary expenses and floatation costs		1,322,722	4,017,556	661,361	4,017,556
Administrative expenses	15	6,999,975	2,036,895	4,518,515	2,036,895
Financial charges		127,028	-	111,530	-
		<u>8,449,725</u>	<u>6,054,451</u>	<u>5,291,406</u>	<u>6,054,451</u>
		<u>1,557,559</u>	<u>105,545</u>	<u>1,912,968</u>	<u>105,545</u>
Modaraba management company's fee	16	-	10,555	-	10,555
Sales tax on Modaraba management company's fee		-	1,372	-	1,372
Provision for Workers' Welfare Fund		31,151	1,872	38,259	1,872
Profit before taxation		<u>1,526,408</u>	<u>91,746</u>	<u>1,874,709</u>	<u>91,746</u>
Taxation	17	-	-	-	-
Profit for the period		<u>1,526,408</u>	<u>91,746</u>	<u>1,874,709</u>	<u>91,746</u>
Earnings per certificate - basic and diluted	18	<u>0.05</u>	<u>0.01</u>	<u>0.06</u>	<u>0.01</u>

The annexed notes from 1 to 26 form an integral part of these financial statements.

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

CHIEF EXECUTIVE

DIRECTOR

DIRECTOR

CHIEF FINANCIAL OFFICER

CONDENSED INTERIM STATEMENT OF COMPREHENSIVE INCOME (UNAUDITED)

For the period ended December 31, 2018

	Half year ended December 31, 2018 Rupees	For the period from October 6, 2017 to December 31, 2017 Rupees	Quarter ended December 31, 2018 Rupees	For the period from October 6, 2017 to December 31, 2017 Rupees
Profit for the period	1,526,408	91,746	1,874,709	91,746
Other comprehensive income	-	-	-	-
Total comprehensive income for the period	<u>1,526,408</u>	<u>91,746</u>	<u>1,874,709</u>	<u>91,746</u>

The annexed notes from 1 to 26 form an integral part of these financial statements.

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

CHIEF EXECUTIVE

DIRECTOR

DIRECTOR

CHIEF FINANCIAL OFFICER

CONDENSED INTERIM CASH FLOW STATEMENT (UNAUDITED)

For the period ended December 31, 2018

		Half year ended December 31, 2018 Rupees	For the period from October 6, 2017 to December 31, 2017 Rupees
	Note		
CASH FLOWS FROM OPERATING ACTIVITIES			
Cash used in operations	22	(17,386,735)	(857,545)
Vehicles available for diminishing musharaka financing Advance		(78,125,720)	-
Diminishing musharaka financing		190,321,049	-
Income tax paid		(81,207,676)	-
Financial charges paid		(2,769,213)	(326,362)
Net cash generated from / (used in) operating activities		(127,028)	-
		<u>10,704,677</u>	<u>(1,183,907)</u>
CASH FLOWS FROM INVESTING ACTIVITIES			
Additions to property and equipment		(219,794)	(5,295,380)
Preliminary expenses and floatation costs		-	(12,422,100)
Investment-net		-	(100,000,000)
Profit received on investments		3,221,678	626,713
Income received on diminishing musharaka financing		2,830,557	-
Profit received on Modaraba's deposits accounts		283,019	2,636,886
Net cash generated from / (used in) investing activities		<u>6,115,460</u>	<u>(114,453,881)</u>
CASH FLOWS FROM FINANCING ACTIVITIES			
Issuance of certificate capital and net cash generated from financing activities		-	300,000,000
Dividend paid		(2,989,072)	-
Net cash (used in) / generated from financing activities		<u>(2,989,072)</u>	<u>300,000,000</u>
Net increase in cash and cash equivalents during the period		<u>13,831,065</u>	<u>184,362,212</u>
Cash and cash equivalent at the beginning of the period		<u>33,525,457</u>	<u>-</u>
Cash and cash equivalent at the end of the period	10	<u>47,356,522</u>	<u>184,362,212</u>

The annexed notes from 1 to 26 form an integral part of these financial statements.

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

CHIEF EXECUTIVE

DIRECTOR

DIRECTOR

CHIEF FINANCIAL OFFICER

CONDENSED INTERIM STATEMENT OF CHANGES IN EQUITY (UNAUDITED)

For the period ended December 31, 2018

	Issued, subscribed and paid-up certificate capital	*Statutory reserve	Unappropriated profit	Total
	-----Rupees-----			
Balance as at October 6, 2017	-	-	-	-
Certificate capital issued during the period	300,000,000	-	-	300,000,000
Profit for the period	-	-	91,746	91,746
Other comprehensive income	-	-	-	-
Total comprehensive income for the period	-	-	91,746	91,746
Balance as at December 31, 2017	300,000,000	-	91,746	300,091,746
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			(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
Transfer to statutory reserve	-	-	-	-
Balance as at December 31, 2018	300,000,000	802,415	1,736,070	302,538,485

*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 26 form an integral part of these financial statements.

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

CHIEF EXECUTIVE

DIRECTOR

DIRECTOR

CHIEF FINANCIAL OFFICER

NOTES TO THE CONDENSED INTERIM FINANCIAL INFORMATION (UNAUDITED)

For the period ended December 31, 2018

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, 2018.

The comparative balance sheet presented in this condensed interim financial information has been extracted from the annual audited financial statements of the Modaraba for the period ended June 30, 2018, whereas the comparative condensed interim income statement, condensed interim statement of comprehensive income, condensed interim statement of cash flows, 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, 2017.

NOTES TO THE CONDENSED INTERIM FINANCIAL INFORMATION (UNAUDITED)

For the period ended December 31, 2018

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 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 comprise of condensed interim balance sheet as at December 31, 2018 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, 2018.

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, 2018.

3.1 Applicability of IFRS 9 - Financial Instruments

On July 24, 2017, the International Accounting Standards Board (IASB) published IFRS 9 'Financial Instruments'. This standard was adopted locally by the Securities and Exchange Commission of Pakistan (SECP) through its S.R.O. 1007(I)/2017 dated October 04, 2017 and became effective for accounting periods beginning on or after July 1, 2018. Subsequent to the balance sheet date, SECP through its S.R.O. 229 (I)/2019 deferred the adoption of this standard and modified the effective date for applicability of this standard as reporting period / year ending on or after June 30, 2019. IFRS 9 sets out requirements for recognizing and measuring financial assets, financial liabilities and some contracts to buy or sell non-financial items. This standard will replace IAS 39 Financial Instruments: Recognition and Measurement.

NOTES TO THE CONDENSED INTERIM FINANCIAL INFORMATION (UNAUDITED)

For the period ended December 31, 2018

4 PROPERTY AND EQUIPMENT

	Leasehold improvements	Furniture and fixtures	Office equipment	Vehicle	Total
	Rupees				
Owned assets					
Net carrying value basis					
Period ended December 31, 2018					
Opening net book value	2,224,774	228,862	691,380	1,661,667	4,806,683
Additions	-	-	169,000	50,794	219,794
Depreciation	(208,571)	(26,288)	(135,445)	(169,694)	(539,998)
Closing net book value	2,016,203	202,574	724,935	1,542,767	4,486,479
Period ended December 31, 2018					
Cost	2,502,870	262,871	1,005,920	2,044,794	5,816,455
Accumulated depreciation	(486,667)	(60,297)	(280,985)	(502,027)	(1,329,976)
Net book value	2,016,203	202,574	724,935	1,542,767	4,486,479
Owned assets					
Net carrying value basis					
Year ended June 30, 2018					
Opening net book value	-	-	-	-	-
Additions	2,502,870	262,871	836,920	1,994,000	5,596,661
Depreciation	(278,096)	(34,009)	(145,540)	(332,333)	(789,978)
Closing net book value	2,224,774	228,862	691,380	1,661,667	4,806,683
Year ended June 30, 2018					
Cost	2,502,870	262,871	836,920	1,994,000	5,596,661
Accumulated depreciation	(278,096)	(34,009)	(145,540)	(332,333)	(789,978)
Net book value	2,224,774	228,862	691,380	1,661,667	4,806,683
Annual rate of depreciation (% per annum)	16.67%	20%	25%	16.67%	

(Unaudited)
December 31,
2018
Rupees

Note

(Audited)
June 30,
2018
Rupees

5 VEHICLES AVAILABLE FOR DIMINISHING MUSHARAKA FINANCING

Vehicles available for diminishing musharaka financing

5.1 78,125,720 -

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.

6 ADVANCES

Advance against booking of vehicles	6.1	-	189,991,795
Advance against road and registration tax		-	329,254
		<u>-</u>	<u>190,321,049</u>

NOTES TO THE CONDENSED INTERIM FINANCIAL INFORMATION (UNAUDITED)

For the period ended December 31, 2018

- 6.1** This included advance paid to Indus Motors Company Limited against booking of vehicles in order to provide residual value car financing on diminishing musharaka basis.

		(Unaudited) December 31, 2018 Rupees	(Audited) June 30, 2018 Rupees
7 DIMINISHING MUSHARAKA FINANCING	Note		
Secured			
Diminishing musharaka financing	7.1	107,812,846	10,401,893
Less: Provision in respect of diminishing musharaka		-	-
		<u>107,812,846</u>	<u>10,401,893</u>
Less: Current portion of diminishing musharaka financing		<u>22,715,080</u>	<u>3,898,202</u>
		<u>85,097,766</u>	<u>6,503,691</u>
Advance against diminishing musharaka financing		<u>4,552,200</u>	<u>1,938,600</u>
		<u>89,649,966</u>	<u>8,442,291</u>

- 7.1** 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.

8 PRELIMINARY EXPENSES AND FLOATATION COSTS

Preliminary expenses and floatation costs	8.1	10,496,639	12,422,100
Amortization during the period		<u>(1,322,722)</u>	<u>(1,925,461)</u>
		<u>9,173,917</u>	<u>10,496,639</u>

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

9 SHORT TERM INVESTMENTS

At amortized cost			
Islamic term deposit certificates	9.1	<u>50,000,000</u>	<u>50,000,000</u>

- 9.1** This represents investments in Habib Islamic Income Certificates issued by Habib Metropolitan Bank Limited, the Holding Company having tenure of six months and carry profit at the rate of 5.50% to 6.75% per annum (June 30, 2018: 5.50% per annum).

NOTES TO THE CONDENSED INTERIM FINANCIAL INFORMATION (UNAUDITED)

For the period ended December 31, 2018

		(Unaudited) December 31, 2018 Rupees	(Audited) June 30, 2018 Rupees
10 CASH AND BANK BALANCES	Note		
Cash in hand		5,000	-
Stamps in hand		23,000	18,000
Cash with banks in:			
PLS savings accounts	10.1	22,292,634	8,492,457
Current accounts		35,888	15,000
Islamic term deposit certificates	10.2	25,000,000	25,000,000
		<u>47,356,522</u>	<u>33,525,457</u>

10.1 These carry profit at rates ranging from 3.84% to 5.47% per annum (June 30, 2018: 3.80% to 3.84% per annum).

10.2 This represents investments in Habib Islamic Income Certificates issued by Habib Metropolitan Bank Limited, the Holding Company having tenure of three months and carry profit at the rates ranging from 5.00% to 6.25% per annum (June 30, 2018: 5.25% per annum).

11 ISSUED, SUBSCRIBED AND PAID-UP CERTIFICATE CAPITAL

Modaraba certificates of Rs. 10 each

<u>Number of certificates</u>			
2018	2017		
30,000,000	30,000,000	Certificates issued as fully paid in cash	<u>300,000,000</u> <u>300,000,000</u>

Habib Metropolitan Modaraba Management Company (Private) Limited (the Management Company) held 3,000,000 (10%) (June 30, 2018: 3,000,000) certificates of Rs. 10 each as at December 31, 2018.

Habib Metropolitan Bank Limited, held 18,000,000 (60%) (June 30, 2018: 18,000,000) certificates of Rs.10 each as at December 31, 2018.

12 RESERVE

Capital reserve		
Statutory reserve	802,415	802,415
Revenue reserve		
Unappropriated profit	<u>1,736,070</u>	<u>3,209,662</u>
	<u>2,538,485</u>	<u>4,012,077</u>

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 (UNAUDITED)

For the period ended December 31, 2018

	(Unaudited) December 31, 2018 Rupees	(Audited) June 30, 2018 Rupees
13 CREDITORS, ACCRUED AND OTHER LIABILITIES		
Provision for Sindh Workers' Welfare Fund	113,030	81,879
Utilities expenses payable	48,000	448,000
Sundry creditors	9,476	64,801
Withholding tax on supplies	-	1,760
Provident fund account	50,400	-
Diminishing musharaka customer contribution	1,874,484	-
Adjustable against musharaka financing contract	2,700,000	-
Other liabilities	262,399	57,160
Audit fee payable	193,800	324,000
	<u>5,251,589</u>	<u>977,600</u>

14 CONTINGENCIES AND COMMITMENTS

14.1 Contingencies

There were no contingencies as at December 31, 2018 (June 30, 2018: nil).

14.2 Commitments

Commitments in respect of financing transactions amounted to Rs. 7.157 million as at December 31, 2018 (June 30, 2018: Rs. 23.41 million).

	Note	(Unaudited) December 31, 2018 Rupees	(Unaudited) December 31, 2017 Rupees
15 ADMINISTRATIVE EXPENSES			
Salaries, allowances and other benefits		3,142,646	1,152,400
Repairs and maintenance		242,689	-
Legal and professional charges		724,446	-
Fees and subscription		252,313	-
Printing and stationery		334,541	39,748
Utilities expenses		450,975	300,000
Takaful premium		129,510	-
Depreciation		539,999	257,478
Amortisation		57,427	-
Auditor's remuneration	15.1	294,400	162,000
Others		831,029	125,269
		<u>6,999,975</u>	<u>2,036,895</u>

NOTES TO THE CONDENSED INTERIM FINANCIAL INFORMATION (UNAUDITED)

For the period ended December 31, 2018

	(Unaudited) December 31, 2018 Rupees	(Unaudited) December 31, 2017 Rupees
15.1 Auditor's remuneration		
Half yearly review fee	110,000	100,000
Special reports, certification and sundry advisor services	147,655	50,000
Sales tax	21,745	12,000
Out of pocket	15,000	-
	<u>294,400</u>	<u>162,000</u>

16 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.

17 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 this condensed interim financial information for tax liabilities for the period.

	(Unaudited) December 31, 2018 Rupees	(Unaudited) December 31, 2017 Rupees
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18 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	1,526,408	91,746
Weighted average number of certificates outstanding	30,000,000	30,000,000
Earnings per certificate - Basic and diluted (Rupees)	<u>0.05</u>	<u>0.01</u>

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

NOTES TO THE CONDENSED INTERIM FINANCIAL INFORMATION (UNAUDITED)

For the period ended December 31, 2018

19 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 December 31, 2018.

	(Unaudited) As at December 31, 2018		(Audited) As at June 30, 2018	
	Carrying amount	Fair value	Carrying amount	Fair value
	-----Rupees-----		-----Rupees-----	
Financial assets				
At amortised cost				
Diminishing musharaka financing	89,649,966	89,649,966	8,442,291	8,442,291
Current portion of diminishing musharaka financing	22,715,080	22,715,080	3,898,202	3,898,202
Advance	-	-	329,254	329,254
Advances and other receivables	914,186	914,186	272,258	272,258
Accrued profit	652,877	652,877	1,743,202	1,743,202
Short term investments	50,000,000	50,000,000	50,000,000	50,000,000
Cash and bank balances	47,356,522	47,356,522	33,525,457	33,525,457
Financial liabilities				
At amortised cost				
Creditors, accrued and other liabilities	677,105	677,105	977,600	977,600

NOTES TO THE CONDENSED INTERIM FINANCIAL INFORMATION (UNAUDITED)

For the period ended December 31, 2018

19.1 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, 2018, no financial instruments of the Modaraba are carried at fair value.

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.

20 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:

NOTES TO THE CONDENSED INTERIM FINANCIAL INFORMATION (UNAUDITED)

For the period ended December 31, 2018

Relationship with the Modaraba	Nature of transactions / Balances	(Un-audited) December 31, 2018 Rupees	(Un-audited) December 31, 2017 Rupees
Holding Company of the Management Company			
Habib Metropolitan Bank Limited	Profit on Modaraba's deposit account and Islamic term deposit certificates	2,414,372	6,159,996
	Investments purchased	75,000,000	425,000,000
	Investments matured	75,000,000	150,000,000
	Reimbursement of preliminary expenses and floatation costs	-	10,433,800
	Dividend payment	1,800,000	-
	Payment of Electricity, Building security and generator service	1,006,964	-
Management Company			
Habib Metropolitan Modaraba Management Company (Private) Limited	Management fee	-	10,555
Habib Metropolitan Modaraba Management Company (Private) Limited	Dividend payment	300,000	-
Associate Company			
Habib Management (Private) Limited	Dividend payment	567,774	-

20.1 Period end balances

Holding Company of the Management Company			
Habib Metropolitan Bank Limited	Bank balances	22,314,768	8,507,457
	Short term investments	75,000,000	75,000,000
	Accrued profit on bank accounts and Islamic term deposit certificates	652,877	1,743,202
Modaraba Management Company			
Habib Metropolitan Modaraba Management Company (Private) Limited	Sundry creditors	-	64,801
Habib Metropolitan Modaraba Management Company (Private) Limited	Management fee	-	-

NOTES TO THE CONDENSED INTERIM FINANCIAL INFORMATION (UNAUDITED)

For the period ended December 31, 2018

20.2 Group shared services

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

		(Unaudited) December 31, 2018 Rupees	(Audited) June 30, 2017 Rupees
21 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, plant and equipment		5,816,455	5,596,661
Purchase of intangible assets		344,566	344,566
Preliminary expenses and floatation cost paid		12,422,100	12,422,100
Advances		-	190,321,049
Diminishing musharaka financing and vehicles available there against		190,490,766	12,340,493
Held for working capital, additional assets, investments etc.		<u>90,926,113</u>	<u>78,975,131</u>
		<u>300,000,000</u>	<u>300,000,000</u>
22 CASH GENERATED FROM OPERATIONS			
	Note	(Unaudited) December 31, 2018 Rupees	(Unaudited) December 31, 2017 Rupees
Profit before taxation		1,526,408	91,746
Adjustment of non-cash and other items:			
Depreciation		539,999	257,478
Amortisation		57,427	-
Amortization of preliminary expenses and floatation costs		1,322,722	4,017,556
Financial charges		127,028	-
Profit on Islamic certificates		(2,112,876)	(3,482,330)
Income from diminishing musharaka financing		(2,830,557)	-
Profit on Modaraba's deposit account		(301,496)	(2,677,666)
Movement in working capital	22.1	<u>(15,715,390)</u>	<u>935,671</u>
		<u>(17,386,735)</u>	<u>(857,545)</u>

NOTES TO THE CONDENSED INTERIM FINANCIAL INFORMATION (UNAUDITED)

For the period ended December 31, 2018

	(Unaudited) December 31, 2018 Rupees	(Unaudited) December 31, 2017 Rupees
22.1 Movement in working capital		
(Increase) in current assets:		
Current portion of diminishing musharaka financing	(18,816,878)	-
Diminishing musharaka installment receivable		-
Advances and short term prepayments	(1,274,569)	-
Increase in current liabilities:		
Advance diminishing musharaka installments	102,068	-
Creditors, accrued and other liabilities	4,273,989	935,671
	<u>(15,715,390)</u>	<u>935,671</u>

23 DATE OF AUTHORIZATION FOR ISSUE

This condensed interim financial information was authorized for issue on February 25, 2019 by the Board of Directors of the Habib Metropolitan Modaraba Management Company (Private) Limited.

24 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.

25 NUMBER OF EMPLOYEES

The number of employees as at period end was 8 (2017: 4) and average number of employees during the period was 8 (2017: 4).

26 GENERAL

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

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

CHIEF EXECUTIVE

DIRECTOR

DIRECTOR

CHIEF FINANCIAL OFFICER

HABIBMETRO
Modaraba Management