

Habib Metro Modaraba

(An Islamic Financial Institution)



**Half Yearly Accounts
For the period ended
December 31, 2020
(Un-audited)**

HABIBMETRO
Modaraba Management

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Corporate Information

MODARABA MANAGEMENT COMPANY

Habib Metropolitan Modaraba Management Company (Private) Limited

BOARD OF DIRECTORS

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

LEGAL ADVISOR

Mohsin Tayebaly & Company

SHARIAH ADVISOR

Alhamd Shariah Advisory Services (Private Limited)

AUDIT COMMITTEE

Mr. Saeed Uddin Khan	- Chairman
Syed Rasheed Akhtar	- Member
Mr. Mohammad Shams Izhar	- Member
Mr. Anas Majid	- Secretary

AUDITOR

BDO Ebrahim & Co.
Chartered Accountants

HUMAN RESOURCE COMMITTEE

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

BANKERS

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

COMPANY SECRETARY

Mr. Tehsin Abbas (Officiating Company Secretary)

REGISTERED OFFICE

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

REGISTRAR

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

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 Dec 31, 2020.

By the Grace of Almighty Allah, Habib Metro Modaraba has completed its half year and during the half year, we had made disbursement of Rs.63.821 million as compared to disbursement of Rs. 40.739 million for the previous corresponding period, increased by around 56%. The total financing portfolio reached to Rs.208.466 million from Rs. 187.052 million as compared to the corresponding period of last year. However, due to low policy and lending rates, the profitability of first half could not have maintained and reduced as compared corresponding period of last year.

On the economic front, presently overall economic activities have been largely restored to pre-COVID levels. Despite off tough economic conditions due to pandemic, policy intervention and swift deployment of constructive measures have helped in restoring the normal functioning of the economy. The uptrend indicates a promising growth ahead in all major sectors like agriculture, industries and services. High numbers of foreign remittances, improved exports earning, slight gain of Pak rupees against US dollars and stability in policy rate of State Bank of Pakistan, altogether have restored investors' confidence and supported well for better business environment. The initiative of SBP for facilitation of Non-Resident Pakistan (NRP) to open Roshan Digital Account (RDA) for conventional and Islamic banking has made encouraging development. So far foreign exchange inflows through RDA is promising and reflecting growing confidence in the SBP's initiative.

As per SBP's report on first quarter, it is expected that keeping in view of positive trend in major economic indicators, country will have their GDP growth rate between 2.0% to 2.50% against negative growth rate of last year. However, due to accelerated growth, the gap between imports and exports is again widening. This is mainly due to increase in imports to support industrial and agriculture activities which are supporting to expand overall economic activities within the country. It is also expected that trade deficit may remain higher side in coming months in the wake of opening of local and global economies particularly imports in machineries and food commodities. Imports of machinery are gradually picking up due to support of concessionary loans for setting up new industrial projects and expansion of existing ones under the Temporary Economic Refinance Facility (TERF) by State Bank of Pakistan.

Going forward it is expected that economic activities will remain in positive directions due to economic supportive policies of government and overall high business sentiments. Our auto financing product of Residual Value is gradually penetrating within the consumer market due to its new concept. However, acceptance of new product within consumer segment is encouraging. Since the beginning of CY 2021, the demand of auto financing is increasing and we are hopeful that we will also be able to increase auto financing book size in coming months and optimistic for satisfactory performance in current half till close of financial year of June, 2021. However, better performance and optimistic view are solely depending on Pandemic within the country since so far the issue of deadly virus has not been completely settled.

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 and 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.

Muhammad Shoaib Ibrahim
Chief Executive Officer

Syed Rasheed Akhtar
Director

Karachi: 23rd February, 2021

یہ ہمارے لئے باعثِ مسرت ہے کہ ہم بورڈ آف ڈائریکٹر کی جانب سے ۳۱ دسمبر، ۲۰۲۰ کو ختم ہونے والی ششماہی مدت کے اختتام پر مضاربہ کی غیر محتسب شدہ کھاتے پیش کریں۔

اللہ تبارک تعالیٰ کی مہربانی سے، حبیب میٹرو مضاربہ نے نصف ششماہی کو مکمل کیا، اس نصف مدت کے دوران ہم نے ۲۳.۸۲۱ ملین روپے کی ادائیگیاں کی جو کہ پچھلے سال اسی مدت کے دوران ۳۹.۷۳۹ ملین روپے تھی، جو کہ ۵۶ فیصد زیادہ ہے۔ کل فنانسنگ پورٹ فولیو ۲۰۸.۴۶۶ ملین روپے تک پہنچ چکی ہے جو کہ پچھلے سال ۱۸۷.۰۵۲ ملین روپے تھی۔ تاہم، پالیسی اور قرض کی شرح میں کمی کے باعث، ہمیں پچھلے سال کے مقابلے میں اس مدت کا منافع کم ہوا اور ہم پہلی مدت کا منافع برقرار نہیں رکھ سکے۔

اس وقت، تمام معاشی سرگرمیاں بڑے پیمانے پر کوویڈ سے پہلے کی سطح پر بحال ہو چکی ہیں۔ اس وبائی مرض کی وجہ سے مشکل معاشی حالات کو، پالیسی میں مداخلت اور مثبت تعمیری اقدامات کی وجہ سے معمول کی معاشی سرگرمیاں بحال کرنے میں مدد ملی۔ یہ چلتا ہوا سلسلہ تمام شعبوں جیسے کہ زراعت، صنعتوں اور خدمات میں اچھی ترقی کی نشاندہی کر رہا ہے۔ بڑی تعداد میں غیر ملکی ترسیلات، برآمدات میں بہتری، امریکی ڈالر کے مقابلے میں پاکستانی روپے کا معمولی سا اضافہ اور اسٹیٹ بینک آف پاکستان کے پالیسی ریٹ میں استحکام نے مجموعی طور پر سرمایہ کاروں کا اعتماد بحال کیا ہے اور بہتر کاروباری ماحول کیلئے ان کی حمایت کی ہے۔ اسٹیٹ بینک آف پاکستان نے غیر رہائشی پاکستانی (این آر پی) کو اسلامک اور کنوینشنل بینکاری کیلئے روشن ڈیجیٹل اکاؤنٹ کھولنے کا حوصلہ افزاء سہولت فراہم کیا ہے، اب تک آر ڈی اے کے ذریعہ زر مبادلہ کی آمد بہترین رہی ہے جو کہ اسٹیٹ بینک آف پاکستان کے اقدامات پر اعتماد کی عکاسی کر رہا ہے۔

پہلی سہ ماہی پر اسٹیٹ بینک کی رپورٹ کے مطابق، یہ توقع کی جاتی ہے کہ بڑے معاشی اشاریوں میں مثبت رجحان کو مد نظر رکھتے ہوئے، ملک میں پچھلے سال کی منفی شرح نمو کے مقابلے میں شرح نمو ۲.۵۰ فیصد سے ۲.۵۰ فیصد کے درمیان ہوگی۔ تاہم، تیز رفتار نمو / بڑھوتری کی وجہ سے درآمدات اور برآمدات کے درمیان خلیج پھر سے وسیع ہوتی جا رہی ہے۔ اس کی بنیادی وجہ صنعتی اور زرعی سرگرمیوں کی مدد کیلئے درآمدات میں اضافہ ہے جو ملک کے اندر معاشی سرگرمیوں کو بڑھانے کیلئے مددگار ثابت ہوگی۔ یہ بھی توقع کی جا رہی ہے کہ مقامی اور عالمی معیشتوں خاص طور پر مشینریوں اور اشیائے خورد و نوش میں درآمدات کے آغاز کے بعد آنے والے مہینوں میں تجارتی خسارہ زیادہ ہی رہے گا۔ اسٹیٹ بینک آف پاکستان کے ذریعہ عارضی معاشی ری فنانسنگ سہولت (ٹی ای آر ایف) کے تحت نئے صنعتی منصوبوں کے قیام کیلئے مراعات والے قرضوں کی حمایت اور موجودہ قرضوں کی توسیع کی وجہ سے مشینری کی درآمدات آہستہ آہستہ بڑھ رہی ہیں۔

آگے بڑھتے ہوئے اس بات کی امید ہے کہ حکومت کی معاشی مددگار پالیسیاں اور مجموعی طور پر اعلیٰ کاروباری حوصلے کی وجہ سے معاشی سرگرمیاں مثبت سمتوں میں رہیں گی۔ ہمارا ریز دیل ویلیو آٹو فنانسنگ پروڈکٹ آہستہ آہستہ اپنے نئے خیال / سوچ کی وجہ سے کنزیومر مارکیٹ میں اپنی جگہ بنا رہا ہے۔ تاہم، نئے پروڈکٹ کی کنزیومر سیگمنٹ میں قبولیت حوصلہ افزاء ہے۔ موجودہ مالی سال ۲۰۲۱ کے آغاز پر، آٹو فنانسنگ کی ڈیمانڈ بڑھ رہی ہے اور ہم اُمید کرتے ہیں کہ آنے والے مہینوں میں فنانسنگ بک سائز بڑھانے کے قابل ہونے اور بلکہ جون ۲۰۲۱ کو ختم ہونے والے مالی سال تک حوصلہ مند اور اطمینان بخش کارکردگی برقرار رکھیں گے۔ تاہم، بہتر کارکردگی کی اُمید ملک میں وبائی مرض کے مکمل تصفیہ تک ہے کیونکہ یہ مہلک وائرس ابھی مکمل طور پر ختم نہیں ہوا ہے۔

بورڈ آف ڈائریکٹرز کی طرف سے ہم سیکیورٹیز اینڈ ایکسچینج کمیشن آف پاکستان کا اور رجسٹرار مضاربہ کے بہت ہی مشکور ہیں جنہوں نے ہماری مسلسل رہنمائی اور سرپرستی کی، اپنے قابلِ قدر کسٹمرز کا، اپنے سرٹیفیکیٹ ہولڈرز کا کہ انہوں نے ہم پر بھروسہ کیا اور حبیب میٹرو 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 کے لئے اور اُن کی جانب سے

سید رشید اختر
ڈائریکٹر

محمد شعیب ابراہیم
چیف ایگزیکٹو آفیسر

کراچی۔ فروری ۲۰۲۱، ۲۳

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, 2020 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, 2020 (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, 2020 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, 2020 and December, 31 2019 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.

Chartered Accountants
Karachi
Date: 23 February 2021

Chartered Accountants
Engagement Partner: Zulfikar Ali Causer

Condensed Interim Balance Sheet

As at December 31, 2020

	Note	(Un-audited) December 31, 2020 Rupees	(Audited) June 30, 2020 Rupees
ASSETS			
NON CURRENT ASSETS			
Property and equipment	4	2,740,681	3,323,134
Intangible assets		9,575	67,002
Vehicles available for diminishing musharaka financing	5	25,905,000	-
Diminishing musharaka financing	6	122,126,641	130,453,082
Preliminary expenses and floatation costs	7	3,927,964	5,250,688
		<u>154,709,861</u>	<u>139,093,906</u>
CURRENT ASSETS			
Short term investments	8	80,000,000	100,000,000
Current portion of diminishing musharaka financing	6	86,339,430	64,758,281
Short term prepayments and other receivables		1,344,104	1,251,172
Accrued profit		441,350	760,667
Income tax refundable	9	5,568,791	5,530,605
Cash and bank balances	10	5,980,066	34,522,609
		<u>179,673,741</u>	<u>206,823,334</u>
TOTAL ASSETS		<u>334,383,602</u>	<u>345,917,240</u>
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		8,624,156	8,624,156
Unappropriated profit	12	9,930,711	23,246,627
		<u>318,554,867</u>	<u>331,870,783</u>
CURRENT LIABILITIES			
Creditors, accrued and other liabilities	13	15,714,706	14,024,481
Unclaimed profit distribution		114,029	21,976
TOTAL EQUITY AND LIABILITIES		<u>334,383,602</u>	<u>345,917,240</u>
CONTINGENCIES AND COMMITMENTS	14		

The annexed notes from 1 to 26 form an integral part of this condensed interim financial information.

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

CHIEF EXECUTIVE

DIRECTOR

DIRECTOR

CHIEF FINANCIAL OFFICER

Condensed Interim Profit And Loss Account (Un-audited)

For the period ended December 31, 2020

		Half year ended December 31, 2020 Rupees	Half year ended December 31, 2019 Rupees	Quarter ended December 31, 2020 Rupees	December 31, 2019 Rupees
	Note				
INCOME					
Profit on Islamic certificates		-	1,370,205	-	740,411
Income from diminishing musharaka financing		13,046,102	15,551,635	6,717,442	7,997,177
Profit on Modaraba's deposit accounts		871,260	1,767,650	286,847	610,822
Profit on Islamic Term Deposit Receipts (TDR)		2,912,006	3,912,704	1,329,429	2,412,610
Other financing income		80,000	3,308,600	80,000	1,665,600
Other income		771,595	148,680	252,303	146,767
		<u>17,680,963</u>	<u>26,059,474</u>	<u>8,666,021</u>	<u>13,573,387</u>
EXPENSES					
Amortization of preliminary expenses and floatation costs	7	1,322,724	1,322,724	661,363	661,362
Administrative expenses		7,435,198	7,949,756	3,962,812	4,010,977
Financial charges		83,242	94,071	61,033	67,671
		<u>8,841,164</u>	<u>9,366,551</u>	<u>4,685,208</u>	<u>4,740,010</u>
		8,839,799	16,692,923	3,980,813	8,833,377
Modaraba management company's fee	15	883,980	-	398,081	-
Sales tax on Modaraba management company's fee		114,917	-	51,751	-
Provision for Workers' Welfare Fund		156,818	333,859	63,184	175,785
Profit before taxation		<u>7,684,084</u>	<u>16,359,064</u>	<u>3,467,797</u>	<u>8,657,592</u>
Taxation	16	-	-	-	-
Profit for the period		<u>7,684,084</u>	<u>16,359,064</u>	<u>3,467,797</u>	<u>8,657,592</u>
Earnings per certificate - basic and diluted	17	<u>0.26</u>	<u>0.55</u>	<u>0.12</u>	<u>0.29</u>

The annexed notes from 1 to 26 form an integral part of this condensed interim financial information.

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

CHIEF EXECUTIVE

DIRECTOR

DIRECTOR

CHIEF FINANCIAL OFFICER

Condensed Interim Statement of Comprehensive Income (Un-audited)

For the period ended December 31, 2020

	Half year ended December 31, 2020 Rupees	Half year ended December 31, 2019 Rupees	Quarter ended December 31, 2020 Rupees	Quarter ended December 31, 2019 Rupees
Profit for the period	7,684,084	16,359,064	3,467,797	8,657,592
Other comprehensive income	-	-	-	-
Total comprehensive income for the period	<u>7,684,084</u>	<u>16,359,064</u>	<u>3,467,797</u>	<u>8,657,592</u>

The annexed notes from 1 to 26 form an integral part of this condensed interim financial information.

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

CHIEF EXECUTIVE

DIRECTOR

DIRECTOR

CHIEF FINANCIAL OFFICER

Condensed Interim Statement of Cash Flow (Un-audited)

For the period ended December 31, 2020

	Note	Half year ended December 31, 2020 Rupees	Half year ended December 31, 2019 Rupees
CASH FLOWS FROM OPERATING ACTIVITIES			
Cash used in operations	21	(27,040,091)	(23,754,134)
Vehicles available for diminishing musharaka financing - net		(25,905,000)	21,348,000
Diminishing musharaka financing - net		8,326,441	(3,854,135)
Income tax paid		(38,186)	191,529
Financial charges paid		(83,242)	(94,071)
Net cash used in operating activities		(44,740,078)	(6,162,811)
CASH FLOWS FROM INVESTING ACTIVITIES			
Additions to property and equipment		(57,200)	(176,500)
Disposal of property and equipment		13,997	-
Investment-net		20,000,000	(5,000,000)
Profit received on Islamic certificates		-	1,213,012
Income received on diminishing musharaka financing		13,046,102	15,551,635
Profit received on Modaraba's deposits accounts		1,190,577	5,380,631
Profit received on Islamic Term Deposit Receipts (TDR)		2,912,006	3,912,704
Net cash generated from investing activities		37,105,482	20,881,482
CASH FLOWS FROM FINANCING ACTIVITIES			
Dividend paid		(20,907,947)	(8,231,903)
Net cash used in financing activities		(20,907,947)	(8,231,903)
Net (decrease) / increase in cash and cash equivalents during the period		(28,542,543)	6,486,768
Cash and cash equivalent at the beginning of the period		34,522,609	32,275,791
Cash and cash equivalent at the end of the period	10	5,980,066	38,762,559

The annexed notes from 1 to 26 form an integral part of this condensed interim financial information.

**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 (Un-audited)

For the period ended December 31, 2020

	Issued, subscribed and paid-up certificate capital	*Statutory reserve	Unappropriated profit	Total
	-----Rupees-----			
Balance as at July 01, 2019	300,000,000	3,021,377	9,085,511	312,106,888
Transaction with owners				
Profit distribution during the year ended June 30, 2019 @ 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
Balance as at July 01, 2020	300,000,000	8,624,156	23,246,627	331,870,783
Transaction with owners				
Profit distribution during the year ended June 30, 2020 @ Re. 0.700 per certificate	-	-	(21,000,000)	(21,000,000)
Profit for the period	-	-	7,684,084	7,684,084
Other comprehensive income	-	-	-	-
Total comprehensive income for the period	-	-	7,684,084	7,684,084
Balance as at December 31, 2020	300,000,000	8,624,156	9,930,711	318,554,867

*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 this condensed interim financial information.

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

CHIEF EXECUTIVE

DIRECTOR

DIRECTOR

CHIEF FINANCIAL OFFICER

Notes to the Condensed Interim Financial Statements (Un-audited)

For the period ended December 31, 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 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, 2020.

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, 2020, 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, 2019.

This condensed interim financial information is unaudited, but has been reviewed by the auditors. Further, the figures of the condensed interim profit and loss account and condensed interim statement of comprehensive income for the quarter ended December 31, 2019 and December 31, 2020 have not been reviewed.

This condensed interim financial information comprises of condensed interim balance sheet as at December 31, 2020 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, 2020.

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 accrual basis of accounting except for cash flow information.

Notes to the Condensed Interim Financial Statements (Un-audited)

For the period ended December 31, 2020

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, 2020.

4 PROPERTY AND EQUIPMENT

	Leasehold improvements	Furniture and fixtures	Office equipment	Vehicle	Total
	-----Rupees-----				
Owned assets					
Net carrying value basis					
Period ended December 31, 2020					
Opening net book value	1,797,071	123,714	370,782	1,031,567	3,323,134
Additions (at cost)	-	-	-	57,200	57,200
Deletions (NBV)	-	-	-	(31,038)	(31,038)
Depreciation	(250,651)	(26,288)	(164,097)	(167,579)	(608,615)
Closing net book value	1,546,420	97,426	206,685	890,150	2,740,681
Period ended December 31, 2020					
Cost	3,007,870	262,871	1,122,820	2,101,994	6,495,555
Accumulated depreciation	(1,461,450)	(165,445)	(916,135)	(1,211,844)	(3,754,874)
Net book value	1,546,420	97,426	206,685	890,150	2,740,681
Owned assets					
Net carrying value basis					
Year ended June 30, 2020					
Opening net book value	2,135,380	176,288	657,708	1,372,366	4,341,742
Additions (at cost)	163,000	-	36,900	-	199,900
Depreciation	(501,309)	(52,574)	(323,826)	(340,799)	(1,218,508)
Closing net book value	1,797,071	123,714	370,782	1,031,567	3,323,134
Year ended June 30, 2020					
Cost	3,007,870	262,871	1,122,820	2,044,794	6,438,355
Accumulated depreciation	(1,210,799)	(139,157)	(752,038)	(1,013,227)	(3,115,221)
Net book value	1,797,071	123,714	370,782	1,031,567	3,323,134
Annual rate of depreciation (% per annum)	16.67%	20%	25% - 33.33%	16.67%	

Notes to the Condensed Interim Financial Statements (Un-audited)

For the period ended December 31, 2020

	Note	(Un-audited) December 31, 2020 Rupees	(Audited) June 30, 2020 Rupees
5 VEHICLES AVAILABLE FOR DIMINISHING MUSHARAKA FINANCING			
Vehicles available for diminishing musharaka financing	5.1	<u>25,905,000</u>	-
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, 2020 Rupees	(Audited) June 30, 2020 Rupees
6 DIMINISHING MUSHARAKA FINANCING			
Secured			
Diminishing musharaka financing	6.1	185,852,321	187,805,663
Advance against diminishing musharaka financing	6.2	22,613,750	7,405,700
Less: Current portion of diminishing musharaka financing		<u>(86,339,430)</u>	<u>(64,758,281)</u>
		<u>122,126,641</u>	<u>130,453,082</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 amount paid to supplier for booking of vehicle for diminishing musharaka financing.			
	Note	(Un-audited) December 31, 2020 Rupees	(Audited) June 30, 2020 Rupees
7 PRELIMINARY EXPENSES AND FLOATATION COSTS			
Preliminary expenses and floatation costs	7.1	5,250,688	7,881,758
Amortization during the period		<u>(1,322,724)</u>	<u>(2,631,070)</u>
		<u>3,927,964</u>	<u>5,250,688</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, 2020 Rupees	(Audited) June 30, 2020 Rupees
8 SHORT TERM INVESTMENTS			
Financial assets at amortized cost			
Islamic Term Deposit Receipts (TDR)	8.1	<u>80,000,000</u>	<u>100,000,000</u>

Notes to the Condensed Interim Financial Statements (Un-audited)

For the period ended December 31, 2020

- 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 5.5% to 6.4% per annum (June 30, 2020: 7.5% to 12.75% per annum).

	Note	(Un-audited) December 31, 2020 Rupees	(Audited) June 30, 2020 Rupees
8.2 Movement in Islamic Term Deposit Receipt (TDR)			
Opening balances		100,000,000	70,000,000
Add: Additions during the period		80,000,000	80,000,000
Less: Matured during the period		(100,000,000)	(50,000,000)
		<u>80,000,000</u>	<u>100,000,000</u>
9 INCOME TAX REFUNDABLE			

- Income tax refundable 9.1 & 9.2 5,568,791 5,530,605
- 9.1** This includes advance tax amounting to Rs. 4.075 million (June 30, 2020: Rs. 4.1 million) pertaining to vehicles purchased for diminishing musharaka financing. The amounts are adjustable against diminishing musharaka contracts upon receipt of refunds from tax authorities.
- 9.2** This includes the advance tax deducted by the various withholding agents amounting to Rs. 1.493 million (June 30, 2020: Rs. 1.430 million) under various sections of the Income Tax Ordinance, 2001. The management has claimed the tax deducted in return for the Tax Year 2020, since the management is confident that the same shall be refunded.

	Note	(Un-audited) December 31, 2020 Rupees	(Audited) June 30, 2020 Rupees
10 CASH AND BANK BALANCES			
Cash in hand		10,000	-
Stamps in hand		16,600	26,600
Cash with banks in:			
Modaraba's deposit account	10.1	5,721,730	34,329,172
Current accounts	10.2	231,736	166,837
		<u>5,980,066</u>	<u>34,522,609</u>

- 10.1** This account carry profit at rates ranging from 5.5% per annum (June 30, 2020: 6% to 10.8% per annum).
- 10.2** This balance includes an amount of Rs 0.008 million (June 30, 2020: 0.020 million) which has been deposited in the State Bank of Pakistan, Banking Services Corporation Karachi.

	Note	(Un-audited) December 31, 2020 Rupees	(Audited) June 30, 2020 Rupees
11 ISSUED, SUBSCRIBED AND PAID-UP CERTIFICATE CAPITAL			
Modaraba certificates of Rs. 10 each			
Number of certificates			
2020			
2019			
Certificates issued as fully paid in cash	11.1	<u>300,000,000</u>	<u>300,000,000</u>
	⊗		

Notes to the Condensed Interim Financial Statements (Un-audited)

For the period ended December 31, 2020

11.1 Habib Metropolitan Modaraba Management Company (Private) Limited (the Management Company) held 3,000,000 (10%) (June 30, 2020: 3,000,000) certificates of Rs. 10 each as at December 31, 2020

11.2 Habib Metropolitan Bank Limited, held 18,000,000 (60%) (June 30, 2020: 18,000,000) certificates of Rs.10 each as at December 31, 2020.

	Note	(Un-audited) December 31, 2020 Rupees	(Audited) June 30, 2020 Rupees
12 RESERVE			
Capital reserve			
Statutory reserve	12.1	8,624,156	8,624,156
Revenue reserve			
Unappropriated profit		9,930,711	23,246,627
		<u>18,554,867</u>	<u>31,870,783</u>

12.1 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.

	Note	(Un-audited) December 31, 2020 Rupees	(Audited) June 30, 2020 Rupees
13 CREDITORS, ACCRUED AND OTHER LIABILITIES			
Provision for Sindh Workers' Welfare Fund	13.1	280,492	596,422
Adjustable against Diminishing Musharaka	13.2	4,075,000	4,100,000
Diminishing Musharaka customer contribution		611,000	-
Accrued expenses		193,915	242,982
Management fee payable		887,985	3,222,729
Sales tax on management fee payable		534,393	418,955
Residual Value received in advance		3,149,406	1,933,929
Other liabilities		5,675,655	3,084,754
Audit fee payable		306,860	424,710
		<u>15,714,706</u>	<u>14,024,481</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.

Notes to the Condensed Interim Financial Statements (Un-audited)

For the period ended December 31, 2020

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. 0.756 million for the period from October 06, 2017 to December 31, 2020 to Sindh Worker Welfare Fund (SWWF) based on the income pertaining to Sindh.

- 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.

14 CONTINGENCIES AND COMMITMENTS

14.1 Contingencies

There were no contingencies as at the end of reporting periods.

14.2 Commitments

Commitments in respect of diminishing Musharakah financing amounting to Rs.12.228 million (June 30, 2020: Rs. 2.528 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 charged 10% of profits during the period which is payable to the Modaraba Management Company amounting to Rs. 0.884 million (December 31, 2019: Nil). Furthermore, during the current period, an amount of Rs. 0.115 million (December 31, 2019: Nil) at the rate of 13% was charged on account of sales tax on management fee levied under Sindh Sales Tax on Services Act, 2011.

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.

	Note	(Un-audited) December 31, 2020 Rupees	(Un-audited) December 31, 2019 Rupees
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		7,684,084	16,359,064
Weighted average number of certificates outstanding		30,000,000	30,000,000
Earnings per certificate - Basic and diluted (Rupees)		0.26	0.55

Notes to the Condensed Interim Financial Statements (Un-audited)

For the period ended December 31, 2020

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.

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, 2020.

	(Un-audited) As at December 31, 2020		(Audited) As at June 30, 2020	
	Carrying amount	Fair value	Carrying amount	Fair value
	-----Rupees-----		-----Rupees-----	
Financial assets				
At amortised cost				
Diminishing musharaka financing	122,126,641	122,126,641	130,453,082	130,453,082
Current portion of diminishing musharaka financing	86,339,430	86,339,430	64,758,281	64,758,281
Other receivables	695,765	695,765	822,161	822,161
Accrued profit	441,350	441,350	760,667	760,667
Short term investments	80,000,000	80,000,000	100,000,000	100,000,000
Cash and bank balances	5,980,066	5,980,066	34,522,609	34,522,609
Financial liabilities				
At amortised cost				
Creditors, accrued and other liabilities	15,714,706	15,714,706	14,024,481	14,024,481
Unclaimed profit distribution	114,029	114,029	21,976	21,976

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, 2020, 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.

Notes to the Condensed Interim Financial Statements (Un-audited)

For the period ended December 31, 2020

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 of the Management 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	December 31, 2020 Rupees (Un-audited)	December 31, 2019 Rupees (Un-audited)
Holding Company of the Management Company			
Habib Metropolitan Bank Limited	Profit on Modaraba's deposit account and Islamic term deposit certificates	871,069	3,137,938
	Investments purchased	-	50,000,000
	Investments matured	-	50,000,000
	Dividend payment	12,600,000	4,950,000
	Payment of Electricity, Building security and generator service	278,774	213,982
	Financial charges	83,242	94,071
Associate Company			
Habib Metro Modaraba Employee Provident Fund	Provident Fund Contribution	46,770	-
Management Company			
Habib Metropolitan Modaraba Management Company (Private) Limited	Management fee expense	883,980	-
	Management fee paid	3,222,729	-
	Dividend payment	2,100,000	701,250
		(Un-audited) December 31, 2020 Rupees	(Audited) June 30, 2020 Rupees

19.1 Period end balances

Holding Company of the Management Company			
Habib Metropolitan Bank Limited	Bank balances	5,930,634	34,424,021
	Accrued profit on bank accounts and Islamic term deposit certificates	90,701	425,908
	Prepaid expenses	-	278,774
Management Company			
Habib Metropolitan Modaraba Management Company (Private) Limited	Management fee payable	887,985	3,222,729

Notes to the Condensed Interim Financial Statements (Un-audited)

For the period ended December 31, 2020

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.

	Note	(Un-audited) December 31, 2020 Rupees	(Audited) June 30, 2020 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(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		6,495,555	6,438,355
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.		<u>80,344,092</u>	<u>80,401,292</u>
		<u>300,000,000</u>	<u>300,000,000</u>

	Note	(Un-audited) December 31, 2020 Rupees	(Un-audited) December 31, 2019 Rupees
21 CASH GENERATED FROM OPERATIONS			
Profit before taxation		7,684,084	16,359,064
Adjustment of non-cash and other items:			
Depreciation		608,615	608,515
Amortisation		57,427	57,428
Amortization of preliminary expenses and floatation costs		1,322,724	1,322,724
Financial charges		83,242	94,071
Profit on Islamic certificates		-	(1,370,205)
Income from diminishing musharaka financing		(13,046,102)	(15,551,635)
Profit on Islamic Term Deposit Receipts (TDR)		(2,912,006)	(3,912,704)
Profit on Modaraba's deposit account		(871,260)	(5,680,354)
Loss on disposal of property and equipment		17,041	-
Movement in working capital	21.1	<u>(19,983,856)</u>	<u>(15,681,038)</u>
		<u>(27,040,091)</u>	<u>(23,754,134)</u>

21.1 Movement in working capital

Increase in current assets:			
Current portion of diminishing musharaka financing		(21,581,149)	(15,180,302)
Short term prepayments and other receivables		(92,932)	(708,546)
Increase in current liabilities:			
Creditors, accrued and other liabilities		<u>1,690,225</u>	<u>207,810</u>
		<u>(19,983,856)</u>	<u>(15,681,038)</u>

Notes to the Condensed Interim Financial Statements (Un-audited)

For the period ended December 31, 2020

22 IMPACT OF COVID-19 ON FINANCIAL STATEMENT

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 December 31, 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.

23 DATE OF AUTHORIZATION FOR ISSUE

This condensed interim financial information was authorized for issue on February 23, 2021 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 9 (June 30, 2020: 8) and average number of employees during the period was 8 (June 30, 2020: 8).

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