

# Habib Metro Modaraba

(An Islamic Financial Institution)



**ANNUAL REPORT 2019**

بِسْمِ اللَّهِ الرَّحْمَنِ الرَّحِيمِ

مَدِينَةُ الْمَدِينِ

## **VISION**

Be a leading Modaraba in providing Shariah compliant financial facilities through innovative products and services.

## **MISSION**

To achieve excellence in our chosen markets in accordance with Islamic principles of finance in a professional manner with high ethical standards supported by state of art services through efficient distribution channels for sustainable growth and better return to our investors.

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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. Saeed Uddin Khan	- Non-Executive Independent Director
Mr. Mohammad Shams Izhar	- Non-Executive Director

### LEGAL ADVISOR

Mohsin Tayebaly & Company

### AUDITOR

BDO Ebrahim & Co.  
Chartered Accountants

### AUDIT COMMITTEE

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

### BANKERS

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

### HUMAN RESOURCE COMMITTEE

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

### REGISTERED OFFICE

3<sup>rd</sup> Floor, Al Manzoor Building  
Dr. Ziauddin Ahmed Road, Karachi  
Tel : 021-32635949-51  
Fax : 021-32627373  
Web : [www.habibmetromodaraba.com](http://www.habibmetromodaraba.com)  
Email : [hmm@habibmetromodaraba.com](mailto:hmm@habibmetromodaraba.com)

### COMPANY SECRETARY

Mr. Tehsin Abbas (Officiating Company Secretary)

### REGISTRAR

Central Depository Company of Pakistan 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

## Chairman's Message

Dear Modaraba Certificate Holders,

I am pleased to present report to our valued Certificate Holders on the affairs of Habib Metro Modaraba (HMM) for the year ended 30th June, 2019. Alhamdulillah, I am very much pleased on the progress and performance of HMM, despite of tough economic and business challenges which remain throughout the year, HMM has performed reasonably well and also made growth in disbursements and profitability. The Modaraba has managed to induct a healthy customer base and earn better revenues as compare to last year, which enable Modaraba to declare the dividend from its second year of operation.

I am happy to note that now a unique auto financing product based on Residual Value (RV) i.e., **"InstaCar"** is gradually getting popularity and team of HMM is successfully marketing said product within its niche market. However, due to sudden change in economic conditions, increase in car prices including significant increase in financing rate, the desire target of financing and market penetrations were not achieved.

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

In the end, I express appreciation to my Board Members for their continued support, strategic guidance and for their prudent and invaluable contributions in formulating policies and guidelines in all areas of operations. I would like to thank each and every member of the Board for their guidance, valuable input and giving their precious time for Board meetings.

I also wish to commend our Chief Executive Officer, Senior Executives and all other staff members of HMM for their hard work, dedication and focused efforts for satisfactory results of HMM. I place my sincere appreciation to our Certificate Holders, business partners and all other valued stakeholders for their conviction and the confidence place in our organization. I take this opportunity to thank the Registrar of Modaraba, Securities & Exchange Commission of Pakistan, State Bank of Pakistan, Pakistan Stock Exchange, and other relevant regulatory bodies for their continued guidance and support extended to us.

**Wazir Ahmed Mumtaz**

Chairman

Date: August 29, 2019

## چیرمین کا پیغام

محترم مضاربہ سرٹیفیکیٹ کنندگان،

یہ میرے لئے باعث مسرت ہے کہ میں حبیب میٹرو مضاربہ (HMM) کے امور سے متعلق سرٹیفیکیٹ کنندگان کو ۳۰ جون، ۲۰۱۹ پر ختم ہونے والی مالی سال کی رپورٹ پیش کروں۔ الحمد للہ، مجھے حبیب میٹرو مضاربہ کی کارکردگی اور بہتری پر خوشی ہے۔ اس کے باوجود کہ ہمیں پورا سال سخت معاشی صورتحال کا سامنا کرنا پڑا، حبیب میٹرو مضاربہ نے نہ صرف بہترین کارکردگی دکھائی بلکہ منافع میں اضافے کے ساتھ ساتھ ادائیگیوں کو بھی بہتر کیا۔ مضاربہ نے پچھلے سال کے مقابلے میں آمدنی میں اضافہ کیا اور اچھے کسٹمز میں کو بھی اپنے ساتھ شامل کیا، جس کی وجہ سے مضاربہ نے اپنے شروع ہونے کے دوسرے سال میں بھی نقد منافع کا اعلان کیا۔

مجھے اس چیز پر بھی خوشی ہے کہ ہمارا منفرد آٹو فنانسنگ پروڈکٹ ”انسٹاکار“ جو Residual Value (بقایا قیمت) پر مشتمل ہے، یہ آہستہ آہستہ مقبول ہو رہا ہے اور حبیب میٹرو مضاربہ کی ٹیم نے اس پروڈکٹ کو مارکیٹ کے کونے کونے تک بڑی کامیابی سے پھیلا دیا ہے۔ بہر حال، اچانک سے بدلتی ہوئی معاشی صورتحال، خصوصاً گاڑیوں کی قیمت میں بے انتہا اضافے، شمول فنانسنگ کی شرح میں اضافے کی وجہ سے ہم اپنے مطلوبہ اہداف اور مارکیٹ میں اچھی طرح پھیلاؤ کو حاصل نہ کر سکے۔

اس وقت معاشی حالات نہایت ہی مشکل دور سے گزر رہے ہیں۔ مجھے لگتا ہے کہ مختلف معاشی چیلنجز کی وجہ سے تمام کاروباری حالات پورا سال ہی دباؤ کا شکار رہیں گے۔ اس غیر مستحکم صورتحال میں چلنا اور بھی زیادہ مشکل ہو جاتا ہے جب ہمیں اس بات کا علم ہوتا ہے کہ اس سے سب سے پہلے ہمارا کسٹمر متاثر ہو گا۔ ان غیر معمولی حالات میں، نئے اثاثوں کی بلینگ پر ایک محتاط اندازو رو یہ اپنانا ہی بہتر ثابت ہو گا۔ مجھے اُمید ہے کہ ہماری قابل ٹیم دانشمندانہ طریقے سے آگے بڑھے گی، اور آنے والے سالوں میں نئے سگ میل عبور کرتے ہوئے مزید بہتر نتائج مہیا کریں گی۔

آخر میں، میں اپنے بورڈ آف ڈائریکٹرز کی بھی تعریف کرنا چاہتا ہوں جن کے مسلسل تعاون، حکمت عملی میں رہنمائی اور اُنکے بہترین قیمتی مشوروں نے کاروبار کے ہر شعبے میں ساتھ دیا۔ میں بورڈ کے ہر ایک ممبر کا شکریہ ادا کرنا چاہتا ہوں جنہوں نے اپنی رہنمائی، قیمتی آراء اور اپنے قیمتی وقت بورڈ اجلاسوں کو دیا۔

میں خراج تحسین پیش کرنا چاہتا ہوں چیف ایگزیکٹو آفیسر کو، سینئر ایگزیکٹو اور حبیب میٹرو مضاربہ کے تمام دیگر اسٹاف ممبران کو انکی انتھک محنت اور ان کے کام کے ساتھ بے لوث خدمت کا جس کی وجہ سے حبیب میٹرو مضاربہ کو اطمینان بخش نتائج حاصل ہوئے۔ ساتھ ہی میں اپنے سرٹیفیکیٹ کنندگان، کاروباری شرکاء اور اپنے تمام قابل احترام اسٹیک ہولڈرز کی تحسین و تعریف کرنا چاہتا ہوں جنہوں نے اپنا اعتماد ہمارے ادارے پر کیا۔ اس موقع کو استعمال کرتے ہوئے میں رجسٹرار مضاربہ، سیکورٹیز اینڈ ایکسچینج کمیشن آف پاکستان، اسٹیٹ بینک آف پاکستان، پاکستان اسٹاک ایکسچینج اور دیگر متعلقہ ریگولیٹری اداروں کا بھی شکر گزار ہوں جن کی رہنمائی اور تعاون ہمارے آگے بڑھنے کا باعث بنے۔

وزیر احمد ممتاز

چیرمین

تاریخ: ۲۹ اگست ۲۰۱۹



## Directors' Report

The Board of Directors of Habib Metropolitan Modaraba Management Company (PVT) Limited is pleased to present Directors' Report together with Audited Financial Statements of Habib Metro Modaraba (HMM) for the period ended June 30, 2019.

### Financial Highlights

#### Operating Results and Business Review:

	<b>(Rupees)</b>
Profit before management fee	11,321,236
Less: Modaraba management company's remuneration	-
Sindh Workers' Welfare Fund	226,425
Profit before taxation	<u>11,094,811</u>
Less: Taxation	-
Profit after taxation	<u>11,094,811</u>
Add: Un-appropriated profit b/f	209,662
Profit available for appropriation	<u><u>11,304,473</u></u>
Earning per certificate of Rs. 10/ - each	0.37

#### Appropriations

	<b>(Rupees)</b>
Cash Dividend @ 2.75% (Re. 0.275 per certificate of Rs. 10/ - each)	8,250,000
Transfer to statutory reserve @ 20% of profit as per prudential regulations of Modarabas.	2,218,962
Un-appropriated profit c/f	835,511
	<u><u>11,304,473</u></u>

#### Dividend

The Board of Directors is pleased to announce a cash dividend for the period @ 2.75% i.e., Re. 0.275 per certificates (2018: @ 1.0% i.e., Re. 0.10 per certificates).

#### Business Review Of Hmm

The year under review was a difficult year in terms of overall muted economic conditions and slowdown in business activities. Due to high lending rates, huge depreciation of Pak rupee, increase in cost of utilities and withdrawal of various tax subsidies largely hampered business activities throughout the country. During the fiscal year 2018-19, major economic indicators had declined while others had shown either gloomy picture or stagnant situation. Several key financial indicators shown downward trend. The growth rate in said fiscal year fell by almost 50 percent from 6.2 percent to 3.3 percent in last year. The Pakistani rupee has also terribly lost its value during the second half of the year.

However, keeping in view of enormous economic and business challenges, the performance of Habib Metro Modaraba (HMM) remained reasonably well in terms of profitability and business volume. During the year we had managed to increase our financing assets portfolio to Rs. 168.017 million as compared to Rs.12.340 millions of last year. Although there was enhancement of financing assets portfolio as compared to last year but even we did not achieve our set growth target.

The reason of slightly low disbursement was due to significant increase in car prices and in financing rate which have discouraged prospective customers to borrow auto financing facility. Furthermore, due to depressed business sentiments we had also adopted cautious approach in booking of new financing assets. Our careful approach coupled with unique nature of financing model has gradually helped us in developing a clean and reasonable size of portfolio. We successfully marketed our unique product of auto financing i.e., Residual Value (RV) financing with product name of **"InstaCar"**. The acceptance level of said product within individual and corporate customer was remained satisfactory. However, due to abrupt change in economic conditions particularly in second half the year the desired result of further market penetration was not achieved.

In solar equipment financing, initially we had executed several SLA agreements from various vendors of solar power equipment for financing facility. At the beginning we had received good proposal for financing but could not entertain these proposals due to demand of subsidies rate of financing from prospective customers. The said scheme of subsidies rate are available with commercial banks through State Bank of Pakistan (SBP). HMM being Non-Bank Financial Institution was unable to avail said subsidies facility from SBP and could not entertain these clients. However, during the year our team had managed to finance few customers of solar equipment who had shown their willingness on borrowing on normal lending rates.

Going forward, we foresee that economic activities will remain under pressure in FY 2019-20. Due to high inflation and tighter monetary conditions will likely to reduce private consumption and investment. Presently overall business conditions are very depressed and businesses are facing severe cash flow and liquidity issues. This situation is also impacting timely repayment of borrowed facilities by the businesses. Re-pricing risks under rising lending rate scenario, increasing cost of doing business of the customer and weak credit expansion would be major issues of current year. Therefore, keeping in view of present business circumstances we will cautiously move forward and will be more careful in our existing and new business engagements for new assets financing during current year.

### **Shariah Compliance And Audit Mechanism**

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

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

The management of HMM is fully committed for Shariah governance and Shariah compliance culture within the Modaraba. Strong and effective Shariah governance and compliance culture within the Modaraba is the prime objective of HMM. We believe that by following the Shariah principles, Islamic financial system encourages risk sharing, promotes entrepreneurship, discourages speculative behavior and emphasizes the sanctity of contracts.

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

We feel that Shariah governance is our utmost responsibility and our team is fully committed as their prime objective is to ensure its perfection and flawless operations. A complete Shariah Audit report of Shariah Adviser for the period is also included with annual report.

## **Auditors:**

On the recommendations of Audit Committee, the Board has approved the appointment of present auditors' M/s BDO Ebrahim & Co. Chartered Accountants, being eligible for appointment and upon their consent to act as auditors, have been appointed auditors of Modaraba for financial year ending June 30, 2020, subject to the approval of Registrar of Modaraba Companies and Modarabas.

## **Corporate Social Responsibility**

Our business strategies are based on strong ethical foundation and concept of sustainable business to create maximum value for our stakeholders. Translating this believe our sustainability model is surrounding within our People, Organization and Planet. The Modaraba ensures its Corporate Social Responsibility by directing its business in a socially responsible and decent manner, protecting the environment, and supporting the communities and cultures with which it works.

Accordingly, we have aligned our Corporate Social Responsibility (CSR) initiatives to deliver on this commitment, and enhance community empowerment and responsible environmental management in a sustainable manner. The Modaraba is committed to maintain the highest standards of integrity and corporate governance practices in order to maintain excellence in its daily operations and to build-up confidence in its governance systems.

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

## **The Board of Directors and Audit Committee**

The following changes have been taken place within Board of Directors of the Habib Metropolitan Modaraba Management Company (Private) Limited (the Company):

- Two new directors have been appointed within Board i.e. Mr. Mohammad Shams Izhar and Mr. Saeed Uddin Khan.
- The new directors are having very diversified and rich experience of financial local and international market particularly Islamic Banking, Trade Finance and Investment Banking. The Board welcome all new directors and hopeful that HMM will be greatly benefited with professional experience and expertise of newly inducted directors.
- In order to comply the Code of Corporate Governance, Mr. Mohammad Shams Izhar has also been appointed as Member Audit Committee within the capacity of Non-executive Director within the Board.

## **Director's remuneration**

All directors and CEO are remunerated by the Modaraba Management Company.

## **Attendance of Board meetings**

During the period, four meetings of the Board of Directors were held. Attendance by each director is as follows:

**Name of Directors****Number of meetings attended**

Mr. Wazir Mumtaz Ahmed	4
Mr. Muhammad Shoaib Ibrahim	4
Syed Rasheed Akhtar	4
Mr. Mohammad Shams Izhar	2
Mr. Saeed Uddin Khan	1

**Pattern of Certificate Holders**

The pattern of holding of certificate-holders is included in this annual report.

**Corporate and Financial Reporting Framework**

The financial statements, prepared by the management of the Modaraba, present fairly its state of affairs, the result of its operations, cash flows and changes in equity.

- Proper books of accounts of the Modaraba have been maintained.
- Appropriate accounting policies have been consistently applied in preparation of financial statements. Accounting estimates used are based on reasonable and prudent judgment.
- International Financial Reporting Standards, as applicable to Modarabas in Pakistan, have been followed in preparation of financial statements and any departures there from have been adequately disclosed.
- The system of internal control, which is in place is sound in design and has been effectively implemented. It is being continuously reviewed by internal audit and other such procedures. The process of review will continue and any weakness in controls will be removed.
- Board is satisfied with the Modaraba's ability to continue as a going concern.
- There has been no material departure from the best practices of corporate governance, as detailed in the listing regulations.
- Key operating and financial data for the reported in summarized form is included in this annual report.
- There are no statutory payments on account of taxes, duties, levies and charges which are outstanding as on June 30, 2019 except for those disclosed in the financial statements.

**Acknowledgement**

The Board wishes to express its sincere thanks and gratefulness for the continued support and guidance provided by Securities & Exchange Commission of Pakistan, Registrar Modaraba Companies, Financial Institutions and State Bank of Pakistan from time to time, customers of the Modaraba for their patronage and business, Certificate holders who have remained committed to Habib Metro Modaraba. In the end, the Board appreciates dedication, high level of professionalism and hard work of employees of your Modaraba for achieving excellent results.

In the end, the Board appreciates dedication, high level of professionalism and hard work of employees of your Modaraba for achieving excellent results.

**Muhammad Shoaib Ibrahim**

Chief Executive Officer  
Karachi: August 29, 2019

**Syed Rasheed Akhtar**

Director

## نمونہ برائے سرٹیفکیٹ کنندگان

نمونہ برائے سرٹیفکیٹ کنندگان کا اس سالانہ رپورٹ کے ساتھ شامل ہے۔

## ادارہ جاتی اور مالیاتی رپورٹنگ کا ڈھانچہ

مضاربہ کی انتظامیہ نے مالیاتی اسٹیٹمنٹ بنائی ہیں، جس میں شفاف طریقے سے اس کے معاملات، ان کی سرگرمیوں کے نتائج، نقد بہاؤ اور ایکویٹی کی تبدیلیاں پیش کی گئیں ہیں۔

- مضاربہ کے مناسب طور پر کھاتے مرتب کئے گئے ہیں۔
- مالیاتی اسٹیٹمنٹ کی تیاری میں مناسب اکاؤنٹنگ پالیسیوں کو لاگو کیا گیا ہے۔ کھاتوں کا تخمینہ بہتر تجزیے اور صحیح وجوہات کی بنیاد پر لگایا گیا ہے۔
- بین الاقوامی مالیاتی رپورٹنگ معیار، پاکستان میں مضاربہ پر لاگو ہے، مالیاتی اسٹیٹمنٹ کی تیاری میں کسی بھی چیز کو حذف کرنے کی مناسب وجہ بیان کی گئی ہے۔
- داخلی انتظام کو موثر طریقے سے نافذ العمل کیا گیا ہے۔ اس نظام کو اندرونی احتساب / آڈٹ و دیگر ذرائع کے تحت مسلسل جائزہ لیا گیا ہے اور ایسی کمزوری جو کہ اختیار میں ہو اُسے ختم کیا گیا ہے۔

• بورڈ مضاربہ کی موجودہ جاری پیشرفت جو چل رہی ہے اُس سے مطمئن ہے۔

• کوڈ آف کارپوریٹ گورننس میں دیئے گئے ادا راتی نظم و ضبط کے طریقوں کو تفصیل سے تجویز کردہ طریقہ کار سے انحراف نہیں کیا گیا ہے۔

• اہم آپریٹنگ اور مالی اعداد و شمار اس سالانہ رپورٹ میں خلاصہ کی شکل میں پیش کئے گئے ہیں۔

• تیس جون ۲۰۱۹ تک کسی بھی قسم کے حکومتی ٹیکسز، ڈیوٹیز، لیویز اور دیگر چارجز وغیرہ قابل ادا نہیں ہیں سوائے جو کہ رپورٹ میں فراہم کئے گئے ہیں۔

## اظہار تشکر

بورڈ شکر گزار ہے کہ جو تعاون اور مدد اُسے سیکورٹیز اینڈ ایکسچینج کمیشن آف پاکستان (SECP)، رجسٹرار مضاربہ کمپنیز، مالیاتی اداروں اور اسٹیٹ بینک آف پاکستان نے گاہے بگاہے کی، اس کے علاوہ مضاربہ کے کسٹمرز کا جنہوں نے اپنے کاروبار اور دیگر معاملات میں ہماری رہنمائی کی، سرٹیفکیٹ کنندگان کا جنہوں نے حبیب میٹرو مضاربہ کے ساتھ مسلسل اپنا تعاون جاری رکھا۔ اور آخر میں، بورڈ مضاربہ کے ملازمین کے بہترین پروفیشنلزم، سخت محنت اور انتھک جذبے کو سراہتا ہے جن کی وجہ سے ہمیں یہ بہترین نتائج حاصل ہوئے ہیں۔

سید رشید اختر

ڈائریکٹر

محمد شعیب ابراہیم

چیف ایگزیکٹو آفیسر

کراچی: بتاریخ ۲۹ اگست، ۲۰۱۹

## کارپوریٹ سماجی ذمہ داری

ہمارے کاروبار کی حکمت عملیوں کی بنیاد مضبوط اخلاقیات کی بنیاد پر اور کاروبار کے تسلسل کے تصور ہیں تاکہ ہمارے شرکاء مفاد کے لیے زیادہ سے زیادہ قدر پیدا کر سکیں۔ ہمارے یقین کے تسلسل کا تصور کاماڈل ہمارے لوگوں، ادارے اور دنیا کا احاطہ کرتا ہے۔ مضاربہ اپنے کاروبار کو معاشرتی طور پر ذمہ دارانہ اور مہذب انداز میں رہنمائی کر کے، ماحولیاتی کی حفاظت کرتے ہوئے، اور جس کیونٹی اور ثقافتوں کے ساتھ کام کرتا ہے اس کی مدد کر کے اپنی کارپوریٹ سماجی ذمہ داری کو یقینی بناتا ہے۔

اس طرح سے، ہم اپنے اداراتی سماجی ذمہ داری کے اقدامات کو اس عہد کی فراہمی کے ساتھ ہم آہنگ کر چکے ہیں اور سماجی گروہوں کی مسلسل خود مختاری اور ذمہ دار ماحولیاتی کی انتظامیہ کے تصور کی ترجمان ہے۔ مضاربہ اپنے روزمرہ کی سرگرمیوں میں شان برقرار رکھنے اور اس کے حکمرانی کے نظام میں اعتماد پیدا کرنے کے لئے سالمیت اور کارپوریٹ گورننس کے طریق کار کے اعلیٰ معیار کو برقرار رکھنے کے لئے پرعزم ہے۔

حبیب میٹرو مضاربہ (HMM) معاشرے کے مراعات یافتہ ممبران کے تحت بچوں، صحت اور تعلیم پر توجہ دینے والے پروگراموں اور منصوبوں کی حوصلہ افزائی کرتا ہے۔ مضاربہ مستقل طور پر اعتماد اور اعتماد کو فروغ دینے کی کوشش کرتا ہے اور تمام رشتوں میں انسانی وقار اور حقوق کے احترام کا مظاہرہ کرتا ہے، جس میں ثقافتوں، رسم و رواج اور افراد اور گروہوں کے اقدار کا احترام شامل ہے۔

## بورڈ آف ڈائریکٹرز اور آڈٹ کمیٹی:

حبیب میٹرو پولیٹن مضاربہ مینجمنٹ کمیٹی (پرائیوٹ) لمیٹڈ کے بورڈ آف ڈائریکٹرز کے اندر درج ذیل تبدیلیاں کی گئیں ہیں۔

- دو نئے ڈائریکٹرز بورڈ میں مقرر کئے گئے ہیں جو کہ جناب محمد شمس اظہار اور جناب سعید الدین خان ہیں۔
- نئے ڈائریکٹرز کو مقامی اور بین الاقوامی معاشی مارکیٹ خصوصاً اسلامک بینکنگ، تجارتی مالیات اور سرمایہ کاری بینکاری کا بہت بہترین اور بھرپور تجربہ ہے۔ بورڈ نے تمام نئے ڈائریکٹرز کا خیر مقدم کیا ہے اور امید ہے کہ حبیب میٹرو مضاربہ کو پیشہ ورانہ تجربہ اور نئے شامل ڈائریکٹرز کی مہارت سے بہت فائدہ ہو گا۔
- کوڈ آف کارپوریٹ گورننس کی تعمیل کرنے کے لئے، جناب محمد شمس اظہار کو بورڈ میں نان ایگزیکٹو ڈائریکٹرز کی حیثیت کے تحت ممبر آڈٹ کمیٹی بھی مقرر کیا گیا ہے۔

## ڈائریکٹرز کے اجلاس میں شرکت کی فیس

تمام ڈائریکٹرز اور سی ای او کا مشاہرہ مضاربہ مینجمنٹ کمیٹی دیتی ہے۔

## حاضری برائے بورڈ میٹنگز

اس پیریڈ کے دوران بورڈ آف ڈائریکٹرز کی چار میٹنگ کا انعقاد ہوا۔ ہر ڈائریکٹر کی حاضری درج ذیل ہے۔

ڈائریکٹر کا نام شرکت شدہ میٹنگز کی تعداد

۴	جناب وزیر ممتاز احمد
۴	جناب محمد شعیب ابراہیم
۴	جناب رشید اختر
۲	جناب محمد شمس اظہار
۱	جناب سعید الدین خان

حوصلہ شکنی ہوئی۔ مزید یہ کہ، مایوس کاروباری حالات کی وجہ سے ہم نے نئے فنانسنگ اثاثوں کی بنگ میں بھی محتاط انداز اپنایا تھا۔ فنانسنگ ماڈل کی انوکھی نوعیت کے ساتھ ہمارے محتاط انداز نے آہستہ آہستہ پورٹ فولیو کی اچھی اور معقول ساز بنانے میں ہماری مدد کی ہے۔ ہم نے کامیابی سے ہمارا منفرد آٹو فنانسنگ پروڈکٹ جس کا نام ”انسٹاکار“ جو ریز انڈل ویلیو (بقایا قیمت) پر مشتمل ہے کامیابی سے مارکیٹ میں پیش کیا ہے۔ انفرادی اور کارپوریٹ صارفین کے درمیان اس پروڈکٹ کی قبولیت کی سطح تسلی بخش رہی۔ تاہم، اقتصادی حالتوں میں اچانک غیر متوقع تبدیلی کی وجہ سے خاص طور پر سال کے دوسرے حصے میں مارکیٹ میں مزید سرایت کرنے کا مطلوبہ ہدف حاصل نہیں ہو سکا۔

شمسی آلات کی مالی فنانسنگ میں، ابتدا میں ہم نے شمسی توانائی کے آلات کے مختلف اداروں سے مالی فنانسنگ کی سہولت کیلئے کئی (SLA) سروس کی سطح کے معاہدے کئے۔ ابتدا میں ہمیں فنانسنگ کے لئے اچھی تجویز موصول ہوئی تھی لیکن ممکنہ صارفین سے فنانسنگ کی سبسڈی ریٹ کی مانگ کی وجہ سے ان تجویز کو عمل میں لانے میں کامیاب نہیں ہو سکے۔ یہ سبسڈی ریٹ کی مذکورہ اسکیم تجارتی بینکوں کے ساتھ اسٹیٹ بینک آف پاکستان (ایس بی پی) کے ذریعہ دستیاب ہے۔ حبیب میٹرو مضاربہ بطور نان بینک فنانشل انسٹی ٹیوٹ ہونے کی وجہ سے ایس بی پی کی جانب سے سبسڈی کی سہولت حاصل کرنے سے قاصر تھا اور وہ ان کسٹمز کو یہ سہولت فراہم نہیں کر سکا۔ تاہم، سال کے دوران ہماری ٹیم شمسی توانائی کے آلات کے کچھ کسٹمز کو مالی اعانت فراہم کرنے میں کامیاب ہو گئی، جنہوں نے عام قرضے کی شرح پر قرض لینے پر رضامندی ظاہر کی۔

آگے بڑھتے ہوئے، ہم یہ دیکھ رہے ہیں کہ مالی سرگرمیاں مالی سال ۲۰۱۹-۲۰۲۰ میں دباؤ میں رہیں گی۔ افراط زر اور سخت مالیاتی حالات کی وجہ سے نجی استعمال اور سرمایہ کاری میں کمی کا امکان ہے۔ اس وقت مجموعی طور پر کاروباری حالات انتہائی مایوس کن ہیں اور کاروباری اداروں کو شدید نقد بہاؤ اور لیکویڈٹی کے مسائل کا سامنا ہے۔ اس صورتحال سے کاروباری اداروں کے ذریعہ قرض لی گئی سہولیات کی بروقت ادائیگی پر بھی اثر پڑ رہا ہے۔ قرضوں کی بڑھتی ہوئی شرح کے تناظر میں دوبارہ قیمتوں کے تعین کے خطرات، صارف کے کاروبار کرنے کی لاگت میں اضافے اور کریڈٹ کی کمزور توسیع موجودہ سال کے اہم مسائل ہوں گے۔ لہذا، موجودہ کاروباری حالات کو مد نظر رکھتے ہوئے ہم محتاط انداز میں آگے بڑھیں گے اور رواں سال کے دوران نئے اثاثوں کی مالی فنانسنگ کیلئے اپنی موجودہ اور نئی کاروباری سرگرمیوں میں زیادہ محتاط رہیں گے۔

## شریعی کی تعمیل اور احتساب کا میکنزم

ایک اسلامی مالیاتی ادارے کی بنیادی ضرورت یہ ہے کہ اس کا تمام کاروبار کی مشقیں اور آپریشنز کی بنیاد شریعی قواعد اور اصولوں پر ہوں۔ اسلامی مالیت اپنے مالی لین دین کے لیے اپنی قدر کا بیانیہ شریعی معاہدے کے استعمال سے حاصل کرتا ہے جو مختلف خطرات اور منافع کے پروفائل فراہم کرتا ہے۔

ایسے منفرد معاہدے کے تحت شریعی اصولوں کی تعمیل اسلامی مالیاتی لین دین کے جو از اور حرمت کو محفوظ رکھتا ہے۔ اس طرح سے، حبیب میٹرو مضاربہ (HMM) پر عزم ہے کہ شریعی نظم و ضبط کے ڈھانچے میں ان اصولوں کی سختی کے ساتھ پابندی اور ان پر عمل کرے گی۔

حبیب میٹرو مضاربہ کی انتظامیہ، مضاربہ کے نظام کو شرعی حکم کے مطابق عمل درآمد کیلئے کاربند ہے۔ مضاربہ میں مضبوط و موثر شرعی حکمرانی اور شرعی کلچر ہی حبیب میٹرو مضاربہ کا عظیم مقصد ہے۔ ہمارا یقین ہے کہ شرعی اصولوں کے زیر نگرانی، اسلامی مالیاتی نظام رسک شیئرنگ کی حوصلہ افزائی کرتا ہے، کاروبار کو فروغ دیتا ہے، قیاس آرائی کی حوصلہ شکنی کرتا ہے اور معاہدوں کی حرمت پر زور دیتا ہے۔

الحمد للہ، حبیب میٹرو مضاربہ کی انتظامیہ کی توجہ اپنے معزز شریعی مشیر کے مشوروں اور نگرانی میں نظم و ضبط (governance) اور تعمیل کے کلچر کے بنانے پر ہے۔ تاہم، اس میں مزید بہتری کے لیے مسلسل کوششیں جاری ہیں۔

ہم محسوس کرتے ہیں کہ شریعی کا نظم و ضبط ہماری انتہائی ذمہ داری ہے اور ہماری ٹیم کے لیے یہ ایک بنیادی مقصد ہے اور اس کے کامل ہونے اور بے عیب بنانے کے لیے مکمل طور پر پر عزم ہے۔ ایک مکمل شرعی آڈٹ رپورٹ شرعی ایڈوائزر کی طرف سے اس سال کیلئے اس سالانہ رپورٹ کے ساتھ منسلک ہے۔

## آڈیٹرز:

آڈٹ کمیٹی کی سفارشات پر، بورڈ نے موجودہ آڈیٹر میسرز ڈی اے اے ایم اینڈ کمپنی، چارٹرڈ اکاؤنٹنٹ، بطور آڈیٹر اہل پاتے ہوئے دوبارہ تقرری کی منظوری دی ہے، اور مالی سال اختتام ۲۰۲۰ جون، تک مضاربہ کا آڈیٹر مقرر کیا ہے، جو کہ رجسٹرڈ مضاربہ کمپنیز اینڈ مضارباز سے منظوری سے مشروط ہیں۔

## ڈائریکٹر ز رپورٹ

حبیب میٹروپولیٹن مضاربہ مینجمنٹ کمپنی (پرائیویٹ) لمیٹڈ کے بورڈ آف ڈائریکٹرز خوشی محسوس کر رہے ہیں کہ وہ ۳۰ جون، ۲۰۱۹ کو ختم ہوا لے مالی سال کی ڈائریکٹر ز رپورٹ بمعہ آڈٹڈ فائنٹنل اسٹیٹمنٹ پیش کریں۔

## مالیاتی جھلکیاں:

(روپے)	آپریٹنگ نتائج اور کاروباری جائزہ:
۱۱،۳۲۱،۲۳۶	مینجمنٹ فیس سے قبل کامنافع
-	کلونی: مضاربہ مینجمنٹ کمپنی کی فیس
۲۲۶،۲۲۵	سندھ ورکرز ویلفیئر فنڈ
۱۱،۰۹۴،۸۱۱	منافع قبل از ٹیکس
۲۰۹،۶۶۲	کلونی: ٹیکس
۱۱،۳۰۴،۱۴۳	جمع: غیر تقسیم شدہ منافع
	دستیاب قابل تقسیم منافع
۰،۳۷	دس روپے فی سٹیفیکٹ / شیئر پر منافع
	منافع کی تقسیم:
۸،۲۵۰،۰۰۰	۵.۲ فیصد کے حساب سے نقد منافع برائے تقسیم (۱۰ روپے کے سٹیفیکٹ / ۲۷۵.۰ روپے) نقد منافع فی سٹیفیکٹ
۲،۲۱۸،۹۶۲	Statutory Reserve میں منافع کی ۲۰ فیصد شرح سے منتقلی بمطابق مضاربہ قواعد و ضوابط
۸۳۵،۵۱۱	غیر تقسیم شدہ منافع
۱۱،۳۰۴،۱۴۳	

## منافع کی ادائیگی

بورڈ آف ڈائریکٹرز انتہائی مسرت کے ساتھ ۳۰ جون، ۲۰۱۹ پر ختم ہونے والے سال کیلئے ۵.۲ فیصد (۱۰ روپے کے سٹیفیکٹ پر ۲۷۵.۰ روپے کے حساب سے) نقد منافع دینے کا اعلان کرتا ہے۔ (۲۰۱۸ میں: ۱.۰ فیصد یعنی ۱۰.۰ روپے فی سٹیفیکٹ)

## حبیب میٹرو مضاربہ کاروباری جائزہ

مجموعی مدہم معاشی حالات اور کاروباری سرگرمیوں میں سست روی کے لحاظ سے زیر جائزہ سال نہایت مشکل تھا۔ قرضوں کی بڑھتی شرح، پاکستانی روپے کی قدر میں خاطر خواہ کمی، یوٹیلیٹی کی لاگت میں اضافہ اور مختلف ٹیکس سبسڈیوں کے انخلاء نے پورے ملک میں کاروباری سرگرمیوں کو بڑی حد تک ماند کیا۔ مالی سال ۱۹-۲۰۱۸ کے دوران، اہم معاشی اشاریے میں کمی واقع ہوئی تھی ساتھ ہی دوسری طرف مدہم یا جود کا شکار رہی۔ کئی اہم مالیاتی اشاریوں میں مندری کار جان دیکھا گیا۔ گذشتہ سال کے دوران مالی سال میں شرح بڑھوتری تقریباً ۵۰ فیصد کم ہو کر ۲.۶ فیصد ۳.۳ فیصد ہو گئی ہے۔ سال کے دوسرے حصے کے دوران پاکستانی روپے نے بھی اپنی قدر کو بہت حد تک کھو دیا ہے۔

البتہ، ان بڑے معاشی اور کاروباری چیلنجز کو مد نظر رکھتے ہوئے، حبیب میٹرو مضاربہ (HMM) نے کاروباری حجم اور منافع کے اعتبار سے قدرے بہتر کارکردگی دکھائی۔ ایک سال کے دوران ہم نے مالیاتی اثاثوں کو پچھلے سال کے مقابلے میں ۳۳۰.۱۲ ملین سے ۰.۱۶۸ ملین روپے کر دیا ہے۔ بے شک ہم نے پچھلے سال کے مقابلے میں مالیاتی اثاثوں میں اضافہ کیا ہے پھر بھی ہم اپنا مقرر کردہ ہدف حاصل نہ کر سکے۔

قدرے کم ادائیگی کی وجہ گاڑیوں کی قیمتوں میں نمایاں اضافہ ہوا اور فنانسنگ ریٹ میں زبردست اضافہ ہوا جس کی وجہ سے متوقع صارفین کو آٹو فنانسنگ کی سہولت حاصل کرنے میں



## Notice of Annual Review Meeting

Notice is hereby given that the Annual Review Meeting of certificate-holders of Habib Metro Modaraba will be held on October 26, 2019 at 3.30 p.m. at Institute of Cost and Management Accountants of Pakistan (ICMAP) Building, ST-18/C Block-6, Gulshan-e-Iqbal, Karachi, to review the performance of the Modaraba for the year ended June 30, 2019.

The certificate holders whose names appear in the register of certificate holders of HMM as on October 16, 2019 will be eligible to attend the Annual Review Meeting.

By order of the Board

**Tehsin Abbas**

Officiating Company Secretary

Karachi: October 04, 2019

### REQUEST TO CERTIFICATE HOLDERS

- The Individual Certificate Holders who have not yet submitted photocopy of their valid Computerized National Identity Card (CNIC) to the Modaraba / Share Registrar, are once again reminded to send the same at the earliest directly to Company's Share Registrar, M/s Central Depository Company of Pakistan Limited. In case of non-receipt of the copy of a valid CNIC, the Modaraba would be constrained under section 243 (3) of the Companies Act, 2017 to withhold dividend of such certificate holders.
- In accordance with the provisions of section 242 of the Companies Act, 2017 and Companies (Distribution of Dividend) Regulations, 2017, it is mandatory for a listed company to pay cash dividend to its certificate holder only through electronic mode directly into the bank account designated by the entitled certificate holder. Therefore, certificate holders are requested to fill in "Electronic Credit Mandate Form" as reproduced below and send it duly signed along with a copy of valid CNIC/NTN to their respective CDC participant / CDC Investor account services.

(i)	Certificate holder's details	
	Name of the certificate holder (s)	
	Folio # / CDS Account No.(s)	
	CNIC NO. (copy attached)	
	Mobile/Landline no.	

(ii)	Certificate holder's Bank detail	
	Title of Bank Account	
	International Bank Account number (IBAN)	
	Bank's Name	
	Branch's name and address	

It is stated that the above-mentioned information is correct and in case of any change herein I will immediately intimate the Share Registrar accordingly.

## Directors' Profile

### Wazir Mumtaz Ahmed - Chairman

Mr. Wazir Mumtaz Ahmed is a seasoned banker. His banking career span over a period of 48 years of committed and dedicated services. He started his banking career in 1961 and carried diversified experience on several senior positions. After completion of his Masters in Economics he got International Certifications in Commercial Law & Economics from London Chamber of Commerce. His career is a perfect combination of Integrity and Commitment which gave him additional advantage to reached up to the position of Senior Executive Vice President in the Bank. He has also completed Certification of Director Training Program conducted by Institute of Business Administration, Karachi.

### Muhammad Shoaib Ibrahim - Chief Executive Officer

Muhammad Shoaib, is associated with FHM since the inception of modaraba. His extensive working experience in Non-Banking Islamic Financial institutions makes him senior most person with such rich experience of Islamic Finance in Pakistan. This intense exposure gave him the insight into the financial and technical aspects of fund management in Islamic way. He has done Master's in Business Administration (MBA) in Banking and Finance from Institute of Business Administration (IBA). He has completed Post Graduate Diploma (PGD) in Islamic Banking and Finance from Centre of Islamic Economics (Darul Ulum), Karachi, Pakistan. He has also completed Certification of Director Training Program conducted by Institute of Chartered Accountants of Pakistan. On number of occasions he remained as an Executive Member of Modaraba Association of Pakistan.

### Syed Rasheed Akhtar - Non-Executive Independent Director

Syed Rasheed Akhtar has rich experience in the banking field. His vast banking career spans over 36 years. He possesses masters in statistics degree from University of Karachi. He started his banking career from Habib Bank Limited in the year 1974 and carried diversified experience on very senior positions. He has been associated with Bank Indosuez, Habib Bank AG Zurich, HBZ Bank Limited, South Africa. He also headed an independent Islamic Banking Division of HBZ Bank Limited, South Africa from 2006-2010. He successfully completed Certificate on Islamic Banking arranged by N.I.B.A.F. State Bank of Pakistan. He has also completed Certification of Director Training Program conducted by Institute of Chartered Accountants of Pakistan.

### Mohammad Shams Izhar - Non Executive Director

Mr. Mohammad Shams Izhar is an MBA from Institute of Business Administration (IBA), Karachi backed with a degree in Industrial Technology. He has over 36 years' experience in banking with specialization in Corporate Governance and Risk Management overseeing credit risk, operation risk, market & liquidity risk, information security, business continuity and internal control . He also contributed towards improvement of the country's banking industry's standard as a member of Pakistan Banks Association's sub-committee and SBP working group. He is also a Fellow Institute of Bankers Pakistan and Certified Director by Pakistan Institute of Corporate Governance (PICG)."

### Saeed Uddin Khan- Non Executive Independent Director

Mr. Saeed Uddin Khan has extensive 33 years banking experience in Conventional as well as Islamic. He did his MBA from IBA, Karachi. He also holds Diploma in Banking (DAIBP) and PGD as well as NIBAF, SBP Certification in Islamic banking, besides short as well as extensive training within and outside Pakistan. He has a rich knowledge of retail banking, product and brand development, corporate financing, risk management, asset recovery, budgeting, MIS etc. He served HBL in different areas and at senior positions including inter alia CEO of HBL Mudaraba, Head, Islamic Banking, Head, Budgeting & MIS, Head, SME Business etc. Lastly he set up Islamic banking business and launched a new brand by the name of Sa'adat in Sindh Bank, which he left in early 2018.

## Certificate Holders Information

### Registered Office:

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

### 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

### Listing on Stock Exchange

Modaraba Certificates of Habib Metro Modaraba (HMM) is listed on Pakistan Stock Exchange (PSX).

### Investor Service Centre

HMM share department is operated by Central Depository Company of Pakistan Limited - Share registrar department. It also functions as an Investor Service Centre and has been servicing nearly 1,188 Certificate holders. The Investor Service Centre is managed by a well-experienced team of professionals and is equipped with the necessary infrastructure in terms of computer facilities and comprehensive set of systems and procedures for conducting the Registration function. The team is headed by Mr. Mohsin Rajab Ali at registered office, Central Depository Company of Pakistan Limited - Share registrar department and Mr. Rashid K. Siddiqui, Senior Vice President at HMM.

HMM share department has online connectivity with Central Depository Company of Pakistan Limited - Operation department. The share department undertakes activities Certificate Transfer and Transmission, issue of duplicate / revalidated dividend warrant, issue of duplicate / replaced share Certificates, change of address and other related matters.

For assistance, Certificate holders may contact either the Registered Office or Share Registrar Office:

Contact Person:

Registrar Office:

Mr. Mohsin Rajab Ali

Manager Share Registrar

Central Depository Company of Pakistan Limited

Contact Person:

Mr. Rashid K. Siddiqui

Senior Vice President

Habib Metro Modaraba

### Dividend Announcement

The Board of Directors of the Management Company has approved cash dividend of 2.75% (Re. 0.275 per Modaraba Certificate of Rs. 10/- each) for the financial year ended 30th June, 2019.

### Book Closure Dates

The Certificate Transfer Book of the Modaraba will remain close from 17-10-19 to 31-10-19 (both days are inclusive).

### Payment of Dividend Electronically (E-mandate)

Pursuant to the provisions of section 242 of the Companies Act, 2017 and Companies (Distribution of Dividend) Regulations, 2017, the dividend will be paid, to those certificate holders whose name appear in the Register of Member of the Modaraba after entertaining all requests for transfer of certificate lodge with the Modaraba before the book closure date, through electronic mode directly into the bank account designated by the entitled certificate holder.

**Withholding of Tax & Zakat on Dividend**

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

1. Rate of tax deduction for filer of income tax return. 15%
2. Rate of tax deduction for non-filer of income tax return. 30%

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

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

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

## Categories of Certificate Holders

As of June 30, 2019

Categories of Certificate Holders	Certificate Holders	Certificate Held	Percentage
<b>Directors and their spouse(s) and minor children</b>	0	-	-
<b>Associated Companies, undertakings and related parties</b>			
Habib Metropolitan Bank Limited	1	18,000,000	60.00
Habib Metropolitan Modaraba Management Company (Pvt.) Ltd	1	3,000,000	10.00
<b>Executives</b>	0	-	-
<b>Public Sector Companies and Corporations</b>	0	-	-
<b>Banks, development finance institutions, non-banking finance companies, insurance companies, takaful, modarabas and pension funds</b>	1	500	0.00
<b>Mutual Funds</b>	0	-	-
<b>General Public</b>			
a. Local	1177	3,296,288	10.99
b. Foreign	1	2,471	0.01
<b>Foreign Companies</b>	0	-	-
<b>OTHERS</b>	7	5,700,741	19.00
<b>Totals</b>	<b>1188</b>	<b>30,000,000</b>	<b>100.00</b>

Share holders holding 5% or more	Shares Held	Percentage
Habib Metropolitan Bank Limited	18,000,000	60.00
Habib Management (private) Limited	5,698,241	18.99
Habib Metropolitan Modaraba Management Company (Pvt.) Ltd	3,000,000	10.00

**PATTERN OF CERTIFICATE HOLDING REPORT**

As of June 30, 2019

<b>Number of Certificate holders</b>	<b>Certificate Holdings</b>			<b>Total Certificate Held</b>
28	1	to	100	240
650	101	to	500	323,464
232	501	to	1000	231,221
226	1001	to	5000	540,872
16	5001	to	10000	125,288
9	10001	to	15000	114,991
3	15001	to	20000	51,619
7	20001	to	25000	171,242
2	25001	to	30000	58,513
2	30001	to	35000	65,567
1	40001	to	45000	43,500
3	45001	to	50000	146,742
1	95001	to	100000	100,000
1	115001	to	120000	120,000
1	160001	to	165000	160,500
1	195001	to	200000	199,000
1	340001	to	345000	343,000
1	505001	to	510000	508,000
1	2995001	to	3000000	3,000,000
1	5695001	to	5700000	5,696,241
1	17995001	to	18000000	18,000,000
<b>1188</b>				<b>30,000,000</b>

## Statement of Compliance with Code of Corporate Governance of Habib Metro Modaraba for the year ended June 30, 2019

The Modaraba Management Company (hereafter referred to as the Company) has complied with the requirements of the Regulations in the following manner:

1. The total number of directors are five as per the following:

Male	5
Female	-

2. The composition of board is as follows:

### Executive Director

### Mr. Muhammad Shoaib Ibrahim

Chairman (Non-Executive Director)

Mr. Wazir Mumtaz Ahmed

Non-Executive Director

Mr. Mohammad Shams Izhar

Non-Executive Independent Director

Syed Rasheed Akhtar

Non-Executive Independent Director

Mr. Saeed Uddin Khan

3. The directors have confirmed that none of them is serving as a director on more than five listed companies, including this company (excluding the listed subsidiaries of listed holding companies where applicable).
4. The company has prepared a Code of Conduct and has ensured that appropriate steps have been taken to disseminate it throughout the company along with its supporting policies and procedures.
5. The board has developed a vision/mission statement, overall corporate strategy and significant policies of the company. A complete record of particulars of significant policies along with the dates on which they were approved or amended has been maintained.
6. All the powers of the board have been duly exercised and decisions on relevant matters have been taken by board/ shareholders as empowered by the relevant provisions of the Act and these Regulations.
7. The meetings of the board were presided over by the Chairman and, in his absence, by a director elected by the board for this purpose. The board has complied with the requirements of Act and the Regulations with respect to frequency, recording and circulating minutes of meeting of board.
8. The board of directors have a formal policy and transparent procedures for remuneration of directors in accordance with the Act and these Regulations.
9. The majority of directors are complaint with necessary of Directors Training Certificate:
10. The board has approved appointment of CFO, Company Secretary and Head of Internal Audit, including their remuneration and terms and conditions of employment and complied with relevant requirements of the Regulations.
11. CFO and CEO duly endorsed the financial statements before approval of the board.
12. The board has formed committees comprising of members given below:

**Audit Committee**

Chairman  
Member  
Member

Syed Rasheed Akhtar  
Mr. Wazir Mumtaz Ahmed  
Mr. Mohammad Shams Izhar

**HR and Remuneration Committee**

Chairman  
Member  
Member

Syed Rasheed Akhtar  
Mr. Wazir Mumtaz Ahmed  
Mr. Mohammad Shams Izhar

13. The terms of reference of the aforesaid committees have been formed, documented and advised to the committee for compliance.
14. The frequency of meetings (quarterly/half yearly/ yearly) of the committee were as per following:
15. The board has set up an effective internal audit function containing individuals who are suitably qualified and experienced for the purpose and are conversant with the policies and procedures of the Company.
16. The statutory auditors of the company have confirmed that they have been given a satisfactory rating under the quality control review program of the ICAP and registered with Audit Oversight Board of Pakistan, that they or any of the partners of the firm, their spouses and minor children do not hold shares of the company and that the firm and all its partners are in compliance with International Federation of Accountants (IFAC) guidelines on code of ethics as adopted by the ICAP.
17. The statutory auditors or the persons associated with them have not been appointed to provide other services except in accordance with the Act, these regulations or any other regulatory requirement and the auditors have confirmed that they have observed IFAC guidelines in this regard.
18. We confirm that all other requirements of the Regulations have been complied with, except for the matter that positions of both Chief Financial Officer and Company Secretary has been held by the same person.

**Muhammad Shoaib Ibrahim**

Chief Executive Officer  
Karachi; August 29, 2019

**Wazir Mumtaz Ahmed**

Chairman



## Independent Auditor’s Review Report to the Members of Habib Metro Modaraba on the Statement of Compliance contained in Listed Companies (Code of Corporate Governance) Regulations, 2017

We have reviewed the enclosed Statement of Compliance with the Listed Companies (Code of Corporate Governance) Regulations, 2017 (the Regulations) prepared by the Board of Directors of Habib Metropolitan Modaraba Management Company (Private) Limited (the Modaraba Management Company) for and on behalf of Habib Metro Modaraba (the Modaraba) for the year ended June 30, 2019 in accordance with the requirements of regulation 40 of the Regulations.

The responsibility for compliance with the Regulations is that of the Board of Directors of the Modaraba Management Company. Our responsibility is to review whether the Statement of Compliance reflects the status of the Modaraba’s compliance with the provisions of the Regulations and report if it does not and to highlight any non-compliance with the requirements of the Regulations. A review is limited primarily to inquiries of the Modaraba’s personnel and review of various documents prepared by the Modaraba Management Company to comply with the Regulations.

As a part of our audit of the financial statements, we are required to obtain an understanding of the accounting and internal control systems sufficient to plan the audit and develop an effective audit approach. We are not required to consider whether the Board of Directors’ statement on internal control covers all risks and controls or to form an opinion on the effectiveness of such internal controls, the Modaraba’s corporate governance procedures and risks.

The Regulations require the Modaraba Management Company to place before the Audit Committee, and upon recommendation of the Audit Committee, place before the Board of Directors for their review and approval, its related party transactions and also ensure compliance with the requirements of section 208 of the Companies Act, 2017. We are only required and have ensured compliance of this requirement to the extent of the approval of the related party transactions by the Board of Directors upon recommendation of the Audit Committee. We have not carried out procedures to assess and determine the Modaraba Management Company’s process for identification of related parties and that whether the related party transactions were undertaken at arm’s length price or not.

Based on our review, nothing has come to our attention which causes us to believe that the Statement of Compliance does not appropriately reflect the Modaraba Management Company’s compliance, in all material respects, with the requirements contained in the Regulations as applicable to the Modaraba for the year ended June 30, 2019.

Further, we highlight below instance(s) of non-compliance with the requirement(s) of the Regulations as reflected in the note/paragraph reference where it is stated in the Statement of Compliance:

### Note/paragraph

Reference	Description
18	The positions of both Chief Financial Officer and Company Secretary has been held by the same person.

KARACHI  
DATED: AUGUST 29, 2019

BDO Ebrahim & Co.  
CHARTERED ACCOUNTANTS  
Engagement Partner: Raheel Shahnawaz

## Shariah Advisor's Profile

Alhamd Shariah Advisory Services (ASAS) is a Shariah Advisory company providing Shariah Advisory services, training and product development to Islamic Banks, Modarabas, Islamic Mutual Funds, Takaful companies etc.

The following Shariah Scholars are associated with ASAS and have the experience and affiliation for the advisory of the renowned institution in the country mostly in the financial sector:

1. Mufti Ibrahim Essa
2. Mufti Ubid ur Rahman
3. Mufti Uzair Tariq Bilwani
4. Mufti Tahir Mehmood
5. Mufti Hassain Ahmad
6. Dr. Mufti Adnan Aziz

The certificate of Incorporation was issued from SECP on March 05, 2018. ASAS is certified Shariah Advisory Company of SECP and the registration number in SECP is SECP/IFD/SA/046 dated May 07, 2019.

## Shariah Advisor's Report

For the year ended June 30, 2019

By the Grace of Allah, the Shari'ah review of Habib Metro Modaraba managed by Habib Metropolitan Modaraba Management Company (Pvt.) Limited was conducted for the year ended on June 30, 2019 in accordance with requirement of the Shari'ah Compliance and Shari'ah Audit Mechanism for Modaraba.

It is acknowledged and certified that in the capacity of Sharia Advisor of the Habib Metro Modaraba (HMM), the financial arrangements, contracts and transactions entered into by the HMM with its participants, stakeholders and customers were found in compliance with the requirements of Sharia rules and principles. During the review following areas were verified in compliance with Shari'ah compliance mechanism:

- The Financing transactions Diminishing Musharakah, Financing Lease were reviewed and found as per guidelines.
- The financing transactions, description of assets, relevant documents and their sequence, delivery of assets, start of repayment and requirements were reviewed and found proper.
- Lease Financing Transactions were executed on the basis of Ijarah Muntahia Bittamleek as described and allowed by Accounting and Auditing Organization for Islamic Financial Institutions (AAOIF) Shariah Standard No. 9.
- Charity account was reviewed and found in line with the direction of rules and regulation.

### Observations:

- HMM conducted onsite trainings for their staff during the year and nominated its staff members for different trainings on Islamic Finance conducted by NBFi & Modaraba Association of Pakistan.
- It was observed that the risk coverage of whole assets portfolio of HMM is based on Takaful.
- It is also observed that the Modaraba has placed its funds within Islamic Banks/Windows of Islamic Banks and these transactions were found in line with Shariah guidelines

### Recommendations:

- It is recommended that HMM should derive a regular training program for their staff related to Islamic financing and accounting.
- It is also recommended to keep regular improvement on the system-based modules of DM and the same to be intact with the changes and requirements of Shariah Standards.

### Conclusion:

Based on the extensive reviews of sample cases of Residual Value car financing and solar equipment financing transaction, related documentation, processes, and management's representation made in this regard, it is our candid opinion that, the affairs, activities and transactions, performed by the Modaraba during the year are in compliance with the rules & principles of Shari'ah and in light of the guidelines issued by the Registrar Modaraba, Securities & Exchange Commission of Pakistan.

May Allah bless HMM with the best Tawfeeq to accomplish His cherished tasks, all good deeds are from Allah and weaknesses are from our side that needs to be forgiven.



**MUFTI UBAID UR RAHMAN ZUBAIRI**

For and on behalf of  
Alhamd Shariah Advisory Services Private Limited  
Dated: August 24, 2019



## Auditors' Report to the Certificate Holders

We have audited the annexed balance sheet of HABIB METRO MODARABA ("the Modaraba") as at June 30, 2019 and the related profit and loss account, statement of comprehensive income, cash flow statement and statement of changes in equity together with the notes forming part thereof (hereinafter referred to as the financial statements), for the year ended June 30, 2019 and we state that we have obtained all the information and explanations which, to the best of our knowledge and belief, were necessary for the purpose of our audit.

These financial statements are the Modaraba Company's [Habib Metropolitan Modaraba Management Company (Private) Limited] responsibility who is also responsible to establish and maintain a system of internal control, and prepare and present the above said statements in conformity with the approved accounting standards as applicable in Pakistan and the requirements of the Modaraba Companies and Modaraba (Floatation and Control) Ordinance, 1980 (XXXI of 1980), and the Modaraba Companies and Modaraba Rules, 1981. Our responsibility is to express an opinion on these statements based on our audit.

We conducted our audit in accordance with the auditing standards as applicable in Pakistan. These standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of any material misstatement. An audit includes examining on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting policies and significant estimates made by the Modaraba Company, as well as, evaluating the overall presentation of the financial statements. We believe that our audit provides a reasonable basis for our opinion and, after due verification, we report that:

- a) in our opinion proper books of account have been kept by the Modaraba Company in respect of the Modaraba as required by the Modaraba Companies and Modaraba (Floatation and Control) Ordinance, 1980 (XXXI of 1980), and the Modaraba Companies and Modaraba Rules, 1981;
- b) in our opinion:
  - i) the balance sheet and profit and loss account together with the notes thereon have been drawn up in conformity with the Modaraba Companies and Modaraba (Floatation And Control) Ordinance, 1980 (XXXI of 1980) and the Modaraba Companies and Modaraba Rules, 1981, and are in agreement with the books of account and are further in agreement with accounting policies consistently applied;
  - ii) the expenditure incurred during the period was for the purpose of the Modaraba 's business; and
  - iii) the business conducted, investments made and the expenditure incurred during the period were in accordance with the objects, terms and conditions of the Modaraba;
- c) in our opinion and to the best of our information and according to the explanations given to us, the balance sheet, profit and loss account, statement of comprehensive income, cash flow statement and statement of changes in equity together with the notes forming part thereof conform with approved accounting standards as applicable in Pakistan and give the information required by the Modaraba Companies and Modaraba (Floatation and Control) Ordinance, 1980 (XXXI of 1980), and the Modaraba Companies and Modaraba Rules, 1981, in the manner so required and respectively give a true and fair view of the state of the Modaraba's affairs as at June 30, 2019 and of the profit, its comprehensive income, its cash flows and changes in equity for the period then ended; and
- d) in our opinion, no Zakat was deductible at source under the Zakat and Ushr Ordinance, 1980 (XVIII of 1980).

KARACHI  
DATED: August 29, 2019

BDO Ebrahim & Co.  
CHARTERED ACCOUNTANTS  
Engagement Partner: Raheel Shahnawaz

## Balance Sheet

As at June 30, 2019

	Note	June 30, 2019 Rupees	June 30, 2018 Rupees
<b>ASSETS</b>			
<b>NON CURRENT ASSETS</b>			
Property and equipment	5	4,341,742	4,806,683
Intangible assets	6	181,856	296,710
Advances	7	-	190,321,049
Vehicles available for diminishing musharaka financing	8	28,889,899	-
Diminishing musharaka financing	9	131,053,719	8,442,291
Preliminary expenses and floatation costs	10	7,881,758	10,496,639
		<u>172,348,974</u>	<u>214,363,372</u>
<b>CURRENT ASSETS</b>			
Short term investment	11	70,000,000	50,000,000
Current portion of diminishing musharaka financing	9	36,963,869	3,898,202
Advances and short term prepayments	12	2,122,049	389,446
Accrued profit	13	1,010,497	1,743,202
Taxation - net	14	4,697,122	1,069,998
Cash and bank balances	15	32,275,791	33,525,457
		<u>147,069,328</u>	<u>90,626,305</u>
<b>TOTAL ASSETS</b>		<u><u>319,418,302</u></u>	<u><u>304,989,677</u></u>
<b>EQUITY AND LIABILITIES</b>			
<b>CERTIFICATE CAPITAL AND RESERVES</b>			
<b>Authorized capital</b>			
30,000,000 modaraba certificates of Rs. 10/- each		<u>300,000,000</u>	<u>300,000,000</u>
Issued, subscribed and paid-up certificate capital	16	300,000,000	300,000,000
Statutory reserve	17	3,021,377	802,415
Unappropriated profit		<u>9,085,511</u>	<u>3,209,662</u>
		<u>312,106,888</u>	<u>304,012,077</u>
<b>CURRENT LIABILITIES</b>			
Creditors, accrued and other liabilities	18	7,304,847	977,600
Dividend payable		<u>6,567</u>	<u>-</u>
		<u>7,311,414</u>	<u>977,600</u>
<b>TOTAL EQUITY AND LIABILITIES</b>		<u><u>319,418,302</u></u>	<u><u>304,989,677</u></u>
<b>CONTINGENCIES AND COMMITMENTS</b>			
	19		

The annexed notes from 1 to 37 form an integral part of these financial statements.

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

CHIEF FINANCIAL OFFICER

CHIEF EXECUTIVE

DIRECTOR

DIRECTOR

**Profit And Loss Account**

For the year ended June 30, 2019

	<b>For the year ended June 30, 2019 Rupees</b>	<b>For the period from October 06, 2017 to June 30, 2018 Rupees</b>
<b>INCOME</b>		
Profit on Islamic certificates	3,275,082	9,588,517
Income from diminishing musharaka financing	13,757,843	208,199
Other finance income	20 8,852,600	-
Profit on Modaraba's deposits accounts	3,319,836	2,854,633
Other income	188,241	6,000
	<u>29,393,602</u>	<u>12,657,349</u>
<b>EXPENSES</b>		
Amortization of preliminary expenses and floatation costs	10 2,614,881	1,925,461
Administrative expenses	21 15,273,070	6,607,360
Financial charges	22 184,415	30,572
	<u>18,072,366</u>	<u>8,563,393</u>
	11,321,236	4,093,956
Modaraba management company's fee	23 -	-
Provision for Sindh Workers' Welfare Fund	18.1 226,425	81,879
Profit before taxation	<u>11,094,811</u>	<u>4,012,077</u>
Taxation	24 -	-
Net profit for the year / period	<u>11,094,811</u>	<u>4,012,077</u>
Earnings per certificate - basic and diluted	25 <u>0.37</u>	<u>0.13</u>

The annexed notes from 1 to 37 form an integral part of these financial statements.

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

CHIEF FINANCIAL OFFICER

CHIEF EXECUTIVE

DIRECTOR

DIRECTOR

## Statement Of Comprehensive Income

For the year ended June 30, 2019

	<b>For the year ended June 30, 2019 Rupees</b>	For the period from October 06, 2017 to June 30, 2018 Rupees
Net profit for the year / period	11,094,811	4,012,077
Other comprehensive income	-	-
Total comprehensive income for the year / period	<u>11,094,811</u>	<u>4,012,077</u>

The annexed notes from 1 to 37 form an integral part of these financial statements.

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

CHIEF FINANCIAL OFFICER

CHIEF EXECUTIVE

DIRECTOR

DIRECTOR

**Cash Flow Statement**

For the year ended June 30, 2019

	<b>Note</b>	<b>For the year ended June 30, 2019 Rupees</b>	<b>For the period from October 06, 2017 to June 30, 2018 Rupees</b>
<b>CASH FLOWS FROM OPERATING ACTIVITIES</b>			
Cash used in operations	32	(33,708,088)	(9,155,454)
Advances		190,321,049	(190,321,049)
Vehicle available for diminishing musharaka financing		(28,889,899)	-
Diminishing musharaka financing		(122,611,428)	(8,442,291)
Income tax paid		(3,627,124)	(1,069,998)
Financial charges paid		(184,415)	(30,572)
Net cash generated from / (used in) operating activities		<u>1,300,095</u>	<u>(209,019,364)</u>
<b>CASH FLOWS FROM INVESTING ACTIVITIES</b>			
Addition to property and equipment		(641,794)	(5,596,661)
Addition to intangible assets		-	(344,565)
Preliminary expenses and floatation costs		-	(12,422,100)
Investment-net		(20,000,000)	(50,000,000)
Profit received on investments		4,701,692	7,884,510
Income received on diminishing musharaka financing		13,757,843	208,199
Profit received on Modaraba's deposits accounts		2,625,931	2,815,438
Net cash generated from / (used in) investing activities		<u>443,672</u>	<u>(57,455,179)</u>
<b>CASH FLOWS FROM FINANCING ACTIVITIES</b>			
Dividend paid		(2,993,433)	-
Issuance of certificate capital		-	300,000,000
Net cash (used in)/generated from financing activities		<u>(2,993,433)</u>	<u>300,000,000</u>
Net (decrease) / increase in cash and cash equivalents during the year / period		<u>(1,249,666)</u>	<u>33,525,457</u>
Cash and cash equivalent at the beginning of the year / period		<u>33,525,457</u>	<u>-</u>
Cash and cash equivalent at the end of the year / period	15	<u><u>32,275,791</u></u>	<u><u>33,525,457</u></u>

The annexed notes from 1 to 37 form an integral part of these financial statements.

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

CHIEF FINANCIAL OFFICER

CHIEF EXECUTIVE

DIRECTOR

DIRECTOR



## Statement Of Changes In Equity

For the year ended June 30, 2019

	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	-	-	4,012,077	4,012,077
Other comprehensive income	-	-	-	-
Total comprehensive income for the period	-	-	4,012,077	4,012,077
Transfer to statutory reserve	-	802,415	(802,415)	-
Balance as at June 30, 2018	300,000,000	802,415	3,209,662	304,012,077
Transaction with the owners				
Profit distribution for the period ended June 30, 2018 @ Rs 0.1 per certificate			(3,000,000)	(3,000,000)
Profit for the year	-	-	11,094,811	11,094,811
Other comprehensive income	-	-	-	-
Total comprehensive income for the year	-	-	11,094,811	11,094,811
Transfer to statutory reserve	-	2,218,962	(2,218,962)	-
Balance as at June 30, 2019	300,000,000	3,021,377	9,085,511	312,106,888

\*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 37 form an integral part of these financial statements.

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

CHIEF FINANCIAL OFFICER

CHIEF EXECUTIVE

DIRECTOR

DIRECTOR

## Notes to the Financial Statements

For the year ended June 30, 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 thereunder and is managed by Habib Metropolitan Modaraba Management Company (Private) Limited (the Modaraba Management Company). After receiving certificate of minimum subscription, the Modaraba commenced its business operations with effect from October 06, 2017. The address of registered office is 3rd Floor, Al-Manzoor Building, Dr. Ziauddin Ahmed Road, Karachi.

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

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

### 2 BASIS OF PREPARATION

#### 2.1 Statement of compliance

These financial statements have been prepared in accordance with the accounting and reporting standards as applicable in Pakistan. The accounting and reporting standards applicable in Pakistan comprise of:

- International Financial Reporting Standards (IFRS Standards) issued by the International Accounting Standards Board (IASB) and Islamic Financial Accounting Standards (IFAS) as notified under the Companies Act, 2017;
- Provisions of and directives issued under the Companies Act, 2017; and
- 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)

Where provisions of and directives issued under the Companies Act, 2017, Modaraba Companies and Modaraba (Floatation and Control) Ordinance 1980, Modaraba Companies and Modaraba Rules, 1981 differs from the requirements of IFRS Standards, the provisions of and directives issued under the Companies Act, 2017, Modaraba Companies and Modaraba (Floatation and Control) Ordinance, 1980, the Modaraba Companies and Modaraba Rules, 1981 shall be followed.

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 financial statements by Companies and Modarabas while accounting for Lease Financing transactions as defined by the said standard. The Modaraba has adopted the said standard.

#### 2.2 Basis of measurement

These financial statements have been prepared on the historical cost basis except for the measurement at fair value of certain financial instruments in accordance with the requirements of IFRS 9 "Financial Instruments: Recognition and Measurement", wherever applicable.

These financial statements have been prepared following basis of accounting except for cash flow information.

"Permissible Islamic financial products including Musharaka have been used by the Modaraba, in line with similar industry practices. The accounting and presentation of the same are in line with the substance of the transaction and are limited to the extent of actual amount of facility utilized and mutually agreed profit thereon.

## Notes to the Financial Statements

For the year ended June 30, 2019

### 2.3 Functional and presentation currency

These financial statements have been presented in Pakistani Rupees, which is the functional and presentation currency of the Modaraba.

### 2.4 Significant accounting estimates and judgments

The preparation of financial statements in conformity with approved accounting standards requires the use of certain critical accounting estimates. It also requires management to exercise its judgment in the process of applying the Modaraba's accounting policies. Estimates and judgments are continually evaluated and are based on historic experience and other factors, including expectations of future events that are believed to be reasonable under the circumstances. Revisions to accounting estimates are recognized in the period in which the estimate is revised and in any future period effected. In the process of applying the Modaraba's accounting policies, management has made the following estimates and judgments which are significant to the financial statements:

#### Useful lives, pattern of flow of economic benefits and impairment

Estimates with respect to residual values and depreciable lives and pattern of flow of economic benefits are based on the analysis by the management of the Modaraba. Further, the Modaraba reviews the value of the assets for possible impairment on an annual basis and any change in the estimates in the future might affect the carrying amount of respective item of property and equipment, with a corresponding effect on the depreciation charge and impairment.

#### Provisions against non performing financing (Suspense income)

The Modaraba reviews its overdue lease financing installments and diminishing musharka at each reporting date to assess whether provision should be recorded in the profit and loss account, in addition to the mandatory provisions required in accordance with the Prudential Regulations issued by the Securities and Exchange Commission of Pakistan. In particular, judgment by management is required in the estimation of the amount and timing of future cash flows when determining the level of provision required. Such estimates are based on assumptions regarding a number of factors and actual results may differ, resulting in future changes to the provisions.

## 3 NEW STANDARDS, INTERPRETATIONS AND AMENDMENTS TO PUBLISHED APPROVED ACCOUNTING STANDARDS

### 3.1 Standards / amendments that are effective in current year and are relevant to the Modaraba

The Modaraba has adopted the standards / amendments to the following approved accounting standards as applicable in Pakistan which became effective during the year from the dates mentioned below against the respective standard:

		<b>Effective date (annual periods beginning on or after)</b>
	Conceptual Framework for Financial Reporting 2018 - Original Issue	March 01, 2018
IFRS 9	Financial Instruments - finalised version, incorporating requirements for classification and measurement, impairment, general hedge accounting and derecognition	July 01, 2018
IFRS 9	Financial Instruments - reissue to incorporate a hedge accounting chapter and permit the early application of the requirements for presenting in other comprehensive income the 'own credit' gains or losses on financial liabilities designated under the fair value option without early applying the other requirements of IFRS 9	July 01, 2018

**Notes to the Financial Statements**

For the year ended June 30, 2019

		<b>Effective date (annual periods beginning on or after)</b>
IFRS 15	Original issue	July 01, 2018
IFRS 15	Clarifications to IFRS 15	July 01, 2018
IAS 39	Financial Instruments: Recognition and Measurements- amendments to permit an entity to elect to continue to apply the hedge accounting requirements in IAS39 for a fair value hedge of the interest rate exposure of a portion of a portfolio of financial assets or financial liabilities when IFRS 9 is applied, and to extend the fair value option to certain contracts that meet the 'own use' scope exception	July 01, 2018

**3.2 Amendments that are effective in current year and not relevant to the Modaraba**

IFRS 2	Share-based Payment - amendments to clarify the classification and measurement of share-based payment transactions	January 01, 2018
IFRS 4	Insurance Contracts - amendments regarding the interaction of IFRS 4 and IFRS 9	January 01, 2018
IFRS 5	Additional hedge accounting disclosures (and consequential amendments) resulting from the introduction of the hedge accounting chapter in IFRS 9	July 01, 2018
IFRS 8	Amendments regarding the interaction of IFRS 4 and IFRS 9	January 01, 2018
IFRS 7	Financial Instruments : Disclosures - additional hedge accounting disclosures (and consequential amendments) resulting from the introduction of the hedge accounting chapter in IFRS 9	July 01, 2018

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

Annual Improvements to IFRSs (2014 – 2016) Cycle:

IFRS 1	First-time Adoption of International Financial Reporting Standards	January 01, 2018
IAS 28	Investments in Associates and Joint Ventures	January 01, 2018

## Notes to the Financial Statements

For the year ended June 30, 2019

	<b>Effective date (annual periods beginning on or after)</b>
<b>3.3 Amendments not yet effective</b>	
The following amendments with respect to the approved accounting standards as applicable in Pakistan would be effective from the dates mentioned below against the respective standard:	
Amendments to IFRS 2, IFRS 3, IFRS 6, IFRS 14, IAS 1, IAS 8, IAS 34, IAS 37, IAS 38, IFRIC 12, IFRIC 19, IFRIC 20, IFRIC 22, and SIC-32 to update these pronouncements with regard to references to and quotes from the framework or to indicate where they refer to different version of the Conceptual Framework.	January 01, 2020
IFRS 3 Business Combinations - amendments to clarify the definition of a business	January 01, 2020
IFRS 8 Amendments regarding prepayment features with negative compensation and modifications of financial liabilities	January 01, 2019
IFRS 9 Financial Instruments - amendments regarding prepayment features with negative compensation and modifications of financial liabilities negative compensation and modifications of financial liabilities	January 01, 2019
IAS 1 Presentation of Financial Statements - amendments regarding the definition of materiality	January 01, 2020
IAS 8 Accounting Policies, Changes in Accounting Estimates and Errors - amendments regarding the definition of materiality	January 01, 2020
IAS 19 Employee benefits - amendments regarding plan amendments, curtailments or settlements	January 01, 2019
IAS 17 Amendments regarding plan amendments, curtailments or settlements	January 01, 2019
IAS 28 Investments in Associates and Joint Ventures - amendments regarding long-term interests in associates and joint ventures	January 01, 2019

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

### Annual improvements to IFRSs (2015 - 2017) Cycle:

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

## Notes to the Financial Statements

For the year ended June 30, 2019

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

### 3.4 Standards or interpretations not yet effective

The following new standards have been issued by the International Accounting Standards Board (IASB), which have been adopted locally by the Securities and Exchange Commission of Pakistan effective from the dates mentioned against the respective standard:

The effects of IFRS 16 - Leases are still being assessed, as this new standard may have a significant effect on the Modaraba's future financial statements.

IFRS 16 Leases January 01, 2019

The following new standards and interpretations have been issued by the International Accounting Standards Board (IASB), which have not been adopted locally by the Securities and Exchange Commission of Pakistan (SECP):

IFRS 1 First Time Adoption of International Financial Reporting Standards

IFRS 14 Regulatory Deferral Accounts

IFRS 17 Insurance Contracts

The Modaraba expects that the adoption of the other amendments and interpretations of the standards will not have any material impact and therefore will not affect the Modaraba's financial statements in the period of initial application.

### 3.5 IFRS 9: Financial Instruments

IFRS 9 'Financial Instruments' was issued on July 24, 2017. This standard is adopted locally by the Securities and Exchange Commission of Pakistan through its S.R.O. 229 (I)/2019 and is effective for accounting period / year ending on or after June 30, 2019.

"IFRS 9 sets out requirements for recognising and measuring financial assets, financial liabilities and some contracts to buy or sell non-financial items. This standard replaces IAS 39 Financial Instruments: Recognition and Measurement."

The details of new significant accounting policies and the nature and effect of the changes to previous accounting policies are set out below.

#### i. Classification and measurement of financial assets and financial liabilities

The revised provisions on the classification and measurement of financial assets (applicable mainly to short term investments and advances) and financial liabilities (mainly creditors, accrued and other liabilities) have not affected Modaraba's financial information. Consequently, the comparative figures have not been restated on the introduction of IFRS 9.

The following table and the accompanying notes below explain the original measurement categories under IAS 39 and the new measurement categories under IFRS 9 for each class of the Company's financial assets as at July 1, 2018.

		<b>Original classification under IAS 39</b>	<b>New classification under IFRS 9</b>	<b>Original carrying amount under IAS 39</b>	<b>New carrying amount under IFRS 9</b>
	<b>Note</b>				
<b>Financial assets</b>					
Short term investments	(a)	Loans and receivables	Amortised cost	50,000,000	50,000,000
Advances	(a)	Loans and receivables	Amortised cost	272,258	272,258
Accrued profit	(a)	Loans and receivables	Amortised cost	1,743,202	1,743,202

## Notes to the Financial Statements

For the year ended June 30, 2019

(a) These financial assets classified as 'loans and receivables' have been classified as amortised cost.

### ii. Impairment of financial assets

In relation to the impairment of financial assets, IFRS 9 requires an expected credit loss model, as opposed to an incurred credit loss model under IAS 39. The expected credit loss model requires an entity to account for expected credit losses and changes in those expected credit losses at each reporting date to reflect changes in credit risk since initial recognition. In other words, it is no longer necessary for a credit event to have occurred before credit losses are recognized.

However, NBFIs & Modaraba Association of Pakistan, based on the clarification of the SECP, have informed all its members that the provisioning criteria will remain those as framed under Modaraba Ordinance, 1980 and Rules & Regulations framed therein. Accordingly, the Modaraba has maintained provision against financing assets in accordance with relevant laws applicable to Modaraba and its own accounting policies.

### 3.6 IFRS 15: Revenue from contracts with customers

IFRS 15 'Revenue from Contracts with Customers' is effective for accounting period beginning on or after July 1, 2018. This standard has replaced IAS 18 Revenue and related interpretations and it applies to all revenue arising from contracts with customers.

The IFRS 15 establish a five-steps mode to account for revenue arising from contracts with customers. Under IFRS 15, revenue is recognized at an amount that reflects the consideration to which an entity expects to be entitled in exchange for transferring goods or services to a customer. The standard requires the entities to exercise judgment, taking in to consideration all of the relevant facts and circumstances when applying each step of the model to contracts with the customers. Hence, the Modaraba has concluded that the impact of adoption of revenue recognition model as laid down in IFRS 15 is not material.

## 4 SIGNIFICANT ACCOUNTING POLICIES

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

### 4.1 Revenue recognition

Revenue is recognised to the extent that the economic benefits will flow to the Modaraba and revenue can be reliably measured. Revenue is recognised at fair value of consideration received or receivable. Revenue from different sources is recognised on the following basis:

Income on diminishing musharaka financing is recognized on accrual basis.

Income on balances in Modaraba's deposit account and Islamic term deposit receipts is recognized on accrual basis.

Profit on investments is recognized on accrual basis.

### 4.2 Property and equipment

These are stated at cost less accumulated depreciation less impairment loss (if any). Depreciation is charged to profit and loss account applying the straight line method whereby the cost of an asset is written off over its estimated useful life. In respect of additions and disposals during the period, depreciation is charged on monthly basis on those assets which are purchased and disposed on or before 15th day of any month.

Maintenance and normal repairs are charged to profit and loss account as and when incurred. Major renewals and improvements are capitalized if the recognition criteria are met.

## Notes to the Financial Statements

For the year ended June 30, 2019

The carrying values are reviewed for impairment when events or changes in circumstances indicate that the carrying value may not be recoverable.

The assets' residual values, useful lives and depreciation methods are reviewed and adjusted if appropriate, at each year end.

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

The Modaraba assesses at each reporting date whether there is any indication that assets excluding inventory may be impaired. If such indication exists, the carrying amounts of such assets are reviewed to assess whether they are recorded in excess of their recoverable amounts. Where the carrying value exceeds the recoverable amount, assets are written down to the recoverable amount and the difference is charged to the profit and loss account.

### 4.3 Intangible assets

Intangible assets, which are stated at cost less accumulated amortisation and impairment losses, if any, represent the cost of computer software licenses.

Costs associated with maintaining these assets are charged to the profit and loss account as and when incurred. However, costs that are directly attributable to the identifiable asset and have probable economic benefits exceeding one year, are recognised as intangible asset.

All intangible assets are estimated to have definite useful lives and are amortised using the straight line method over a period of three years. Amortisation on addition is charged from the day on which asset is available for use while no amortisation is charged up to the day the asset is disposed-off.

The assets' residual values and useful lives are reviewed, and adjusted if appropriate, at each reporting date. The effect of any adjustment to residual values and useful lives is recognised prospectively as a change in accounting estimate.

### 4.4 Financial instruments

#### 4.4.1 Financial assets

Financial assets are recognized at the time when the Modaraba becomes the party to the contractual provisions of the instruments and derecognized when the Modaraba loses control of the contractual rights that comprises the financial assets. Any gain or loss on derecognition of financial assets are recognized in the profit and loss account.

The management of the Modaraba determines the appropriate classification of its investments at the time of purchase and these are initially recognized at fair value, which is the consideration given to acquire the assets.

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

The Modaraba classifies its financial assets in the following categories: at fair value through profit or loss, fair value through other comprehensive income and amortized cost. The classification depends on the purpose for which the financial assets were acquired. Management determines the classification of its financial assets at initial recognition. All the financial assets of the Modaraba as at statement of financial position date are carried at amortized cost.

#### 4.4.2 Amortized cost

A financial asset is measured at amortized cost if both the following conditions are met and is not designated at fair value through profit or loss:



## Notes to the Financial Statements

For the year ended June 30, 2019

- (i) it is held within a business model whose objective is to hold assets to collect contractual cash flows; and
- (ii) its contractual terms give rise on specified dates to cash flows that are solely payments of principal and interest on the principal amount outstanding.

### 4.4.3 Financial liabilities

All financial liabilities are initially measured at cost, which is the fair value of the consideration received. These financial liabilities are recognized at the time when the Modaraba becomes a party to the contractual provisions of the instrument, and derecognized when the obligation specified in the contract is discharged, cancelled or expired. Any gain or loss on derecognition of financial liabilities are recognized in profit and loss account.

### 4.4.4 Offsetting of financial assets and financial liabilities

Financial assets and financial liabilities are offset and the net amount is reported in the financial statements only when the Modaraba has a legally enforceable right to set-off the recognized amounts and also intends to settle either on a net basis or realize the asset and settle the liability simultaneously.

### 4.5 Vehicle available for Diminishing Musharaka Financing

Vehicles purchased but not financed to the prospective customers under diminishing musharaka at the reporting date are recorded as non-current assets available for diminishing musharaka financing. The Modaraba values its vehicles available for available for diminishing musharaka financing at cost less impairment, if any. Cost of vehicles represent the actual purchase price paid by the Modaraba.

### 4.6 Cash and cash equivalents

Cash and cash equivalents are carried at cost. For the purpose of the cash flow statement, cash and cash equivalents consist of cash in hand, balances at banks in current and deposit accounts and stamps in hand. Investment normally qualifies as a cash equivalent only when it has a short maturity of, say, three months or less from the date of acquisition.

### 4.7 Trade and other payables

Trade and other payables are carried at cost which is the fair value of the consideration to be paid in the future for the goods and services received whether or not billed to the Modaraba.

### 4.8 Diminishing musharaka financing

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

### 4.9 Impairment

#### 4.9.1 Financial assets

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

#### 4.9.2 Non-financial assets

The Modaraba assesses at each balance sheet date whether there is any indication that assets may be impaired. If

## Notes to the Financial Statements

For the year ended June 30, 2019

such indication exists, the carrying amounts of such assets are reviewed to assess whether they are recorded in excess of their recoverable amount. Where carrying values exceed the respective recoverable amount, assets are written down to their recoverable amounts and the resulting impairment loss is recognized in profit and loss account. The recoverable amount is the higher of an asset's fair value less costs to sell and value in use. Where impairment loss for asset subsequently reverses, the carrying amount of the asset is increased to the revised recoverable amount but limited to the extent of initial cost of the asset. Reversal of impairment loss is recognized as income in profit and loss account.

### 4.10 Taxation

#### 4.10.1 Current tax

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

#### 4.11 Deferred tax

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

#### 4.12 Provisions

Provisions are recognized when the Modaraba has a present legal or constructive obligation as a result of past events and it is probable that an outflow of resources embodying economic benefits will be required to settle the obligation and a reliable estimate of the obligation can be made.

#### 4.13 Foreign currencies translation

Monetary assets and liabilities in foreign currencies are translated into Pak Rupees at the rates of exchange approximating to those prevalent on the balance sheet date. Foreign currency transactions are converted into Pak Rupees at the rate of exchange prevailing on the date of transactions. Exchange gains and losses on translation are recognized in profit and loss account.

#### 4.14 Profit distribution and other appropriations of profit

Profit distributions to the certificate holders and other appropriations of profit are recognized in the year in which these are approved. Transfer to statutory reserve and any of the mandatory appropriations as may be required by law are recognized in the period to which these relate.

#### 4.15 Earnings per certificate

The Modaraba presents earnings per certificate (EPC) data for its certificates. Basic EPC is calculated by dividing the profit or loss attributable to certificate holders of the Modaraba by weighted average number of certificates outstanding during the period. Diluted EPC is determined by adjusting the profit or loss attributable to certificate holders and the weighted average number of certificates outstanding for the effects of all dilutive potential certificates.

## Notes to the Financial Statements

For the year ended June 30, 2019

### 4.16 Related party transactions

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

### 4.17 Preliminary expenses and floatation costs

Preliminary expenses and floatation costs represent expenses incurred in respect of issue of modaraba certificates to the public inclusive of cost of organization and floatation of the Modaraba, cost of printing, publication and distribution of this prospectus, underwriting expenses, commission to the bankers to the issue and brokerage etc. This cost shall be amortized on prorata basis i.e. for the period of five years till the financial year end i.e. June 30, 2022 which is as per the requirements of Third Schedule of Modaraba Companies and Modaraba Rules, 1981.

## 5 PROPERTY AND EQUIPMENT

	Leasehold improvements	Furniture and fixtures	Office equipment	Vehicle	Total
	-----Rupees-----				
<b>Net carrying value basis</b>					
<b>Year ended June 30, 2019</b>					
Opening net book value	2,224,774	228,862	691,380	1,661,667	4,806,683
Additions ( at cost )	342,000	-	249,000	50,794	641,794
Depreciation charge	(431,394)	(52,574)	(282,672)	(340,095)	(1,106,735)
<b>Closing net book value</b>	<u>2,135,380</u>	<u>176,288</u>	<u>657,708</u>	<u>1,372,366</u>	<u>4,341,742</u>
<b>Gross carrying value basis</b>					
<b>Year ended June 30, 2019</b>					
Cost	2,844,870	262,871	1,085,920	2,044,794	6,238,455
Accumulated depreciation	(709,490)	(86,583)	(428,212)	(672,428)	(1,896,713)
<b>Net book value</b>	<u>2,135,380</u>	<u>176,288</u>	<u>657,708</u>	<u>1,372,366</u>	<u>4,341,742</u>
<b>Net carrying value basis</b>					
<b>Period ended June 30, 2018</b>					
Additions ( at cost )	2,502,870	262,871	836,920	1,994,000	5,596,661
Depreciation charge	(278,096)	(34,009)	(145,540)	(332,333)	(789,978)
<b>Closing net book value</b>	<u>2,224,774</u>	<u>228,862</u>	<u>691,380</u>	<u>1,661,667</u>	<u>4,806,683</u>
<b>Gross carrying value basis</b>					
<b>Period ended June 30, 2018</b>					
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)
<b>Net book value</b>	<u>2,224,774</u>	<u>228,862</u>	<u>691,380</u>	<u>1,661,667</u>	<u>4,806,683</u>
<b>Annual rate of depreciation (% per annum)</b>	16.67%	20%	25% - 33%	16.67%	

**Notes to the Financial Statements**

For the year ended June 30, 2019

	Note	June 30, 2019 Rupees	June 30, 2018 Rupees
<b>6 INTANGIBLE ASSETS</b>			
<b>6.1 Net carrying value basis</b>			
Opening net book value		296,710	-
Addition during the year		-	344,565
Amortization charge		(114,854)	(47,855)
Closing net book value		<u>181,856</u>	<u>296,710</u>
<b>Gross carrying value basis</b>			
Cost		344,565	344,565
Accumulated amortization		(162,709)	(47,855)
Net book value		<u>181,856</u>	<u>296,710</u>
Amortization rate % per annum		33%	33%
<b>7 ADVANCES</b>			
Advance against booking of vehicles		-	189,991,795
Advance against road and registration tax		-	329,254
		<u>-</u>	<u>190,321,049</u>
<b>8 VEHICLES AVAILABLE FOR DIMINISHING MUSHARAKA FINANCING</b>			
Vehicles available for diminishing musharaka financing	8.1	<u>28,889,899</u>	<u>-</u>
<b>8.1</b>			
This represents amount that was paid to local car assemblers/dealers against advance booking of vehicles. The motor vehicles have been delivered by the assemblers/dealers as at the reporting date and these vehicles have been placed with the various car dealers/showrooms for onward financing to prospective customers.			
<b>9 DIMINISHING MUSHARAKA FINANCING</b>			
Secured			
Diminishing musharaka financing	9.1	164,218,488	10,401,893
Less: Provision in respect of diminishing musharaka financing		-	-
		<u>164,218,488</u>	<u>10,401,893</u>
Less: Current portion of diminishing musharaka financing		(36,963,869)	3,898,202
		<u>127,254,619</u>	<u>6,503,691</u>
Advance against diminishing musharaka financing	9.2	3,799,100	1,938,600
		<u>131,053,719</u>	<u>8,442,291</u>

## Notes to the Financial Statements

For the year ended June 30, 2019

**9.1** This represents diminishing musharaka financing for a term of three to five years in order to provide residual value car financing on diminishing musharaka basis.

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

	Note	June 30, 2019 Rupees	June 30, 2018 Rupees
<b>10 PRELIMINARY EXPENSES AND FLOATATION COSTS</b>			
Preliminary expenses and floatation costs	10.1	10,496,639	12,422,100
Amortization during the year		(2,614,881)	(1,925,461)
		<u>7,881,758</u>	<u>10,496,639</u>

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

	Note	June 30, 2019 Rupees	June 30, 2018 Rupees
<b>11 SHORT TERM INVESTMENT</b>			
Islamic Term Deposit Receipts (TDR)	11.1 & 11.3	70,000,000	-
Habib Islamic Investment Certificates	11.2	-	50,000,000
		<u>70,000,000</u>	<u>50,000,000</u>

**11.1** 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 11.60% per annum.

	Note	June 30, 2019 Rupees	June 30, 2018 Rupees
<b>11.2 Movement in Habib Islamic Investment Certificate</b>			
Opening balances		50,000,000	-
Add: Additions during the year		50,000,000	50,000,000
Less: Matured during the year		(100,000,000)	-
		<u>-</u>	<u>50,000,000</u>

### 11.3 Movement in Islamic Term Deposit Receipt (TDR)

Opening balances		-	-
Add: Additions during the year		70,000,000	-
Less: Matured during the year		-	-
		<u>70,000,000</u>	<u>-</u>

**Notes to the Financial Statements**

For the year ended June 30, 2019

	Note	June 30, 2019 Rupees	June 30, 2018 Rupees
<b>12 ADVANCES AND SHORT TERM PREPAYMENTS</b>			
Advances against road and registration		-	272,258
Short term prepayments		2,122,049	117,188
		<u>2,122,049</u>	<u>389,446</u>

**13 ACCRUED PROFIT**

Accrued profit on:

Habib Islamic Investment Certificate		277,397	1,704,007
Modaraba's deposit account		733,100	39,195
		<u>1,010,497</u>	<u>1,743,202</u>

**14 TAXATION**

Advance tax	14.1 & 14.2	<u>4,697,122</u>	<u>1,069,998</u>
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**14.1** This includes advance tax amounting to 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.

**14.2** This represents the advance tax deducted by the various withholding agents 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	June 30, 2019 Rupees	June 30, 2018 Rupees
<b>15 CASH AND BANK BALANCES</b>			
Stamps in hand		31,200	18,000
Cash with banks in:			
Modaraba's deposit account	15.1	7,099,723	8,492,457
Current accounts	15.2	144,868	15,000
Habib Islamic Investment Certificate	15.3	25,000,000	25,000,000
		<u>32,275,791</u>	<u>33,525,457</u>

**15.1** These carry profit at rates ranging from 5% to 9.25% (2018: 3.80% to 3.84%) per annum.

**15.2** This balance includes an amount of Rs 0.020 million (2018: Nil) which has been deposited in the State Bank of Pakistan, Banking Services Corporation Karachi to maintain a minimum balance of Rs. 0.01 million to facilitate recovery of Electronic Credit Information Bureau (ECIB) service charges on monthly basis.

**15.3** 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 rate of 7.5% (2018: 5.25%) per annum.

## Notes to the Financial Statements

For the year ended June 30, 2019

<b>16 ISSUED, SUBSCRIBED AND PAID-UP CERTIFICATE CAPITAL</b>	Note	<b>June 30, 2019</b>	June 30, 2018
		<b>Rupees</b>	Rupees
Modaraba certificates of Rs. 10 each			
Number of certificates			
2018	2019		
	Certificates issued as fully paid in cash		
<u>30,000,000</u>	<u>30,000,000</u>	<u>300,000,000</u>	<u>300,000,000</u>
<b>16.1</b>	16.1 & 16.2		
Habib Metropolitan Modaraba Management Company (Private) Limited (the Management Company) held 3,000,000 (10%) certificates of Rs. 10 each as at June 30, 2019.			
<b>16.2</b>			
Habib Metropolitan Bank Limited (the Holding Company), held 18,000,000 (60%) certificates of Rs.10 each as at June 30, 2019.			
<b>17 RESERVE</b>	Note	<b>June 30, 2019</b>	June 30, 2018
		<b>Rupees</b>	Rupees
Capital reserve			
Statutory reserve	17.1	3,021,377	802,415
Revenue			
Unappropriated profit		<u>9,085,511</u>	<u>3,209,662</u>
		<u>12,106,888</u>	<u>4,012,077</u>
<b>17.1</b>			
Prudential Regulations for Modarabas issued by Securities and Exchange Commission of Pakistan (SECP) requires creation of reserve fund to which shall be credited:			
a)			
an amount not less than 20% and not more than 50% of its after tax profits till such time the reserve fund equals the amount of paid-up capital; and			
b)			
thereafter a sum not less than 5% of its after tax profits.			
<b>18 CREDITORS, ACCRUED AND OTHER LIABILITIES</b>	Note	<b>June 30, 2019</b>	June 30, 2018
		<b>Rupees</b>	Rupees
Provision for Sindh Workers' Welfare Fund	18.1	308,304	81,879
Utilities expenses payable		-	448,000
Sundry creditors		-	64,801
Adjustable against Diminishing Musharaka	18.2	3,550,000	-
Diminishing Musharaka customer contribution		1,187,700	-
Accrued expenses		110,638	-
Maintenance service charges payable		674,501	-
Residual Value received in advance		514,421	-
Withholding tax on supplies		-	1,760
Other liabilities		624,083	57,160
Audit fee payable		<u>335,200</u>	<u>324,000</u>
		<u>7,304,847</u>	<u>977,600</u>

## Notes to the Financial Statements

For the year ended June 30, 2019

- 18.1** As a consequence of the 18th amendment to the Constitution of Pakistan, in May 2015, the Sindh Workers' Welfare Fund Act, 2014 (SWWF Act) had been passed by the Government of Sindh as a result of which every industrial establishment located in the Province of Sindh, the total income of which in any accounting year is not less than Rs 0.5 million, is required to pay Sindh Workers' Welfare Fund (SWWF) in respect of that year a sum equal to two percent of such income.

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

Subsequent to the year end, the Modaraba received a notice vide letter no. SRB /AC-37/2019-20/80, 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 subsequent to the year end, 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.

- 18.2** 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.

## 19 CONTINGENCIES AND COMMITMENTS

### 19.1 Contingencies

There were no contingencies as at June 30, 2019 and June 30, 2018.

### 19.2 Commitments

- 19.2.1** Commitments in respect of financing transactions amounted to Rs. 13.037 million (2018: Rs. 23.41 million) as at June 30, 2019.

#### 19.2.2 Musharaka receivables

	<b>June 30, 2019</b>	June 30, 2018
	<b>Rupees</b>	Rupees
Receivables - not later than one year	36,963,869	3,898,202
Receivables - later than one year and not later than five years	<u>131,053,719</u>	<u>8,442,291</u>
	<u>168,017,588</u>	<u>12,340,493</u>

## 20 OTHER FINANCE INCOME

During the year, the Modaraba has earned other finance income of Rs. 8.852 million on the vehicles available for diminishing musharaka because of appreciation of prices in the automobile industry. Difference between the purchase cost and fair value at the time of Diminishing Mushraka Financing has been recorded as other finance income.



## Notes to the Financial Statements

For the year ended June 30, 2019

	Note	For the year ended June 30, 2019 Rupees	For the period from October 06, 2017 to June 30, 2018 Rupees
<b>21 ADMINISTRATIVE EXPENSES</b>			
Salaries, allowances and other benefits		6,887,578	3,640,900
Repairs and maintenance		408,184	136,233
Legal and professional charges		1,452,326	186,922
Fees and subscription		685,695	336,474
Printing and stationery		392,397	140,970
Utilities expenses		601,803	448,000
Takaful premium		165,177	35,943
Depreciation	5	1,106,735	789,978
Amortisation	6	114,854	47,855
Auditor's remuneration	21.1	643,300	501,000
Others		2,815,021	343,085
		<u>15,273,070</u>	<u>6,607,360</u>
<b>21.1 Auditor's remuneration</b>			
Annual fee		275,000	250,000
Half yearly review fee		147,500	100,000
Special reports, certification and sundry advisor services		179,800	100,000
Out of pocket expenses		15,000	15,000
Sales tax		26,000	36,000
		<u>643,300</u>	<u>501,000</u>
<b>22 FINANCIAL CHARGES</b>			
Bank charges		184,415	30,572
<b>23 MODARABA MANAGEMENT COMPANY'S FEE</b>			
As per section 18 of Modaraba Companies and Modaraba (Floatation and Control) Ordinance, 1980, the remuneration of the Modaraba Company in respect of the Modaraba floated by it shall be a fixed percentage of the net annual profits of the Modaraba and shall not exceed ten 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.			
<b>24 TAXATION - NET</b>			
<b>24.1</b> The income of non-trading modarabas is exempt from tax under clause 100 of the Second Schedule of the Income Tax Ordinance 2001, provided not less than ninety percent of its profits after appropriation to statutory reserves as required under Modaraba Companies and Modaraba (Floatation and Control) Ordinance, 1980 is distributed to the certificate holders. The Modaraba has decided to continue availing the tax exemption and hence no provision has been made in this financial statements for tax liabilities for the year.			

**Notes to the Financial Statements**

For the year ended June 30, 2019

	<b>For the year ended June 30, 2019 Rupees</b>	For the period from October 06, 2017 to June 30, 2018 Rupees
<b>25 EARNINGS PER CERTIFICATE - BASIC AND DILUTED</b>		

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

Profit for the year / period	11,094,811	4,012,077
Weighted average number of certificates outstanding	<u>30,000,000</u>	<u>30,000,000</u>
Earnings per certificate - Basic and diluted (Rupees)	<u>0.37</u>	<u>0.13</u>

There were no convertible dilutive potential ordinary certificates outstanding as on June 30, 2019 which have dilutive effect on earnings per certificate.

**26 REMUNERATION OF EXECUTIVES**

Remuneration	<u>3,900,000</u>	<u>3,348,500</u>
Number of executives at the end of the year	1	1

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

**27 FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES**

The Modaraba's objective in managing risk is the creation and protection of certificate holders' value. Risk is inherent in the Modaraba's activities, but it is managed through monitoring and controlling activities which are primarily setup to be performed, based on limits established by the Modaraba Management Company, Modaraba's constitutive documents and the regulations and directives of the SECP. The Modaraba's activities expose it to a variety of financial risks: market risk (including profit rate risk, equity price risk and fair value risk), credit risk and liquidity risk. The Board of Directors of the Modaraba Management Company has overall responsibility for the establishment and over sight of the Modaraba's risk management framework.

The Modaraba's overall risk management program focuses on the unpredictability of financial markets and seeks to minimise potential adverse effects on the Modaraba's financial performance.

The Modaraba primarily invests in diminishing musharaka, and Islamic Investment Instruments. Such investments are subject to varying degrees of risk, which emanate from various factors that include but are not limited to market risk, credit risk and liquidity risk.

**27.1 Market risk**

Market risk is the risk that the fair value of future cash flows of financial instruments will fluctuate due to changes in market variables such as profit rates, foreign exchange rates and equity prices.

**27.2 Profit rate risk**

Profit rate risk is the risk that the fair value of future cash flows of a financial instrument will fluctuate because of changes in market profit rates.

## Notes to the Financial Statements

For the year ended June 30, 2019

### 27.3 Foreign currency risk

Foreign currency risk is the risk that the fair value of future cash flows of a financial instrument will fluctuate because of changes in foreign exchange rates. The Modaraba does not have any financial instruments in foreign currencies and hence is not exposed to such risk.

### 27.4 Liquidity risk

Liquidity risk is defined as the risk that the Modaraba will encounter difficulty in meeting obligations associated with financial liabilities. Liquidity risk arises because of the possibility that the Modaraba could be required to pay its liabilities earlier than expected. The Modaraba's approach to managing liquidity is to ensure, as far as possible, that it will always have sufficient liquidity to meet its liabilities when due, under both normal and stressful conditions, without incurring unacceptable losses or risking damage to the Modaraba's reputation.

The table below summarizes the maturity profile of the Modaraba's financial liabilities based on contractual undiscounted payments.

As at June 30, 2019	Six to Twelve months	One to five years	Over five years	Above five years	Total contractual cash flows
	-----Rupees-----				
Creditors, accrued and other liabilities	7,304,847	-	-	-	7,304,847
Dividend payable	6,567	-	-	-	6,567
<b>Total</b>	<b>7,311,414</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>7,311,414</b>

As at June 30, 2018	Six to Twelve months	One to five years	Over five years	Above five years	Total contractual cash flows
	-----Rupees-----				
Creditors, accrued and other liabilities	977,600	-	-	-	977,600
<b>Total</b>	<b>977,600</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>977,600</b>

### 27.5 Credit risk

Credit risk is the risk that the counterparty to a financial instrument will cause a financial loss for the Modaraba by failing to discharge its obligation. The Modaraba's policy is to enter into financial contracts with reputable counter parties in accordance with the internal guidelines, offering document and regulatory requirements. The table below analyses the Modaraba's maximum exposure to credit risk. The maximum exposure is shown gross, before the effect of mitigation through the use of collateral agreements at reporting date:

	June 30, 2019 Rupees	June 30, 2018 Rupees
Diminishing musharaka finance	131,053,719	8,442,291
Current portion of diminishing musharaka financing	36,963,869	3,898,202
Advances	-	329,254
Advances and short term prepayments	-	272,258
Accrued profit	1,010,497	1,743,202
Short term investments	70,000,000	50,000,000
Cash and bank balances	32,275,791	33,525,457
	<u>271,303,876</u>	<u>98,210,664</u>

## Notes to the Financial Statements

For the year ended June 30, 2019

Concentration of credit risk exists when changes in economic or industry factors affect the group of counterparties whose aggregate credit exposure is significant in relation to the Modaraba's total credit exposure. The Modaraba's portfolio of financial assets is broadly diversified and transactions are entered into with diverse credit worthy counter parties there by mitigating any significant concentration of credit risk. The table below analyses the Modaraba's concentration of credit risk by industrial distribution:

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

	2019		2018	
	Rupees	%	Rupees	%
Individuals	62,348,257	37%	12,340,493	100%
Corporate	105,669,331	63%	-	0%
	<u>168,017,588</u>		<u>12,340,493</u>	

**June 30,**  
**2019**  
**Rupees**

June 30,  
2018  
Rupees

### 27.7 Financial instruments by category

#### Financial assets

##### Financial assets at amortised cost

Diminishing musharaka finance	131,053,719	8,442,291
Current portion of diminishing musharaka financing	36,963,869	3,898,202
Advances	-	329,254
Advances and short term prepayments	-	272,258
Accrued profit	1,010,497	1,743,202
Cash and bank balances	32,275,791	33,525,457
Short term investments	70,000,000	50,000,000
	<u>271,303,876</u>	<u>98,210,664</u>

#### Financial liabilities

##### Financial liabilities at amortised cost

Creditors, accrued and other liabilities	7,304,847	977,600
Dividend payable	6,567	-
	<u>7,311,414</u>	<u>977,600</u>

### 28 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.

## Notes to the Financial Statements

For the year ended June 30, 2019

The carrying values of all financial assets and liabilities reflected in the financial statements are approximate to their fair values. Fair value is determined on the basis of the objective evidence at each required date. The following table compares the carrying amounts and fair values of the Modaraba's financial assets and financial liabilities as at June 30, 2019.

	As at June 30, 2019		As at June 30, 2018	
	Carrying amount	Fair value	Carrying amount	Fair value
-----Rupees-----				
<b>Financial assets</b>				
<b>Loans and receivables at amortised cost</b>				
Diminishing musharaka finance				
Current portion of diminishing musharaka financing	131,053,719	131,053,719	8,442,291	8,442,291
Advances	36,963,869	36,963,869	3,898,202	3,898,202
Advances and short term prepayments	-	-	329,254	329,254
Accrued profit	-	-	272,258	272,258
Cash and bank balances	1,010,497	1,010,497	1,743,202	1,743,202
Short term investments	32,275,791	32,275,791	33,525,457	33,525,457
	70,000,000	70,000,000	50,000,000	50,000,000
<b>Financial liabilities</b>				
<b>Financial liabilities at amortised cost</b>				
Creditors, accrued and other liabilities				
Dividend payable	7,304,847	7,304,847	977,600	977,600
	6,567	6,567	-	-

### 28.1 Fair value hierarchy

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

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

Level 1: quoted prices (unadjusted) in active markets for identical assets or liabilities

Level 2: inputs other than quoted prices included within Level 1 that are observable for the asset or liability, either directly (i.e. as prices) or indirectly (i.e. derived from prices)

Level 3: inputs for the asset or liability that are not based on observable market data (unobservable inputs).

As at June 30, 2019, none of the financial instruments of the Modaraba are carried at fair value.

### 28.2 Transfers during the year

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

## 29 CAPITAL RISK MANAGEMENT

The Modaraba's prime objective when managing capital is to safeguard its ability to continue as a going concern in order to provide adequate returns for certificate-holders and benefits for other stakeholders and to maintain an optimal capital structure to reduce the cost of capital.

In order to maintain or adjust the capital structure, the Modaraba may adjust the amount of profit distributed to certificate-holders, issue new certificates or sell assets to reduce debt.

## Notes to the Financial Statements

For the year ended June 30, 2019

The Modaraba's objective in managing risks is the creation and protection of Certificate holders' value. Risk is inherent in the Modaraba's activities, but it is managed through a process of ongoing identification, measurement and monitoring, subject to risk limits and other controls. The process of risk management is critical to the Modaraba's continuing profitability. The Modaraba is exposed to market risk (which includes profit rate risk and price risk), credit risk and liquidity risk arising from the financial instruments it holds.

### 30 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 as disclosed in note 25, is given below:

Relationship with the Modaraba	Nature of transactions	June 30, 2019 Rupees	For the period from October 06, 2017 to June 30, 2018 Rupees
<b>Holding Company</b>			
Habib Metropolitan Bank Limited	Profit on Modaraba's deposits accounts and Islamic term deposit receipts	6,902,887	12,657,349
Habib Metropolitan Bank Limited	Investments purchased	175,000,000	1,105,000,000
Habib Metropolitan Bank Limited	Investments matured	225,000,000	1,030,000,000
Habib Metropolitan Bank Limited	Reimbursement of preliminary expenses and floatation costs	-	10,433,800
Habib Metropolitan Bank Limited	Dividend paid	1,800,000	-
Habib Metropolitan Bank Limited	Reimbursement of expenses	1,433,929	-
<b>Management Company</b>			
Habib Metropolitan Modaraba Management Company (Private) Limited	Dividend paid	300,000	-

## Notes to the Financial Statements

For the year ended June 30, 2019

		<b>June 30, 2019</b>	June 30, 2018
		<b>Rupees</b>	Rupees
<b>30.1 Year end balances</b>			
<b>Holding Company</b>			
Habib Metropolitan Bank Limited	Bank balances	5,284,166	8,507,457
Habib Metropolitan Bank Limited	Short term investments	25,000,000	50,000,000
Habib Metropolitan Bank Limited	Accrued profit on bank accounts and Islamic term deposit certificates	585,761	1,743,202
Habib Metropolitan Bank Limited	Prepaid expenses	213,483	-
<b>Modaraba Management Company</b>			
Habib Metropolitan Modaraba Management Company (Private) Limited	Sundry creditors	-	64,801

### 30.2 Group shared services

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

### 31 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:

	<b>June 30, 2019</b>	June 30, 2018
	<b>Rupees</b>	Rupees
Proceeds realized	<u>300,000,000</u>	<u>300,000,000</u>
Purchase of property and equipment	4,341,744	5,596,661
Purchase of intangible assets	181,856	344,566
Preliminary expenses and floatation cost	7,881,758	12,422,100
Diminishing musharaka financing and vehicles available there against	196,907,487	-
Held for working capital, purchase of additional assets / investments etc.	<u>90,687,155</u>	<u>281,636,673</u>
	<u>300,000,000</u>	<u>300,000,000</u>

**Notes to the Financial Statements**

For the year ended June 30, 2019

	<b>June 30, 2019</b>	For the period from October 06, 2017 to June 30, 2018
	<b>Rupees</b>	Rupees
Note		
<b>32 CASH GENERATED FROM OPERATIONS</b>		
Profit before taxation	11,094,811	4,012,077
Adjustment of non-cash and other items:		
Depreciation	1,106,735	789,978
Amortization of preliminary expenses and floatation costs	2,614,881	1,925,461
Amortization of intangible asset	114,854	47,855
Financial charges	184,415	30,572
Profit on Islamic Certificate	(3,275,082)	(9,588,517)
Income from diminishing musharaka financing	(13,757,843)	(208,199)
Profit on Modaraba's deposits accounts	(3,319,836)	(2,854,633)
Movement in working capital	32.1 (28,471,023)	(3,310,048)
	<u>(33,708,088)</u>	<u>(9,155,454)</u>
<b>32.1 Movement in working capital</b>		
Increase in current assets:		
Advances and short term prepayments	(1,732,603)	(389,446)
Current portion of diminishing musharaka financing	(33,065,667)	(3,898,202)
Increase in current liabilities:		
Creditors, accrued and other liabilities	6,327,247	977,600
	<u>(28,471,023)</u>	<u>(3,310,048)</u>
<b>33 NON-ADJUSTING EVENT AFTER THE BALANCE SHEET DATE</b>		
The Board of Directors of the Modaraba Management Company in their meeting held on August 29, 2019 have approved profit distribution at the rate of 2.75 % i.e. Re. 0.275 per certificate for the year ended June 30, 2019. These financial statements do not reflect this distribution.		
<b>34 DATE OF AUTHORIZATION FOR ISSUE</b>		
These financial statements was authorized for issue on 29 August, 2019 by the Board of Directors of the Habib Metropolitan Modaraba Management Company (Private) Limited.		
<b>35 CORRESPONDING FIGURES</b>		
Corresponding figures have been rearranged and reclassified, wherever necessary for the purpose of comparison and for better presentation. However, no significant reclassification has been made during the year.		
<b>36 NUMBER OF EMPLOYEES</b>		
The number of employees as at year end was 9 (2018: 5) and average number of employees during the year was 9 (2018: 5).		
<b>37 GENERAL</b>		
Amounts have been presented and rounded off to the nearest Pak rupees unless otherwise stated.		

CHIEF FINANCIAL OFFICER

CHIEF EXECUTIVE

DIRECTOR

DIRECTOR



