

First Habib Modaraba

(An Islamic Financial Institution)

(Managed by: HabibMetro Modaraba Management)



Quarterly Account 2019 (UNAUDITED)

HABIBMETRO
Modaraba Management

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CORPORATE INFORMATION

BOARD OF DIRECTORS

Mr. Wazir Mumtaz Ahmed	- Chairman (Non-Executive Director)
Mr. Muhammad Shoab 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
Ahmed & Qazi Advocates & Legal Consultants

AUDIT COMMITTEE

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

HUMAN RESOURCE COMMITTEE

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

REGISTRAR

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

AUDITOR

EY Ford Rhodes
Chartered Accountants

COMPANY SECRETARY

Mr. Tehsin Abbas (Officiating Company Secretary)

BANKERS

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

REGISTERED OFFICE

6th Floor, HBZ Plaza (Hirani Centre)
I.I. Chundrigar Road, Karachi.

Tel : 021-32635949-51
Fax : 021-32627373
UAN : 111-346-346
Web : www.habibmodaraba.com
Email : fhm@habibmodaraba.com

GEOGRAPHICAL PRESENCE - BRANCH OFFICES

Karachi Branch:

3rd Floor, Al-Manzoor Building,
Dr. Ziauddin Ahmed Road. Karachi.
Tel: 021-32635949-51, Fax: 021-32627373

Lahore Branch:

1st Floor, 5-Z Block, Phase III, Defence Housing
Authority, Lahore.
Tel: 042-35693074-76, Fax: 042-35693077

Islamabad Branch:

Office No. 508, 5th Floor, ISE Towers, Jinnah Avenue
Blue Area, Islamabad.
Tel: 051-28994571-73, Fax: 051-2894574

Multan Branch:

Mezzanine Floor, Abdali Tower,
Abdali Road, Multan.
Tel : 061-4500121-3, Fax : 061-4588810

DIRECTORS' REPORT

On behalf of the Board of Directors of Habib Metropolitan Modaraba Management Company (Private) Limited, it is my great pleasure to present the un-audited accounts of First Habib Modaraba (FHM) for the period ended March 31, 2019.

Alhamdulillah, FHM has completed business operation of 3rd Quarter with satisfactory business performance. Total disbursements of Rs.4.108 billion were made as compared to Rs.3.363 billion, an increase of around 22% over same corresponding period of last year. Out of total disbursements, Diminishing Musharaka financing was around 77% and portion of vehicles financing was around 84%. Similarly, deposit under the scheme of Certificate of Investment (Musharaka arrangement) was also raised to Rs.6.599 billion, an increase of around 37% over the same period of last year.

Due to enhancement in financing and deposit size, overall size of balance sheet has also been increased from Rs.9.247 billion in March, 2018 to Rs.11.473 billion in March, 2019, which reflect growth of around 24%. Profit after tax has also been increased by 8% i.e., from Rs.221 million to Rs.238 million.

Presently, economy of Pakistan is passing through a difficult time. Businesses are under pressure due to high lending rates and substantial devaluation of Pak rupee. These elements have squeezed the growth and also pushed inflation upward to around 9% in current month. The State Bank of Pakistan (SBP) in recent Monetary Policy Statement has further increased its policy rate by 50bps and rose to 10.75%. Tightening of monetary stance is more likely to yield the desired objectives if the fiscal policy of the country is also supportive.

Fiscal deficit has also risen in FY19 when compared to same period of last year. The said deficit was financed through borrowings from SBP which is increasing debt burden including its service cost and leave very narrow space for Public Sector Development Program. Rising input costs on the back of higher energy prices and impact of exchange rate depreciation have slowed down business activities and also pushing inflation in upward direction.

On the positive side, there are healthy improvements in foreign exchange remittances during the period of nine months of current year. According to the latest data released by the SBP, the country received remittances till 3rd quarter are higher by 8.7 percent over same period of last years. Furthermore, country's current account deficit has also been narrowed down in above period followed by lower goods and services deficit. Economists said that the country's external account continues to improve on back of lower services and goods import bill. The said progress could be due to exchange rate depreciation and other regulatory measures which have made some improvement on external front in above period. The improvement in current account deficit is somehow an encouraging sign but still the gap in the external sector is huge and unsustainable. The rising inflationary pressure is also cause of great concern, particularly, in the circumstances of projection of lower GDP growth rate in current year.

In accordance with our business performance of nine months, we are hopeful that we will end up with satisfactory result in closing of current year. However, keeping in view of high lending rates, high inflation and continuous weakening of Pak rupee are affecting present businesses and leading towards weak generations of operating cash flows and diluted cash cycles. This situation is also impacting timely repayment of borrowed facilities by the businesses and at present, we are also experiencing issues of slow/delayed repayment of such facilities within our existing financing portfolio. We are cautiously moving forward and now, we are more careful in our new business engagements particularly in adding of new financing assets.

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

For and on behalf of Board of Directors

Syed Rasheed Akhtar
Director

Muhammad Shoaib Ibrahim
Chief Executive Officer

Karachi: April 25, 2019

ڈائریکٹرز کی رپورٹ

یہ میرے لئے بہت خوشی کا باعث ہے کہ میں حبیب میٹروپولیٹن مضاربہ منیجمنٹ کمپنی (پرائیویٹ) لمیٹڈ کے بورڈ آف ڈائریکٹرز کی جانب سے فرسٹ حبیب مضاربہ (FHM) کی ۳۱ مارچ ۲۰۱۹ کو ختم ہونے والی تیسری سہ ماہی مدت کے اختتامیہ کی غیر محتسب شدہ کھاتے پیش کروں۔

الحمد للہ! (FHM) نے تیسری کاروباری سہ ماہی بڑی اطمینان بخش پرفارمنس کے ساتھ مکمل کر لی۔ ۳۳،۳۶۳ بلین کے مقابلے میں ۲۰۱۸ء بلین کی ادائیگیاں کی گئیں، جو کہ پچھلے سال کے اسی مدت کے مقابلے میں ۲۲ فیصد اضافہ کیساتھ ہیں۔ مجموعی ادائیگیوں میں، ڈیمینسٹنگ مشارقہ فنانشنگ (Diminishing Musharakah financing) میں ۷۷ فیصد اور گاڑیوں کی فنانشنگ کا حصہ ۸۴ فیصد کے آس پاس رہا۔ سرٹیفیکیٹ اسکیم (مشارقہ اریجنٹ) میں اسی طرح بڑھوتری ہوتے ہوئے ۶،۵۹۹ بلین جمع ہوئے، جس میں پچھلے سال اسی مدت کے مقابلے میں ۳۷ فیصد اضافہ ہے۔

فنانشنگ اور ڈپازٹ سائز میں اضافے کی وجہ سے، مارچ ۲۰۱۸ سے، مارچ ۲۰۱۹ تک بیلنس شیٹ پر ۷،۶۲۳ بلین سے ۱۱،۴۷۳ بلین اضافہ ہوا، جس سے ۲۴ فیصد بڑھوتری کی عکاسی ہوتی ہے۔ کل منافع میں ۸ فیصد اضافہ ہوا جیسے: ۲۲۱ بلین سے ۲۳۸ بلین روپے کا۔

پاکستان کی معیشت ابھی مشکلات میں ہے۔ کاروبار کو قرضوں کی شرح میں خسارہ، پاکستانی روپے کی گرتی ہوئی قدر کی وجہ سے شدید معاشی چیلنجز کا سامنا ہے۔ ان وجوہات کی بناء پر ترقی کم ہوئی اور مہنگائی کی سطح ۹ فیصد کے آس پاس اس ماہ تک بڑھ چکی ہے۔ اسٹیٹ بینک آف پاکستان (SBP) نے اپنی حالیہ مانیٹری پالیسی برائے کھاتوں میں پالیسی ریٹ ۵۰ PBS اور ۵۷.۵۰ فیصد تک بڑھا دیا ہے۔ مانیٹری پالیسی سخت کرنا ملکی معاشی اہداف کو حاصل کرنے میں مددگار ثابت ہو گا۔

معاشی خسارہ پچھلے سال کے مقابلے میں معاشی سال ۲۰۱۹ میں بڑھ گیا ہے۔ یہ خسارہ SBP کی طرف سے قرض لیکر پورا کیا جاتا رہا جس کی وجہ سے سروس لاگت بڑھ گئی اور پبلک سیکٹر ڈیولپمنٹ پروگرام کیلئے نہایت ہی کم جگہ بچی۔ توانائی کی بڑھتی قیمتوں کے پیچھے اس کی لاگت اور زر مبادلہ کی شرح میں کمی نے کاروباری سرگرمیوں کو ماند اور سست روی کا خطرہ کیا اور اس وجہ سے مہنگائی کی شرح بڑھی۔

ایک مثبت پہلو یہ بھی رہا ہے کہ پچھلے نو ماہ کے دوران غیر ملکی کرنسی کی ترسیلات میں بہتری آئی ہے۔ SBP کی حالیہ تازہ ترین اعداد و شمار کے مطابق ملک میں ترسیلات میں اس تیسری سہ ماہی میں ۸۷ فیصد پچھلے سال کے مقابلے میں اضافہ ریکارڈ کیا گیا ہے۔ مزید برآں ملک میں کرنٹ اکاؤنٹ کے خسارے کو کم کر دیا گیا ہے جس کی وجہ سے اشیاء اور سروسز کا خسارہ بھی کم ہوا ہے۔ معاشی ماہرین کہتے ہیں کہ ملک کا بیرونی

اکاؤنٹ، اشیاء اور سروسز کے درآمدی بل میں کمی کے باعث بہتری کی طرف گامزن ہے۔ اس بہتری کی ظاہری وجہ زر مبادلہ میں کمی اور دیگر ریگولیٹری اقدامات ہو سکتی ہے۔ کرنٹ اکاؤنٹ خسارے میں بہتری بہر حال ایک مثبت پیش رفت ہے مگر بیرونی شعبے میں یہ فرق بہت بڑا اور غیر مستحکم ہے۔ بڑھتی ہوئی افراط زر کا دباؤ بھی بڑا تشویش کا باعث ہے، خاص طور پر ان حالات میں موجودہ سال میں کم جی ڈی پی (GDP) کی شرح بھی باعث تشویش ہے۔

ہم اپنے پچھلے نو ماہ کی کاروباری کارکردگی کو مد نظر رکھتے ہوئے، یہ امید رکھتے ہیں کہ اس سال کے اختتام تک نتائج حوصلہ افزا رہیں گے۔ مگر پھر بھی قرضوں کی شرح، مہنگائی کی بڑھتی شرح اور پاکستانی روپے کی گرتی قدر کو مد نظر رکھتے ہوئے جو کہ حالیہ کاروباری معاملات اور کمزور بڑھوتری اور نقدی کا بہاؤ اور ان کے کمزور چکر پر اثر انداز ہو رہی ہے۔ یہ صورتحال ہمارے موجودہ فنانسنگ پورٹ فولیو پر اثر انداز ہو رہی ہے، اور ہمیں بھی ادائیگیاں دیر سے یا کم مل رہی ہیں۔ موجودہ حالات کے تناظر میں ہم بڑی احتیاط کے ساتھ آگے بڑھ رہے ہیں، خاص طور پر ہم اس بات کا خیال رکھ رہے ہیں کہ کمزور شرحے میں نئے کاروباری معاملات کو بڑی احتیاط کے ساتھ نئے کاروباری اثاثوں کو شامل کریں۔

بورڈ آف ڈائریکٹرز، سیکورٹیز اینڈ ایکسچینج کمیشن آف پاکستان، رجسٹرار مضاربہ کمپنیز کا ان کی وقتاً فوقتاً رہنمائی اور مسلسل حمایت کا شکریہ اور اظہار ممنونیت کرنا چاہتا ہے اور مضاربہ کے معزز گاہکوں کا ان کی سرپرستی، کاروبار اور حاملین سٹیفیکیشنس کا فرسٹ حبیب مضاربہ کے ساتھ متخلص رہنے کا۔ بورڈ، ادارے کے رواں آپریشن اور اطمینان بخش نتائج کے حاصل کرنے کے سلسلے میں فرسٹ حبیب مضاربہ کے ملازمین کی لگن، اعلیٰ پائے کی پیشہ ورانہ خصوصیات اور سخت جدوجہد کو بھی سراہتا ہے۔

بورڈ آف ڈائریکٹرز کیلئے اور ان کی جانب سے

سید رشید اختر
ڈائریکٹر

محمد شعیب ابراہیم
چیف ایگزیکٹو آفیسر

کراچی: ۱۵۲ اپریل ۲۰۱۹

CONDENSED INTERIM BALANCE SHEET

AS AT MARCH 31, 2019

	Note	(Unaudited)	(Audited)
		March 31, 2019	June 30, 2018
-----Rupees-----			
ASSETS			
NON-CURRENT ASSETS			
Fixed assets - tangible		2,805,288,057	2,902,828,561
Lease financing assets		38,447,239	30,137,307
Assets in own use		2,843,735,296	2,932,965,868
Intangible assets		209,902	307,451
Long term advances, deposits and prepayments		1,146,850	1,215,850
Diminishing musharaka financing		4,366,318,759	3,349,956,311
		7,211,410,807	6,284,445,480
CURRENT ASSETS			
Investments		1,344,288,450	1,258,858,121
Current portion of diminishing musharaka financing		2,458,600,216	2,245,975,863
Lease financing installments receivables		14,111,242	2,139,247
Diminishing musharaka financing installments receivables		7,656,362	3,834,285
Short term advances, deposits and prepayments		5,669,459	4,595,951
Income tax refundable	4	137,031,924	113,683,111
Other receivables		35,983,688	44,856,094
Cash and bank balances		258,625,193	320,868,504
		4,261,966,534	3,994,811,176
		11,473,377,341	10,279,256,656
TOTAL ASSETS			
EQUITY AND LIABILITIES			
CAPITAL AND RESERVES			
Authorized certificate capital 220,000,000 (June 30, 2018: 220,000,000) certificates of Rs.5 each		1,100,000,000	1,100,000,000
Issued, subscribed and paid-up certificate capital		1,008,000,000	1,008,000,000
Reserves		2,421,007,917	2,434,258,336
Certificate holders' equity		3,429,007,917	3,442,258,336
SURPLUS ON REVALUATION OF INVESTMENTS		145,239,500	117,877,892
NON-CURRENT LIABILITIES			
Security deposits against lease financing assets		331,601,778	416,028,462
CURRENT LIABILITIES			
Certificates of investment (musharaka)		6,598,878,966	5,593,061,023
Security deposits - current portion		127,744,569	60,141,012
Unearned lease financing and diminishing musharaka installments		13,615,740	63,489,472
Advance lease financing and diminishing musharaka installments		30,656,892	26,163,905
Trade and other payables		406,452,335	426,956,952
Profit payable on certificates of investment (musharaka)		118,746,303	74,332,870
Advance against murabaha		225,000,000	25,000,000
Profit payable on murabaha financing		6,029,178	9,986
Unclaimed profit distributions		40,404,163	33,936,746
		7,567,528,146	6,303,091,966
		11,473,377,341	10,279,256,656
TOTAL EQUITY AND LIABILITIES			
CONTINGENCIES AND COMMITMENTS			

The annexed notes from 1 to 10 form an integral part of these interim financial statements.

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

CHIEF FINANCIAL OFFICER

CHIEF EXECUTIVE OFFICER

DIRECTOR

DIRECTOR

CONDENSED INTERIM PROFIT AND LOSS ACCOUNT (UNAUDITED)

FOR THE NINE MONTHS PERIOD ENDED MARCH 31, 2019

	Note	Nine Months Ended		Quarter ended	
		March 31, 2019	March 31, 2018	March 31, 2019	March 31, 2018
Income from lease financing		127,934,273	145,956,337	33,928,869	47,772,855
Income from diminishing musharaka financing		515,271,011	286,671,829	214,939,412	100,624,119
Administrative expenses		(95,514,921)	(79,244,936)	(30,000,254)	(28,977,599)
		547,690,363	353,383,230	218,868,027	119,419,375
Other income		99,487,858	91,565,648	39,489,160	26,465,951
		647,178,221	444,948,878	258,357,187	145,885,326
Financial charges		(372,519,799)	(190,552,860)	(155,266,651)	(66,601,193)
Modaraba Management Company's remuneration	6	(27,465,842)	(25,439,602)	(10,309,053)	(7,928,413)
Sales tax on Modaraba Management Company's remuneration	6	(3,570,559)	(3,307,148)	(1,340,176)	(1,030,693)
Provision for Sindh Workers' Welfare Fund		(4,872,440)	(4,512,985)	(1,828,826)	(1,406,500)
Profit before taxation		238,749,581	221,136,283	89,612,481	68,918,527
Taxation	7	-	-	-	-
Profit for the period		238,749,581	221,136,283	89,612,481	68,918,527
Earning per certificate - basic and diluted	8	1.18	1.10	0.44	0.34

The annexed notes from 1 to 10 form an integral part of these interim financial statements.

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

CHIEF FINANCIAL OFFICER

CHIEF EXECUTIVE OFFICER

DIRECTOR

DIRECTOR

CONDENSED INTERIM STATEMENT OF COMPREHENSIVE INCOME (UNAUDITED)

FOR THE NINE MONTHS PERIOD ENDED MARCH 31, 2019

	Nine Months Ended		Quarter ended	
	March 31, 2019	March 31, 2018	March 31, 2019	March 31, 2018
	Rupees			
Profit for the period	238,749,581	221,136,283	89,612,481	68,918,527
Surplus / (deficit) on revaluation of investments classified as 'available-for-sale' - net*	27,361,608	(10,734,049)	13,294,307	21,712,347
Actuarial loss on defined benefit plan	-	(983,063)	-	-
Total comprehensive income for the period	<u>266,111,189</u>	<u>209,419,171</u>	<u>102,906,788</u>	<u>90,630,874</u>

* Surplus on revaluation of investments classified as 'available-for-sale' is presented under a separate head below equity as 'surplus on revaluation of investments' in accordance with the requirements of Circular No.SC/M/PRDD/PRs/2017-259 dated December 11, 2017 issued by the Securities and Exchange Commission of Pakistan (SECP).

The annexed notes from 1 to 10 form an integral part of these interim financial statements.

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

CHIEF FINANCIAL OFFICER

CHIEF EXECUTIVE OFFICER

DIRECTOR

DIRECTOR

CONDENSED INTERIM CASH FLOW STATEMENT (UNAUDITED)
FOR THE NINE MONTHS PERIOD ENDED MARCH 31, 2019

	March 31, 2019	March 31, 2018
	Rupees	
CASH FLOW FROM OPERATING ACTIVITIES		
Profit for the period	238,749,581	221,136,286
Adjustment for:		
Depreciation and amortization	855,227,676	733,064,137
Amortization of premium on sukuk	2,776,068	4,006,440
Financial charges	372,519,799	190,552,860
Gain on sale of shares - net	(2,368,978)	(447,660)
Gain on transfer of lease financing assets - net	(10,933,026)	(12,417,565)
Gain on disposal of assets in own use - net	(414,664)	(95,067)
Owned assets written off	-	3
Dividend income	(8,809,577)	(10,253,607)
	1,207,997,298	904,409,541
Changes in working capital		
Decrease / (increase) in current assets		
Lease financing installments receivables	(11,971,995)	(2,051,798)
Diminishing musharaka financing installments receivables	(3,822,077)	-
Short term advances, deposits and prepayments	(1,073,508)	1,419,879
Income tax refundable	(23,348,813)	(24,677,033)
Other receivables	(2,391,585)	10,438,057
	(42,607,978)	(14,870,895)
(Decrease) / increase in current liabilities		
Unearned lease financing and diminishing musharaka installments	(49,873,732)	37,086,675
Advance lease financing and diminishing musharaka installments	4,492,987	(2,170,812)
Trade and other payables	(20,874,292)	2,773,826
	(66,255,037)	37,689,689
Cash generated from operations	1,337,883,864	1,148,364,621
Purchase of lease financing assets	(943,976,518)	(1,064,247,184)
Proceeds from transfer of lease financing assets	204,237,897	198,573,387
Diminishing musharaka financing - net	(1,228,986,801)	(798,441,608)
Long term advances, deposits and prepayments	69,000	1,854,150
Security deposits against lease financing assets	(16,823,127)	32,447,472
Financial charges paid	(320,677,996)	(182,770,133)
Tax paid	(452,350)	(685,598)
	(2,306,609,895)	(1,813,269,514)
Net cash used in operating activities	(968,726,031)	(664,904,893)
CASH FLOW FROM INVESTING ACTIVITIES		
Purchase of assets in own use	(16,246,627)	(15,639,327)
Purchase of investments	(1,078,103,362)	(33,522,533)
Proceeds from sale / maturity of investments	1,031,713,558	32,098,966
Proceeds from sale of assets in own use	1,433,392	669,697
Dividends received	8,809,577	10,253,607
Net cash used in investing activities	(52,393,462)	(6,139,590)
CASH FLOW FROM FINANCING ACTIVITIES		
Dividends paid	(245,532,583)	(199,489,254)
Profit paid on murabaha financing	(1,409,178)	(4,039,549)
Net advance against / (payment on maturity of) murabaha financing	200,000,000	(123,860,502)
Certificates of investment (musharaka)	1,005,817,943	919,076,675
Net cash generated from financing activities	958,876,182	591,687,370
Net decrease in cash and cash equivalents during the period	(62,243,311)	(79,357,113)
Cash and cash equivalents at the beginning of the period	320,868,504	192,259,670
Cash and cash equivalents at the end of the period	258,625,193	112,902,557

The annexed notes from 1 to 10 form an integral part of these interim financial statements.

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

CHIEF FINANCIAL OFFICER

CHIEF EXECUTIVE OFFICER

DIRECTOR

DIRECTOR

CONDENSED INTERIM STATEMENT OF CHANGES IN EQUITY (UNAUDITED)

FOR THE NINE MONTHS PERIOD ENDED MARCH 31, 2019

	Capital reserves			Revenue reserves		Total equity
	Certificate Capital	Certificate premium	Statutory reserves*	General reserves	Unappropriated profit	
	(Rupees)					
Balance as at July 01, 2017	1,008,000,000	378,000,000	1,089,011,820	640,000,000	239,255,715	3,354,267,535
Profit distribution for the year ended June 30, 2017 @ Rs.1 per certificate	-	-	-	-	(201,600,000)	(201,600,000)
Total comprehensive income for the period	-	-	-	-	220,153,220	220,153,220
Balance as at March 31, 2018	<u>1,008,000,000</u>	<u>378,000,000</u>	<u>1,089,011,820</u>	<u>640,000,000</u>	<u>257,808,935</u>	<u>3,372,820,755</u>
Balance as at July 01, 2018	1,008,000,000	378,000,000	1,103,489,848	640,000,000	312,768,488	3,442,258,336
Profit distribution for the year ended June 30, 2018 @ Rs.1.25 per certificate	-	-	-	-	(252,000,000)	(252,000,000)
Total comprehensive income for the period	-	-	-	-	238,749,581	238,749,581
Balance as at March 31, 2019	<u>1,008,000,000</u>	<u>378,000,000</u>	<u>1,103,489,848</u>	<u>640,000,000</u>	<u>299,518,069</u>	<u>3,429,007,917</u>

* The statutory reserve represents profit set aside as required under the Prudential Regulation for Modarabas as issued by the Securities and Exchange Commission of Pakistan (SECP).

The annexed notes from 1 to 10 form an integral part of these interim financial statements.

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

CHEIF FINANCIAL OFFICER

CHIEF EXECUTIVE OFFICER

DIRECTOR

DIRECTOR

NOTES TO THE CONDENSED INTERIM FINANCIAL STATEMENTS (UNAUDITED) FOR THE NINE MONTHS PERIOD ENDED MARCH 31, 2019

1 LEGAL STATUS AND NATURE OF BUSINESS

First Habib Modaraba (the Modaraba) is a perpetual, multi-purpose modaraba managed by Habib Metropolitan Modaraba Management Company (Private) Limited (the Modaraba Management Company) having its registered office at 6th Floor, HBZ Plaza, I.I. Chundrigar Road, Karachi. The Modaraba is listed on Pakistan Stock Exchange Limited. The Modaraba is engaged in the business of leasing, Musharaka, Murabaha financing and other related business.

2 BASIS OF PREPARATION

- 2.1** These condensed interim financial statements of the Modaraba for the nine months period ended March 31, 2019 are unaudited and being submitted to the certificate holders as required under Rule 10 of Modaraba Companies and Modaraba Rules, 1981 and have been prepared in accordance with the requirements of the International Accounting Standard 34 - "Interim Financial Reporting".
- 2.2** The condensed interim financial statements do not include all the information and disclosures required for full annual financial statements and should be read in conjunction with the annual financial statements of the Modaraba as at and for the year ended June 30, 2018.
- 2.3** These condensed interim financial statements have been presented in Pak Rupees, which is the functional currency of the Modaraba.

3 SIGNIFICANT ACCOUNTING POLICIES, ESTIMATES AND JUDGEMENTS

- 3.1** The accounting policies and methods of computation followed for the preparation of these condensed interim financial statements are the same as those applied in preparing the financial statements for the year ended June 30, 2018.
- 3.2** The preparation of condensed interim financial statements requires management to make judgements, estimates and assumptions that affect the application of accounting policies and the reported amounts of assets and liabilities, income and expenses. Actual results may differ from these estimates. The significant judgements made by management in applying the Modaraba's accounting policies and key sources of estimation of uncertainty are the same as those that were applied to the financial statements for the year ended June 30, 2018.
- 3.3** The financial risk management objectives and policies are consistent with those disclosed in the annual financial statements of the Modaraba for the year ended June 30, 2018.

4 Income tax refundable

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 Tax Year 2018 since the management is confident that the same shall be refunded.

NOTES TO THE CONDENSED INTERIM FINANCIAL STATEMENTS (UNAUDITED) FOR THE NINE MONTHS PERIOD ENDED MARCH 31, 2019

5 CONTINGENCIES AND COMMITMENTS

5.1 Contingencies

During the period, the Modaraba received a letter from Sindh Revenue Board (SRB) vide letter dated August 09, 2018, wherein, it is mentioned that the Assistant Commissioner (Unit-12) of the SRB came to know through scrutiny of the financial statements of the Modaraba for the fiscal years 2012-2017 that the Modaraba is engaged in providing / rendering taxable services which falls under the Second Schedule of Sindh Sales Tax on Services Act, 2011 (the Act), and the sales tax on such services, i.e. on lease rentals / lease financing transactions aggregates to Rs.916.393 million which is outstanding. In view of this, the Modaraba was advised to submit certain financial records to SRB to ascertain the actual tax liability. Such letters were also received by some other Modarabas and collectively, a petition against the same was filed through a common legal counsel in the Honorable High Court of Sindh (HCS) challenging levy of Services Sales Tax on lease financing transactions including the vires of various headings of the Second Schedule of the Act. A stay order in this regard has been granted by the HCS stating that no adverse order in respect of the proposed treatment shall be made against the Petitioners.

The management of the Modaraba based on its discussions with its legal counsel is of the view that in light of the stay order of the HCS and the merits of the matter involved, no provision for any sales tax liability on rentals of lease financing is required to be maintained in these interim financial statements for the period ended March 31, 2019.

5.2 Commitments

Commitments in respect of financing transactions amounted to Rs.508 (June 30, 2018: Rs.279) million.

6. MODARABA MANAGEMENT COMPANY'S FEE INCLUSIVE OF SALES TAX

- 6.1** The Modaraba Management Company is entitled to a remuneration for services rendered to the Modaraba under the provisions of the Modaraba Companies and Modarabas (Floatation and Control) Ordinance, 1980 upto a maximum of 10% per annum of the net annual profits of the Modaraba. The fee for the period ended March 31, 2019 has been recognized at 10% (March 31, 2018: 10%) of profit for the period.
- 6.2** There is no change in the status of the Sindh Sales Tax levied by the Sindh Government at the rate of 13% on the remuneration of the Modaraba Management Company, as reported in note 22.6 to the annual financial statements of the Fund for the year ended June 30, 2018.

7. TAXATION

As per the current tax law, income of non-trading modarabas is exempt from income tax provided that they distribute ninety percent cash profit to certificate holders out of current year's total profit after appropriating to statutory reserves. As the management is intending to follow the aforesaid policy for profit distribution for the current year, no provision with respect to current and deferred taxation has been made in these condensed interim financial statements.

NOTES TO THE CONDENSED INTERIM FINANCIAL STATEMENTS

FOR THE NINE MONTHS PERIOD ENDED MARCH 31, 2019

8. EARNINGS PER CERTIFICATE - BASIC AND DILUTED

There is no dilutive effect on earnings per certificate which is based on:

	(Un-audited)			
	Nine Month Ended		Quarter ended	
	March 31, 2019	March 31, 2018	March 31, 2019	March 31, 2018
	Rupees			
Net profit for the period	238,749,581	221,136,283	89,612,481	68,918,527
Weighted average number of ordinary certificates	201,600,000	201,600,000	201,600,000	201,600,000
Basic earnings per certificate	1.18	1.10	0.44	0.34

9. DATE OF AUTHORIZATION FOR ISSUE

These financial statements were authorized for issue on 25 April 2019 by the Board of Directors of the Modaraba Management Company.

10. GENERAL

10.1 Corresponding figures have been reclassified / re-arranged wherever necessary to facilitate comparison in the presentation in the current period. However, there are no material reclassification / re-arrangement to report.

10.2 Figures have been rounded off to the nearest rupee.

For Habib Metropolitan Modaraba Management Company (Private) Limited
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