

First Habib Modaraba

(An Islamic Financial Institution)



Quarterly Accounts

For the Nine Months Ended

March 31, 2021

(Unaudited)

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Corporate Information

BOARD OF DIRECTORS

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

LEGAL ADVISOR

Mohsin Tayebaly & Company
Ahmed & Qazi Advocates & Legal Consultants

AUDIT COMMITTEE

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

HUMAN RESOURCE COMMITTEE

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

SHARES REGISTRAR

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

AUDITORS

EY Ford Rhodes
Chartered Accountants

COMPANY SECRETARY

Mr. Tehsin Abbas

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, it is our great pleasure to present the un-audited accounts of the Modaraba for the quarter ended 31st March, 2021.

Allhamdulillah, performance up to 3rd quarter of business operations remained satisfactory. On completion of period, we made disbursement of Rs.4.606 billion as compared to disbursement of Rs.3.183 billion of corresponding periods of last year which increased by around 45%. Due to better disbursement, size of financing book has been increased to Rs.9.986 billion from Rs.9.425 billion of same periods of last year. However, profits have slightly been reduced due to low lending rates on financing assets as compared to rates of last year. Our branches have added good financing assets during 2nd and 3rd quarters with sound corporate entities in diversified sectors.

The economy of the country is moving in right directions with good economic activities and high business sentiments. According to State Bank of Pakistan (SBP) private sector borrowing from banks increased by 34 per cent during the first nine months of this fiscal year which is witnessing that economic activities of this year are better than the pre-COVID period of FY20. The large-scale manufacturing (LSM) sector has also shown good growth during current fiscal year. Current account position has shown positive sign and CA deficit has also narrowed down due to better exports earnings and inflow of worker remittances. Furthermore, Roshan Digital Account (RDA) is also supporting in rising of foreign currency inflows within the country.

However, inflation number is slightly shocking in the month of March, 2021, which is increased to 9.1 percent as compared to 8.70 percent in month of February, 2021. The rise in inflation is mainly due to disruption in supply side which leads to inflation including increase in electricity and other utilities charges. In current scenario the economics activities are accelerating and government is projecting a good GDP growth as compared to growth of last year. However, worsening third wave of Covid-19 pandemic and a spike in prices of commodities, including food and energy, remained some of the immediate challenges.

On taxation side, last month Federal Government has issued an Ordinance pertain to withdrawal of certain tax exemption. As per Ordinance, several corporate tax exemptions have been withdrawn by Government of Pakistan with immediate effect. Exemption on Modaraba has also been withdrawn with immediate effect as per said Ordinance. Our Modaraba association has made several representations to Tax Authorities and Finance Minister for restoration of tax exemption status of Modarabas and also trying to meet relevant authorities for restoration of tax exemption status of Modarabas.

Regarding applicability of income tax with immediate effect, our association is in opinion that it is a settled law that the taxes can only be levied from prospective effect and any retrospective applicability thereof is ultra-vires under the Constitution. Based on the legal and professional advice, the Management along with other Modarabas is planning to make representations including legal support to remove intended withdrawal of tax exemption available to the Modarabas, particularly retrospective effect of the Ordinance 2021. Therefore, as advised by Association, no provision for Income Tax has been made in the accounts for the period ended 31st March, 2021.

The Registrar Modaraba has also issued revised Prudential Regulation (PR) for Modaraba sector and it is also applicable with immediate effect. Key changes in PR are introduced i.e., Capital Adequacy Ratio, reduction in per party limit from 20% to 15% on fund based facility, increased in redemption reserve requirement on Certificate of Musharkah from 5% to 15% and several other changes for better control and improved surveillance.

Going forward we are cautiously optimistic about current year outlook. On COVID-19 pandemic front, development of multiple vaccines has created hope of healthy recovery. However, rising number of cases in 3rd wave is again quite disturbing and may impact on economic front due to lockdown at country level. The recent development in taxation on Modaraba i.e., withdrawal of tax exemption status is also cause of concern for net profitability and dividend distributions to our investors. However, we shall cautiously move forward for sensible and prudent growth with satisfactory performance of FY2021.

In conclusion, We pray for safety of health from deadly novel virus for all of us. We also would like to express our sincere thanks and gratitude for the continued support and guidance provided by Securities & Exchange

Commission of Pakistan and Registrar Modaraba, customers of the Modaraba for their patronage and Certificate holders who have remained committed to FHM. We 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: 28th April, 2021

ڈائریکٹرز کی رپورٹ

یہ ہمارے لئے باعثِ مسرت ہے کہ ہم بورڈ آف ڈائریکٹرز کی جانب سے ۳۱ مارچ، ۲۰۲۱ کو ختم ہونے والی سہ ماہی مدت اختتام پر مضاربہ کے غیر محتسب شدہ کھاتے پیش کریں۔

الحمد للہ، تیسری سہ ماہی مدت میں کاروباری آپریشنز کی کارکردگی اطمینان بخش رہی ہے۔ اس مدت کی تکمیل پر، ہم نے ۲۰۲۱ء ۱۴ ارب روپے کی ادائیگیاں کی جو کہ پچھلے سال اسی مدت کے دوران ۱۳ ارب ۱۸۳ تھی، جو کہ ۴۵ فیصد زیادہ ہے۔ بہتر ادائیگیوں کی وجہ سے، فنانسنگ بک کا حجم ۹۸۶ ارب روپے تک پہنچا جو کہ پچھلے سال اسی مدت کے دوران ۹۴۲ ارب روپے تھا۔ تاہم، قرض کی شرح میں پچھلے سال سے اس سال کمی کی سبب منافع ذرا سا کم تھا۔ ہماری برانچوں نے دوسری اور تیسری سہ ماہی مدت کے دوران مختلف شعبوں میں اچھے کارپوریٹ اداروں کے ساتھ اچھے مالیاتی اثاثوں کا اضافہ کیا ہے۔

اچھی معاشی سرگرمیاں اور اعلیٰ کاروباری احساسات کے ساتھ ملک کی معیشت صحیح سمت میں گامزن ہے۔ اسٹیٹ بینک آف پاکستان (ایس بی پی) کے مطابق رواں مالی سال کے پہلے نو مہینوں کے دوران بینکوں سے قرض لینے والے نجی شعبے میں ۳۴ فیصد کا اضافہ ہوا ہے جو اس بات کی گواہی دے رہا ہے کہ مالی سال ۲۰۲۰ کے پہلے کوویڈ مدت سے، اس سال کی معاشی سرگرمیاں بہترین ہیں۔ بڑے پیمانے پر مینوفیکچرنگ (ایل ایس ایم) کے شعبے میں بھی رواں مالی سال کے دوران اچھا اضافہ ہوا ہے۔ برآمدات کی بہتر آمدنی اور ورکرز کی ترسیلات زر کی آمد کے سبب کرنٹ اکاؤنٹ کی پوزیشن میں مثبت علامت ظاہر ہوئی ہے اور کرنٹ اکاؤنٹ کا خسارہ بھی کم ہو گیا ہے۔ مزید یہ کہ روشن ڈیجیٹل اکاؤنٹ (آر ڈی اے) ملک کے اندر غیر ملکی کرنسی کی آمد میں اضافے میں بھی مدد فراہم کر رہا ہے۔

تاہم، مارچ، ۲۰۲۱ کے مہینے میں افراط زر کی تعداد قدرے چوٹ کا دینے والی ہے، جو فروری، ۲۰۲۱ کے مہینے میں ۸.۷۰ فیصد کے مقابلے میں بڑھ کر ۹.۷۰ فیصد ہو گئی ہے۔ افراط زر میں اضافے کی بنیادی وجہ سپلائی میں رکاوٹ ہے، بجلی اور دیگر یوٹیلیٹی چارجز میں اضافہ جس نے افراط زر میں اضافے میں نمایاں کردار ادا کیا۔ موجودہ صورتحال میں معاشی سرگرمیاں تیز ہو رہی ہیں اور حکومت گذشتہ سال کی شرح نمو کے مقابلے میں جی ڈی پی کی اچھی نمو پیش کر رہی ہے۔ تاہم، کوویڈ-۱۹ وبائی بیماری کی تیسری لہر کی بدترین صورتحال اور کھانے پینے اور توانائی سمیت اشیاء کی قیمتوں میں اضافہ فوری طور پر چیلنج بنا ہوا ہے۔

ٹیکس عائد کرنے کے معاملے میں، گذشتہ ماہ وفاقی حکومت نے ٹیکس چھوٹ واپس لینے سے متعلق ایک آرڈیننس جاری کیا تھا۔ آرڈیننس کے مطابق حکومت پاکستان نے متعدد کارپوریٹ ٹیکس چھوٹ فوری طور پر واپس لے لی ہے۔ مضاربہ پر استثنیٰ بھی اسی آرڈیننس کے مطابق فوری طور پر واپس لیا گیا ہے۔ ہماری مضاربہ ایسوسی ایشن نے ٹیکس اتھارٹی اور وزیر خزانہ کو مضاربہ کی ٹیکس سے مستثنیٰ درجہ کی بحالی کے لئے کئی نمائندگیاں کی ہیں اور مضاربہ کی ٹیکس استثنیٰ کی بحالی کے لئے متعلقہ حکام سے ملاقات کرنے کی کوشش بھی کی ہے۔

فوری طور پر انکم ٹیکس کے لاگو ہونے کے بارے میں، ہماری ایسوسی ایشن کی رائے ہے کہ یہ طے شدہ قانون ہے کہ ٹیکسوں کو صرف ممکنہ وجوہ سے ہی لگایا جاسکتا ہے اور اس کی کوئی بھی سابقہ اطلاق آئین کے تحت انتہائی ناگوار ہے۔ قانونی اور پیشہ ورانہ مشوروں کی بنیاد پر، انتظامیہ دوسرے مضاربہ کے ساتھ مضاربہ کو دستیاب ٹیکس استثنیٰ، خاص طور پر آرڈیننس ۲۰۲۱ کے سابقہ اثر ختم کرنے کے لئے قانونی معاونت سمیت نمائندگی کرنے کا ارادہ کر رہی ہے۔ لہذا، جیسا کہ ایسوسی ایشن کے مشورے سے، انکم ٹیکس کی مد میں ۳۱ مارچ ۲۰۲۱ کو ختم ہونے والی مدت کیلئے کوئی خرچہ ریکارڈ نہیں کیا گیا۔ تاہم، اس چیز کی اُمید ہے کہ اس مالی سال کے اختتام تک یہ بے چینی / غیر معمولی صورتحال ختم ہو جائے گی۔

رجسٹرار مضاربہ نے مضاربہ سیلٹر کے لئے نظر ثانی شدہ پریزنٹیشن ریگولیشن (پی آر) بھی جاری کیا ہے اور یہ بھی فوری طور پر نافذ العمل ہے۔ PR میں نمایاں تبدیلیاں متعارف کروائی گئیں، یعنی کیپیٹل ایڈوکیسی تناسب، فنڈ پر مبنی سہولیات پر فی پارٹی حد میں ۲۰ فیصد سے ۱۵ فیصد تک کمی، بہترین نگرانی اور بہتر کنٹرول کیلئے مشارقہ سرٹیفکیٹ کے ریڈیمپشن ریزرو کی ضروریات میں ۵ فیصد سے ۱۵ فیصد تک کا اضافہ اور کئی دیگر تبدیلیاں کی گئیں ہیں۔

آگے بڑھتے ہوئے ہم موجودہ سال کے نقطہ نظر کے بارے میں محتاط طور پر پُر امید ہیں۔ COVID-19 وبائی مرض کے سامنے، متعدد ویکسینوں کی ڈویلپمنٹ نے صحت یابی کی اُمید پیدا کر دی ہے۔ تاہم، تیسری لہر میں کیسز کی بڑھتی ہوئی تعداد ایک بار پھر پریشان کن ہے اور یہ ملکی سطح پر لاک ڈاؤن کی وجہ سے معاشی محاذ پر اثر انداز ہو سکتی ہے۔ مضاربہ پرنٹس میں حالیہ ترقی، ٹیکس چھوٹ کی حیثیت سے دستبرداری بھی ہمارے سرمایہ کاروں کو خالص منافع اور منافع تقسیم کے لئے تشویش کا باعث ہے۔ تاہم، ہم محتاط انداز میں مالی سال ۲۰۲۱ کی تسلی بخش کارکردگی کے ساتھ احتیاط اور سمجھداری سے نمو/پردان/ترقی کے لئے آگے بڑھیں گے۔

آخر میں، ہم سب کیلئے اس مہلک نوبل کرونا وائرس سے سب کی صحت کی حفاظت کیلئے دُعا کرتے ہیں۔ بورڈ آف ڈائریکٹرز کی طرف سے ہم سیکیورٹیز اینڈ ایکسچینج کمیشن آف پاکستان، رجسٹرار مضاربہ کے بہت ہی مشکور ہیں جنہوں نے ہماری مسلسل رہنمائی اور سرپرستی کی، اپنے قابلِ قدر کسٹمرز کا، اپنے سرٹیفکیٹ ہولڈرز کا کہ انہوں نے ہم پر بھروسہ کیا اور فرسٹ حبیب مضاربہ کے ساتھ جڑے رہے ہم اپنے ملازمین کی اعلیٰ 'پائے کی پیشہ ورانہ مہارت اور مسلسل بے انتہا محنت کو خراج تحسین پیش کرتے ہیں جس کی وجہ سے ہم نے اطمینان بخش نتائج حاصل کئے۔

بورڈ آف ڈائریکٹرز کے لئے اور اُن کی جانب سے

سید رشید اختر
ڈائریکٹر

محمد شعیب ابراہیم
چیف ایگزیکٹو آفیسر

کراچی۔ اپریل ۲۰۲۱ء

CONDENSED INTERIM BALANCE SHEET

AS AT MARCH 31, 2021

	Note	(Un-audited) March 31, 2021	(Audited) June 30, 2020
ASSETS			
NON-CURRENT ASSETS			
Lease financing assets		1,032,446,279	1,719,650,990
Assets in own use		58,196,898	69,428,828
Intangible assets		141,281	198,711
Diminishing musharaka financing	4	5,946,752,145	4,282,849,332
Long term prepayments and deposits		1,167,850	1,218,850
		7,038,704,453	6,073,346,711
CURRENT ASSETS			
Investments	5	692,903,701	768,406,670
Current portion of diminishing musharaka financing	4	3,006,485,451	2,719,651,582
Lease financing installments receivables		282,463	1,003,375
Diminishing musharaka financing installments receivables		418,315	2,785,509
Advances, deposits and prepayments		7,868,226	4,440,028
Other receivables		7,527,013	21,102,159
Income tax refundable	6	167,077,006	153,711,487
Cash and bank balances	7	91,710,387	168,609,750
		3,974,272,562	3,839,710,560
TOTAL ASSETS		11,012,977,015	9,913,057,271
EQUITY AND LIABILITIES			
CAPITAL AND RESERVES			
Authorized certificate capital 220,000,000 (June 30, 2020: 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		2,513,046,246	2,538,683,912
Certificate holders' equity		3,521,046,246	3,546,683,912
SURPLUS ON REVALUATION OF INVESTMENTS	5	192,911,528	86,870,111
NON-CURRENT LIABILITIES			
Security deposits against lease financing assets		160,953,395	232,284,208
Liability against right of use assets		22,108,985	21,771,196
		183,062,380	254,055,404
CURRENT LIABILITIES			
Certificates of investment (musharaka)		6,352,825,356	5,279,731,965
Security deposits - current portion		85,286,411	124,155,383
Current maturity of liability against right of use assets		1,324,467	1,095,504
Unearned lease financing and diminishing musharaka installments		11,042,344	7,204,778
Advance lease financing and diminishing musharaka installments		11,334,050	15,193,649
Trade and other payables		525,963,289	419,261,414
Profit payable on certificates of investment (musharaka)		81,772,240	135,580,868
Unclaimed profit distributions		46,408,704	43,224,283
		7,115,956,861	6,025,447,844
TOTAL EQUITY AND LIABILITIES		11,012,977,015	9,913,057,271
CONTINGENCIES AND COMMITMENTS			
The annexed notes from 1 to 15 form an integral part of these interim financial statements.			

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

Chief Executive Officer

Chief Financial Officer

Director

Director

CONDENSED INTERIM PROFIT AND LOSS ACCOUNT (UN -AUDITED)

FOR THE NINE MONTHS PERIOD ENDED MARCH 31, 2021

		Nine months ended		Quarter ended	
		March 31, 2021	March 31, 2020	March 31, 2021	March 31, 2020
Note		(Rupees)			
Income from lease financing		66,198,893	142,696,579	19,712,923	58,896,841
Income from diminishing musharaka financing		572,769,886	779,829,940	195,176,686	266,401,358
Provision in respect of diminishing musharaka		(11,295,323)	(20,680,078)	8,549,987	(15,091,128)
Administrative expenses		(113,380,766)	(109,374,505)	(36,395,731)	(33,805,790)
		514,292,690	792,471,936	187,043,865	276,401,281
Other income		78,367,271	132,913,090	22,243,325	53,090,045
		592,659,961	925,385,026	209,287,190	329,491,326
Financial charges		(297,463,663)	(619,707,123)	(103,528,477)	(224,069,959)
Modaraba Management Company's remuneration	9	(29,519,630)	(30,567,790)	(10,575,871)	(10,542,136)
Sales tax on Modaraba Management Company's remuneration	9	(3,837,552)	(3,973,813)	(1,374,863)	(1,370,478)
Provision for Sindh Workers' Welfare Fund	10	(5,236,782)	(5,422,726)	(1,876,159)	(1,870,175)
Profit before taxation		256,602,334	265,713,574	91,931,820	91,638,578
Taxation	11	-	-	-	-
Profit for the period		256,602,334	265,713,574	91,931,820	91,638,578
Earning per certificate - basic and diluted	12	1.27	1.32	0.46	0.45

The annexed notes from 1 to 15 form an integral part of these interim financial statements.

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

Chief Executive Officer

Chief Financial Officer

Director

Director

CONDENSED INTERIM STATEMENT OF COMPREHENSIVE INCOME (UN -AUDITED)

FOR THE NINE MONTHS PERIOD ENDED MARCH 31, 2021

	Nine months ended		Quarter ended	
	March 31, 2021	March 31, 2020	March 31, 2021	March 31, 2020
Note	(Rupees)			
Profit for the period	256,602,334	265,713,574	91,931,820	91,638,578
Components of other comprehensive income reflected below equity				
Items that will not be reclassified subsequently to profit and loss account				
Surplus on revaluation of investments classified as 'at fair value through other comprehensive income' - net	106,041,417	(50,195,739)	14,410,969	(77,350,911)
Total comprehensive income for the period	362,643,751	215,517,835	106,342,789	14,287,667

The annexed notes from 1 to 15 form an integral part of these interim financial statements.

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

Chief Executive Officer

Chief Financial Officer

Director

Director

CONDENSED INTERIM CASH FLOW STATEMENT (UN -AUDITED)

FOR THE NINE MONTHS PERIOD ENDED MARCH 31, 2021

	Note	March 31, 2021	March 31, 2020
CASH FLOW FROM OPERATING ACTIVITIES			
Profit for the period		256,602,334	265,713,574
Adjustment for:			
Depreciation and amortization		564,507,214	834,240,781
Financial charges		296,992,825	619,240,537
Gain on transfer of lease financing assets - net		(20,146,960)	(14,215,674)
Gain on disposal of assets in own use - net		(1,043,341)	(81,320)
Provision in respect of diminishing musharaka		11,295,323	20,680,078
Loss on termination of lease contract		-	20,834
Dividend income		(14,388,856)	(11,107,437)
		837,216,205	1,448,777,799
Changes in working capital			
Decrease / (increase) in current assets			
Lease financing installments receivables		720,912	(2,125,083)
Diminishing musharaka financing installments receivables		(8,928,129)	(4,256,816)
Advances, deposits and prepayments		(3,428,198)	(13,229,125)
Income tax refundable		(13,365,519)	(16,679,563)
Other receivables		14,913,893	23,034,689
		(10,087,041)	(13,255,898)
(Decrease) / increase in current liabilities			
Unearned lease financing and diminishing musharaka installments		3,837,566	400,772
Advance lease financing and diminishing musharaka installments		(3,859,599)	3,757,209
Trade and other payables		106,701,875	18,054,048
		106,679,842	22,212,029
Cash generated from operations		1,190,411,340	1,723,447,504
Purchase of lease financing assets		-	(587,760,499)
Proceeds from transfer of lease financing assets		156,396,432	270,418,252
Diminishing musharaka financing - net		(1,950,736,682)	(236,484,107)
Long term advances, deposits and prepayments		51,000	(327,680)
Security deposits against lease financing assets		(110,199,785)	(30,574,109)
Financial charges paid		(348,407,148)	(572,218,110)
Tax paid		(1,338,747)	(3,589,422)
		(2,254,234,930)	(1,160,535,675)
Net cash (outflow) / inflow from operating activities		(1,063,823,590)	562,911,829
CASH FLOW FROM INVESTING ACTIVITIES			
Purchase of assets in own use		(5,647,473)	(5,076,634)
Payments of lease rentals		(1,827,553)	(11,228,294)
Purchase of investments		-	-
Proceeds from sale / maturity of investments		499,999,999	65,847,902
Proceeds from sale of assets in own use		4,428,199	258,810
Dividends received		14,388,856	11,107,437
Net cash generated from investing activities		511,342,028	60,909,221
CASH FLOW FROM FINANCING ACTIVITIES			
Dividends paid		(279,055,579)	(277,462,399)
Profit paid on murabaha financing		-	100,000,000
Payment on maturity of murabaha financing		-	(21,704,424)
Advance against / (payment on maturity of) murabaha financing		-	(225,000,000)
Certificates of investment (musharaka)		1,073,093,391	31,063,624
Net cash (outflow)/ inflow from financing activities		794,037,812	(393,103,199)
Net increase / (decrease) in cash and cash equivalents during the period		241,556,250	230,717,851
Cash and cash equivalents at the beginning of the period		168,609,750	50,624,704
Cash and cash equivalents at the end of the period		410,166,000	281,342,555

The annexed notes from 1 to 15 form an integral part of these interim financial statements.

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

Chief Executive Officer

Chief Financial Officer

Director

Director

CONDENSED INTERIM STATEMENT OF CHANGES IN EQUITY (UN -AUDITED)

FOR THE NINE MONTHS PERIOD ENDED MARCH 31, 2021

	Certificate capital	Capital reserves		Revenue reserves		Total equity
		Certificate premium	Statutory reserves*	General reserves	Unappropriated profit	
						(Rupees)
Balance as at July 01, 2019	1,008,000,000	378,000,000	1,119,474,106	640,000,000	366,248,017	3,511,722,123
Profit distribution for the year ended						
June 30, 2019 @ Rs.1.40 per certificate	-	-	-	-	(282,240,000)	(282,240,000)
Total comprehensive income for the period	-	-	-	-	265,713,574	265,713,574
Surplus transferred to unappropriated profit during the period	-	-	-	-	(96,327)	(96,327)
Balance as at March 31, 2020	1,008,000,000	378,000,000	1,119,474,106	640,000,000	349,625,264	3,495,099,370
Balance as at July 01, 2020	1,008,000,000	378,000,000	1,135,308,260	640,000,000	385,375,652	3,546,683,912
Profit distribution for the year ended						
June 30, 2020 @ Rs.1.40 per certificate	-	-	-	-	(282,240,000)	(282,240,000)
Total comprehensive income for the period	-	-	-	-	256,602,334	256,602,334
Surplus transferred to unappropriated profit during the period	-	-	-	-	-	-
Balance as at March 31, 2021	1,008,000,000	378,000,000	1,135,308,260	640,000,000	359,737,986	3,521,046,246

* 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 15 form an integral part of these interim financial statements.

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

Chief Executive Officer

Chief Financial Officer

Director

Director

CONDENSED INTERIM NOTES TO THE FINANCIAL STATEMENTS

FOR THE NINE MONTHS PERIOD ENDED MARCH 31, 2021

1. STATUS AND NATURE OF BUSINESS

First Habib Modaraba (the Modaraba) is a perpetual, multi-purpose modaraba floated and managed by Habib Metropolitan Modaraba Management Company (Private) Limited (the Modaraba Management Company). 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. The affairs, activities and transactions, performed by the Modaraba during the period comply with the rules and principles of Islamic Shariah in light of the guidelines and directives given by the Shariah Advisor and guidelines issued by office of the Registrar Modaraba, Securities and Exchange Commission of Pakistan Limited (SECP). The registered office of the Modaraba is at 6th Floor at HBZ Plaza, Hirani Centre, I.I. Chundrigar Road, Karachi.

The Pakistan Credit Rating Agency Limited (PACRA) has assigned long term rating of AA+ (June 2020: AA+) and short term rating of A1+ (June 2020: A1+) to the Modaraba on September 25, 2020

2. BASIS OF PREPARATION

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

- International Accounting Standard (IAS) 34, Interim Financial Reporting, issued by the International Accounting Standards Board (IASB) as notified under the Companies Act, 2017;
- Provisions of and directives issued under the Companies Act, 2017; and
- The requirements of Modaraba Companies and Modarabas (Floatation and Control) Ordinance, 1980, Modaraba Companies and Modaraba Rules, 1981 and Prudential Regulations for Modarabas (hereinafter referred to as the relevant laws).

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.

Where the provisions of and directives issued under the Companies Act 2017, the Modaraba Companies and Modaraba (Floatation and Control) Ordinance, 1980, Modaraba Companies and Modaraba Rules, 1981 and Prudential Regulation for Modarabas and IFAS differ from International Financial Reporting Standards, the provision of and directives issued under the Companies Act, 2017, the Modaraba Companies and Modaraba (Floatation and Control) Ordinance, 1980, Modaraba Companies and Modaraba Rules, 1981 and Prudential Regulations for Modarabas and IFAS have been followed.

Where the provisions of and directives issued under the Modaraba Companies and Modaraba (Floatation and Control) Ordinance, 1980, Modaraba Companies and Modaraba Rules, 1981 and Prudential Regulation for Modarabas differ from Companies Act 2017, the Modaraba Companies and Modaraba (Floatation and Control) Ordinance, 1980, Modaraba Companies and Modaraba Rules, 1981 and Prudential Regulation for Modarabas shall prevail.

2.2 The 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, 2020.

2.3 These interim financial statements have been presented in Pak Rupee, which is the functional currency of the Modaraba.

CONDENSED INTERIM NOTES TO THE FINANCIAL STATEMENTS

FOR THE NINE MONTHS PERIOD ENDED MARCH 31, 2021

3. SIGNIFICANT ACCOUNTING POLICIES, ESTIMATES AND JUDGEMENTS

3.1 The accounting policies and methods of computation followed for the preparation of these interim financial statements are the same as those applied in preparing the financial statements for the year ended June 30, 2020 except for the following amended IFRS interpretations which became effective during the period as mentioned in note 3.2 below:

3.2 New / Revised Standards, Interpretations and Amendments

The Modaraba has adopted the following accounting standards, interpretations, amendments and improvements of IFRSs which became effective for the current period:

IFRS 14 – Regulatory Deferral Accounts

IFRS 16 - COVID 19 Related Rent Concessions (Amendments)

Amendment to IFRS 3 ‘Business Combinations’ – Definition of a Business

Amendments to IFRS 9, IAS 39 and IFRS 7 - Interest Rate Benchmark Reform

Amendments to IAS 1 Presentation of Financial Statements and IAS 8 Accounting Policies, Changes in Accounting Estimates and Errors - Definition of Material

The SECP has deferred the applicability of IFRS-9 for Modarabas which is now applicable for reporting period / year ending on or after 30 June 2021 via SRO 321(I) / 2020 dated April 17, 2020. Accordingly, the Modaraba has made the provision against Islamic financing in accordance with requirement of the Prudential Regulations and Modaraba's policies for the period ended March 31, 2021. The management is currently evaluating the impact of provisioning on Islamic financing as per IFRS 9 which will be incorporated in the financial statements for the year ending 30 June 2021.

The adoption of the above standards, amendments and improvements to accounting standards and interpretations did not have any effect on the interim financial statements.

3.3 The preparation of 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, 2020.

3.4 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, 2020.

	Note	(Un-audited) March 31, 2021	(Audited) June 30, 2020
4. DIMINISHING MUSHARAKA FINANCING - SECURED			
Diminishing musharka financing		7,633,572,215	6,789,058,938
Less: Provision in respect of Diminishing Musharaka		(120,960,539)	(109,665,216)
		7,512,611,676	6,679,393,722
Less: Current portion		(3,006,485,451)	(2,719,651,582)
		4,506,126,225	3,959,742,140
Advance against diminishing musharaka financing		1,440,625,920	323,107,192
		5,946,752,145	4,282,849,332

CONDENSED INTERIM NOTES TO THE FINANCIAL STATEMENTS

FOR THE NINE MONTHS PERIOD ENDED MARCH 31, 2021

	Note	(Un-audited) March 31, 2021	(Audited) June 30, 2020
-----Rupees-----			
5. INVESTMENTS			
At fair value through other comprehensive income			
Investment in shares		294,448,087	188,406,670
Investment in sukuk		80,000,000	80,000,000
		374,448,087	268,406,670
At amortised cost			
Investment in Term Deposit Musharakas (TDMs)	5.1	318,455,614	500,000,000
		692,903,701	768,406,670

5.1 These carry profit at rates ranging from 5.33% to 6.40% (June 30, 2020: 6.25% to 13.00%) per annum, having latest maturity of June 2021.

	Note	(Un-audited) March 31, 2021	(Audited) June 30, 2020
-----Rupees-----			
5.2 Surplus on revaluation of investments			
Market value of investments		374,448,087	268,406,670
Less: Cost of investments		(181,536,559)	(181,536,559)
		192,911,528	86,870,111
Surplus on revaluation at the beginning of the period / year		86,870,111	124,880,019
Surplus transferred to unappropriated profit during the period / year		-	96,327
Surplus / (deficit) on revaluation during the period / year		106,041,417	(38,106,235)
		106,041,417	(38,009,908)
		192,911,528	86,870,111

5.2.1 Surplus on revaluation of investments 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.

6. 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 2020 since the management is confident that the same shall be refunded.

	Note	(Un-audited) March 31, 2021	(Audited) June 30, 2020
-----Rupees-----			
7. CASH AND CASH EQUIVALENTS			
Stamps in hand		101,200	95,800
At banks			
Current accounts			
State Bank of Pakistan		124,832	253,980
With other banks		20,807,441	2,176,850
Profit bearing accounts			
Modaraba deposit account with Habib Metropolitan Bank Limited (Islamic branch) - a related party		70,569,822	165,958,016
Modaraba deposit account with other financial institutions		107,092	125,104
		70,676,914	166,083,120
		91,710,387	168,609,750

CONDENSED INTERIM NOTES TO THE FINANCIAL STATEMENTS

FOR THE NINE MONTHS PERIOD ENDED MARCH 31, 2021

8. CONTINGENCIES AND COMMITMENTS**8.1 Contingencies**

There is no change in the status of the case related to letter received by the Modaraba from Sindh Revenue Board (SRB) dated August 09, 2018, related to sales tax on lease rentals / lease financing transactions as mentioned in note 25.1 to annual financial statement of the Modaraba for the year ended June 30, 2020.

8.2 Commitments

Commitments in respect of financing transactions amounted to Rs. 788 (June 30, 2020: Rs.136) million.

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

9.1 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, 2021 has been recognized at 10% (March 31, 2020: 10%) of profit for the period.

9.2 There is no change in the status of the Sindh Sales Tax levied by the Sindh Government at the rate of 13% (March 31, 2020: 13%) on the remuneration of the Modaraba Management Company, as reported in note 23.6 to the annual financial statements of the Modaraba for the year ended June 30, 2020.

10. PROVISION FOR SINDH WORKERS' WELFARE FUND

The Modaraba received a notice vide letter no. SRB /AC-37/2019-20/63, wherein, the Sindh Revenue Board (SRB) has advised the Modaraba to pay off all its liabilities falling due under the Sindh Workers' Welfare Fund Act, 2014 (SWWF Act). As per SWWF Act, Workers' Welfare Fund (WWF) levy is required to be paid on total income accruing after December 31, 2013. As the Modaraba has its operations all across Pakistan therefore total income declared in its tax return is a cumulative sum of income for all provinces but the management understands that the SWWF Act is limited only to the province of Sindh and till the time there is any mechanism available for apportionment of total income relevant to the province of Sindh, no SWWF liability to SRB can be paid out. On these grounds and foreseeing the expected SWWF demand along with penal actions from SRB, the Modaraba filed an appeal with the Honorable Sindh High Court (SHC). The Honorable SHC has restrained the SRB from levy of SWWF 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.

During the year ended June 30, 2020, the Honorable Sindh High Court has issued the order dated March 16, 2020 of the above case requiring the Modaraba to pay the entire SWWF levy amount to 'Nadir'. However, the Modaraba has made an estimated payment of Rs. 13,644,808 on June 19, 2020 to SRB based on proportionate income of Sindh and have retained the remaining provision on the basis of the advice of its legal advisor.

11. TAXATION

On March 22, 2021, the President of Pakistan promulgated the Tax Law (Second Amendment) Ordinance, 2021, (Ordinance 2021) whereby Clause 100 of the Part 1 of the Second Schedule to the Income Tax Ordinance, 2001 relating to the Tax Exemption available to the Modarabas stands withdrawn.

Tax Exemption has been available to the Modarabas under Section 37 of the Modaraba Companies and Modaraba (Floatation and Control) Ordinance, 1980, which is still operative and was specified under Clause 100 of Part 1 of the Second Schedule to the Income Tax Ordinance, 2001, which exemption has been removed by Ordinance 2021. It is believed that the Ordinance 2021 will be placed before the Assembly to be ratified through a Finance Act. It is a settled law that the taxes can only be levied from prospective effect and any retrospective applicability thereof is

CONDENSED INTERIM NOTES TO THE FINANCIAL STATEMENTS

FOR THE NINE MONTHS PERIOD ENDED MARCH 31, 2021

ultra-vires under the Constitution. Based on the legal and professional advice, the Management along with other Modarabas, have made representations to the appropriate authorities to remove intended withdrawal of tax exemption available to the Modarabas, particularly any retrospective effect of the Ordinance 2021.

Accordingly, no provision for Income Tax has been made in the quarterly accounts for the period ended July 1, 2020 to March 31, 2021.

12. EARNINGS PER CERTIFICATE - BASIC AND DILUTED

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

	(Un-audited)			
	Nine months ended		Quarter ended	
	March 31, 2021	March 31, 2020	March 31, 2021	March 31, 2020
	(Rupees)			
Net profit for the period	256,602,334	265,713,574	91,931,820	91,638,578
Weighted average number of ordinary certificates	201,600,000	201,600,000	201,600,000	201,600,000
Basic earnings per certificate	1.27	1.32	0.46	0.45

13. TRANSACTIONS WITH RELATED PARTIES

The related parties and associated undertakings comprise the Management Company (Habib Metropolitan Modaraba Management Company (Private) Limited), Habib Metropolitan Bank Limited, Habib Bank AG Zurich, Habib Metro Modaraba, Habib Metropolitan Financial Services Limited, First Habib Modaraba Employees' Provident Fund, First Habib Modaraba Employees' Gratuity Fund and key management personnel. Transactions and balances outstanding with related parties and associated undertakings are as follows:

			(Un-audited)	(Audited)
			March 31, 2021	June 30, 2020
			Rupees	
Balances held				
Related party	Related party relationship	Nature of balances		
Habib Metropolitan Bank Limited	Holding Company	Bank Balances	90,882,715	167,733,693
		Investment in Term Deposit Musharaka Certificates of investment (musharaka)	111,385,536	100,000,000
		Profit receivable	2,875,000,000	700,000,000
		Financial Charges	1,731,611	3,855,200
		Payable	25,544,110	13,024,658
		Prepaid Utility charges	2,536,617	1,845,689
		Prepaid rent	516,839	344,556
		Security deposit	130,000	130,000
		Lease financing assets	-	121,821
Habib Bank AG Zurich	Ultimate Parent			
Habib Metropolitan Modaraba Management Company (Private)	Management Company	Management fee payable	29,519,630	36,431,341
		Sale tax on management fee payable	22,241,264	18,402,912
Staff Retirement Benefit Funds	Associate	Payable to staff Gratuity Fund	2,250,000	2,160,000

CONDENSED INTERIM NOTES TO THE FINANCIAL STATEMENTS

FOR THE NINE MONTHS PERIOD ENDED MARCH 31, 2021

13. TRANSACTIONS WITH RELATED PARTIES (Continued)

			(Un-audited)	(Un-audited)
			March 31, 2021	March 31, 2020
			Rupees	
Transactions during the period				
Related party	Related party relationship	Nature of transactions		
Habib Metropolitan Bank Limited	Holding Company	Profit on bank accounts	18,146,342	17,652,168
		Bank charges	542,604	542,431
		Utility charges	2,691,172	2,514,425
		Rent expense	516,836	313,236
		Financial charges	76,161,576	407,450,413
		Lease financing installments received*	-	2,508,277
Habib Bank AG Zurich	Ultimate Parent	Lease financing installments received*	-	501,031
Habib Metropolitan Modaraba Management Company (Private) Limited	Management Company	Management fee	29,519,630	30,567,790
		Sale tax on management fee	3,837,552	3,973,813
		Management fee paid	36,431,341	36,776,702
		Dividend paid	28,224,000	28,224,000
Habib Metropolitan Financial Services Limited	Associate	Brokerage commission	-	13,225
		Sale of securities	-	15,847,897
Staff Retirement Benefit Fund	Associate	Gratuity expense	2,250,000	2,160,000
		Contribution made	-	376,174
Provident Fund	Associate	Contribution made	2,268,160	2,092,275

13.1 No remuneration in kind has been paid by the Modaraba to the directors and key management personnel of Modaraba Management Company.

13.2 The Modaraba carries out transactions with related parties at commercial terms and conditions as per Modaraba's policy.

* No new financing disbursements have been made to associated undertakings during the period ended March 31, 2021. Further the lease financing outstanding was originally disbursed before March 31, 2017 when these were not associated undertakings (related parties) of the Modaraba.

14. DATE OF AUTHORIZATION FOR ISSUE

These condensed interim financial statements were authorized for issue on April 28, 2021 by the Board of Directors of the Modaraba Management Company.

15. GENERAL

15.1 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.

15.2 Figures have been rounded off to the nearest rupee.

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

Chief Executive Officer

Chief Financial Officer

Director

Director