

# First Habib Modaraba

(An Islamic Financial Institution)



## Quarterly Account For the period ended September 30, 2019

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## CORPORATE INFORMATION

### BOARD OF DIRECTORS

Mr. Wazir Mumtaz Ahmed	- Chairman (Non-Executive Director)
Mr. Muhammad Shoaib Ibrahim	- Chief Executive Officer
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

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

### HUMAN RESOURCE COMMITTEE

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

### 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

### 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

6<sup>th</sup> 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](http://www.habibmodaraba.com)  
Email : [fhm@habibmodaraba.com](mailto: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 myOn behalf of the Board of Directors, it is my great pleasure to present the un-audited accounts of the First Habib Modaraba for the period ended September 30, 2019.

During the first quarter of current year our business performance remain under pressure due to overall economic and business slow down within the country. In said period we had made total disbursement of Rs.902 million as compared to disbursement of Rs.1,281 million of same quarter of last year. Due to low disbursements, overall size of balance sheet has slightly reduced by 3% from the size of balance sheet of June, 2019. However, profitability of first quarter has been increased by around 30% i.e., from Rs. 66.185 million to Rs.87.839 million of same quarter of last year.

In our last annual report of June, 2019, we had intimated that due to depressed business conditions, entities are facing issues of extraordinary increase in cost of doing business because of high lending rates, increasing trend of inflation and utilities charges. This has pushed businesses for low capital expenditure and cautious approach in new business engagements. However, in Q1 of current fiscal year there are few improvements have been noticed.

The country's external account is slightly getting better as current account deficit significantly decreased during the first quarter of this fiscal year. The decline in the trade deficit of last few months shows the effectiveness of the present government policies to curb the heavy trade deficit. This is due to decline in import bill mainly on imposition of regulatory duties on various luxurious and semi luxurious items and slight improvements in exports particularly textile related items. However, despite of heavy devaluation of Pak rupee, there is no significant improvement in export have been seen. In recent monetary policy statement, the Central Bank has also maintained policy rate at same level i.e., 13.25%. Maintaining balance of payments equilibrium is one of the top most priorities of the government and managing the balance of payments has been the main economic issue of past two years of our country.

In accordance with recent statistics, the consumer price index has risen through the first quarter of the current fiscal year. These developments were in line with the Central Bank's earlier projections and reflected the pass through of earlier exchange rate depreciation, adjustment in utility prices, and an increase in food prices. The high inflation with tight monetary policy is having adverse impact on country's growth and overall business sentiments.

Therefore, keeping in view of present business circumstances and difficult operating environment we are cautiously moving forward for new business engagements and assets booking. Simultaneously, we are enhancing risk management tools, appraisals & evaluation of credit proposals, further strengthening compliance culture particularly regulatory and AML/CFT related compliances and capacity building to meet the future challenges of businesses and compliances.

I am extremely grateful to our valued customers, Registrar Modaraba, Securities & Exchange Commission of Pakistan for their patronage, our employees for their continued commitment, our certificate holder for their trust and confidence and other regulatory bodies for their continued guidance.

For and on behalf of Board of Directors

Karachi: October 24, 2019

**Syed Rasheed Akhtar**  
Director

**Muhammad Shoaib Ibrahim**  
Chief Executive Officer

## ڈائریکٹرز کی رپورٹ

یہ میرے لئے بہت خوشی کا باعث ہے کہ میں بورڈ آف ڈائریکٹرز کی جانب سے فرسٹ حبیب مضاربہ کی ۳۰ ستمبر ۲۰۱۹ کو ختم ہونے والی مدت کی غیر محتسب شدہ کھاتے پیش کروں۔

رواں سال کی پہلی سہ ماہی کے دوران ملک میں معاشی اور کاروباری سست روی کی وجہ سے ہماری کاروباری کارکردگی دباؤ کا شکار ہے۔ اس مدت کے دوران ہم نے ۹۰۲ ملین روپے کی ادائیگیاں کی جبکہ پچھلے سال اسی سہ ماہی کے دوران ہم نے ۲۸۱ ملین روپے ادا کئے تھے۔ کم اخراجات کی وجہ سے، بیلنس شیٹ کے مجموعی سائز میں جون، ۲۰۱۹ کے بیلنس شیٹ کے سائز سے ۳ فیصد کمی واقع ہوئی ہے۔ تاہم، پہلی سہ ماہی کے منافع میں تقریباً ۳۰ فیصد کا اضافہ ہوا ہے جو کہ پچھلے سال کی اسی سہ ماہی کے ۶۶.۱۸۵ ملین روپے سے ۸۷.۸۳۹ ملین روپے ہو گئے۔

جون، ۲۰۱۹ کی ہماری آخری سالانہ رپورٹ میں، ہم نے مطلع کیا تھا کہ مشکل کاروباری حالات کی وجہ سے، قرضوں کی بلند شرح، افراط زر کا بڑھتا ہوا رجحان اور یوٹیلیٹیز کے بڑھتے اخراجات کی وجہ سے اداروں کو کاروبار کرنے کی لاگت میں غیر معمولی اضافے کا سامنا ہے۔ جس کی وجہ سے کاروباری اداروں کو کم کاروباری اخراجات اور نئی کاروباری مصروفیات میں محتاط رویہ اختیار کرنے پر مجبور کیا ہے۔ تاہم، رواں مالی سال کی پہلی سہ ماہی میں کچھ بہتری دیکھنے میں آئی ہے۔

رواں مالی سال کی پہلی سہ ماہی کے دوران کرنٹ اکاؤنٹ کے خسارے میں نمایاں کمی ہوئی ہے۔ پچھلے کچھ مہینوں کے تجارتی خسارے میں کمی سے ہماری تجارتی خسارے کو روکنے کے لئے موجودہ حکومت کی پالیسیوں اثر ظاہر ہوتا ہے۔ اس کی وجہ دہائی بل میں بنیادی طور پر مختلف پرعیش اور نیم پرعیش اشیاء پر ریگولیٹری ڈیوٹی لگانے اور برآمدات خصوصاً ٹیکسٹائل سے متعلقہ اشیاء میں معمولی بہتری لانے کی وجہ سے کمی ہے۔ تاہم، پاکستانی روپے کی بھاری قیمت میں کمی کے باوجود برآمد میں کوئی خاصی بہتری دیکھنے میں نہیں آئی۔ پالیسی کے حالیہ بیان میں، مرکزی بینک نے پالیسی کی شرح کو بھی اسی سطح پر برقرار رکھا ہے، یعنی ۱۳.۲۵ فیصد۔ ادائیگیوں کے توازن کو برقرار رکھنا حکومت کی اولین ترجیحات میں سے ایک ہے اور ادائیگیوں کے توازن کا نظم و نسق ہمارے ملک کے گذشتہ دو سالوں کا بنیادی معاشی مسئلہ رہا ہے۔

حالیہ اعداد و شمار کے مطابق، صارفین کی قیمتوں کا اشاریہ رواں مالی سال کی پہلی سہ ماہی میں بڑھ گیا ہے۔ یہ پیشرفت مرکزی بینک کے پہلے تخمینوں کے مطابق تھی اور اس سے قبل کی شرح تبادلہ میں کمی، افادیت کی قیمتوں میں ایڈجسٹمنٹ اور اشیاء خورد و نوش کی قیمتوں میں اضافے کی عکاسی ہوتی ہے۔ سخت مالیاتی پالیسی کے ساتھ بڑھتی افراط زر کا ملکی ترقی اور مجموعی کاروباری ماحول پر منفی اثر پڑ رہا ہے۔

لہذا، موجودہ کاروباری حالات اور مشکل آپریٹنگ ماحول کو مد نظر رکھتے ہوئے ہم احتیاط سے نئی کاروباری معاہدوں اور اثاثوں کی بٹنگ کے لئے آگے بڑھ رہے ہیں۔ اس کے ساتھ ہی، ہم رسک مینجمنٹ ٹولز، تشخیص اور کریڈٹ تجاویز کی تشخیص کو بڑھا رہے ہیں، کمپلائنس کے کلچر کو سے متعلق کاروباری تعمیل اور صلاحیتوں کی تعمیر کو مستقبل کے AML/CFT مزید تقویت بخش رہے ہیں خاص طور پر ریگولیٹری اور چیلنجوں کا مقابلہ کرنے کے قابل بنائیں۔

بورڈ آف ڈائریکٹر بہت ہی مشکور ہیں اپنے قابل قدر کسمٹرز کا، رجسٹرار مضاربہ، سیکیورٹیز اینڈ ایکسچینج کمیشن آف پاکستان کا کہ انہوں نے ہمیں تحفظ دیا، اپنے ملازمین کی مسلسل محنت کا، اپنے سرٹیفیکیٹ ہولڈرز کا کہ انہوں نے ہم پر بھروسہ کیا اور ریگولیٹری باڈیز کا جنہوں نے ہماری مسلسل رہنمائی کی۔

بورڈ آف ڈائریکٹر کیلئے اور ان کی جانب سے

محمد شعیب ابراہیم  
ڈائریکٹر

سید رشید اختر  
چیف ایگزیکٹو آفیسر

کراچی: ۲۴ اکتوبر ۲۰۱۹

# CONDENSED INTERIM BALANCE SHEET

AS AT SEPTEMBER 30, 2019

	Note	(Unaudited) September 30, 2019	(Audited) June 30, 2019
-----Rupees-----			
<b>ASSETS</b>			
<b>NON-CURRENT ASSETS</b>			
Fixed assets - tangible			
Lease financing assets		2,702,886,533	2,739,371,749
Assets in own use		42,718,899	43,948,839
Intangible assets	4	144,869	177,386
Diminishing musharaka financing		4,271,631,108	4,489,820,384
Long term advances, deposits and prepayments		6,967,639	1,206,850
		<b>7,024,349,048</b>	<b>7,274,525,208</b>
<b>CURRENT ASSETS</b>			
Investments		931,368,579	1,117,360,806
Current portion of diminishing musharaka financing		2,546,798,449	2,450,084,489
Lease financing installments receivables		52,284,277	12,564,068
Diminishing musharaka financing installments receivables		70,422,466	44,672,084
Short term advances, deposits and prepayments		11,134,775	3,905,163
Other receivables		40,370,072	33,255,784
Income tax refundable	5	137,031,924	137,031,924
Cash and bank balances		71,910,621	50,624,704
		<b>3,861,321,163</b>	<b>3,849,499,022</b>
<b>TOTAL ASSETS</b>		<b>10,885,670,211</b>	<b>11,124,024,230</b>
<b>EQUITY AND LIABILITIES</b>			
<b>CAPITAL AND RESERVES</b>			
Authorized certificate capital 220,000,000 (June 30, 2019: 220,000,000) certificates of Rs.5 each		<b>1,100,000,000</b>	<b>1,100,000,000</b>
Issued, subscribed and paid-up certificate capital		<b>1,008,000,000</b>	<b>1,008,000,000</b>
Reserves		<b>2,308,224,952</b>	<b>2,503,722,123</b>
Certificate holders' equity		<b>3,316,224,952</b>	<b>3,511,722,123</b>
<b>SURPLUS ON REVALUATION OF INVESTMENTS</b>		<b>94,477,539</b>	<b>124,880,019</b>
<b>NON-CURRENT LIABILITIES</b>			
Security deposits against lease financing assets		<b>300,488,453</b>	<b>301,774,323</b>
<b>CURRENT LIABILITIES</b>			
Certificates of investment (musharaka)		<b>5,790,140,565</b>	<b>6,149,278,129</b>
Security deposits - current portion		<b>147,356,070</b>	<b>146,941,089</b>
Unearned lease financing and diminishing musharaka installments		<b>23,031,229</b>	<b>17,566,187</b>
Advance lease financing and diminishing musharaka installments		<b>48,211,305</b>	<b>32,284,117</b>
Trade and other payables		<b>482,652,436</b>	<b>452,085,462</b>
Profit payable on certificates of investment (musharaka)		<b>119,954,525</b>	<b>112,261,524</b>
Advance against murabaha		<b>225,000,000</b>	<b>225,000,000</b>
Profit payable on murabaha financing		<b>17,535,615</b>	<b>11,750,958</b>
Unclaimed profit distributions		<b>320,597,522</b>	<b>38,480,299</b>
		<b>7,174,479,267</b>	<b>7,185,647,765</b>
<b>TOTAL EQUITY AND LIABILITIES</b>		<b>10,885,670,211</b>	<b>11,124,024,230</b>
<b>CONTINGENCIES AND COMMITMENTS</b>	6		

The annexed notes from 1 to 12 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 PERIOD ENDED SEPTEMBER 30, 2019

FOR THE PERIOD ENDED SEPTEMBER 30, 2019		Three Months Ended	
	Note	September 30, 2019	September 30, 2018
		-----Rupees-----	
Income from lease financing		47,016,007	44,466,506
Income from diminishing musharaka financing		252,986,006	124,039,321
Provision in respect of diminishing musharaka		(10,062,772)	-
Administrative expenses		(35,025,563)	(29,258,269)
		254,913,678	139,247,558
Other income		36,000,464	28,460,411
		290,914,142	167,707,969
Financial charges		(191,014,047)	(91,568,721)
Modaraba Management Company's remuneration		(9,990,010)	(7,613,925)
Sales tax on Modaraba Management Company's remuneration		(1,298,701)	(989,810)
Provision for Sindh Workers' Welfare Fund		(1,772,228)	(1,350,710)
Profit before taxation		86,839,156	66,184,803
Taxation		-	-
Profit for the period		86,839,156	66,184,803
Earning per certificate - basic and diluted	9	0.43	0.33

The annexed notes from 1 to 12 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

FOR THE PERIOD ENDED SEPTEMBER 30, 2019

	Three Months Ended	
	Note	September 30, 2018
	September 30, 2019	September 30, 2018
	Rupees	
Profit for the period	86,839,156	66,184,803
<b>Components of other comprehensive income reflected in equity</b>		
<b>Items that will not be reclassified subsequently to profit and loss account</b>		
Actuarial loss on defined benefit plan	-	-
<b>Total comprehensive income for the year transferred to equity</b>	86,839,156	66,184,803
<b>Components of other comprehensive income reflected below equity</b>		
<b>Items that will be reclassified subsequently to profit and loss account</b>		
Surplus / (deficit) on revaluation of investments classified as 'available-for-sale' - net*	(30,402,480)	14,067,301
<b>Total comprehensive income for the period</b>	<b>56,436,676</b>	<b>80,252,104</b>

The annexed notes from 1 to 12 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 PERIOD ENDED SEPTEMBER 30, 2019

	Three Months Ended	
	September 30, 2019	September 30, 2018
	-----Rupees-----	
<b>CASH FLOW FROM OPERATING ACTIVITIES</b>		
Profit for the period	86,839,156	66,184,803
Adjustment for:		
Depreciation and amortization	280,414,807	267,390,418
Amortization of premium on sukuk	-	1,335,480
Financial charges	190,886,310	91,449,465
Gain on sale of shares - net	-	(4,024,133)
Gain on transfer of lease financing assets - net	(3,523,663)	(2,873,670)
Gain on disposal of assets in own use - net	-	(272,150)
Owned assets written off	1	-
Provision for gratuity	(376,174)	519,000
	467,401,281	353,524,410
<b>Changes in working capital</b>		
Decrease / (increase) in current assets		
Lease financing installments receivables	(39,720,209)	(10,406,979)
Diminishing musharaka financing installments receivables	(25,750,382)	(6,164,022)
Short term advances, deposits and prepayments	(7,229,612)	(11,147,611)
Other receivables	(4,617,326)	(4,168,999)
	(77,317,529)	(31,887,611)
<b>Increase / (decrease) in current liabilities</b>		
Unearned lease financing and diminishing musharaka installments	5,465,042	3,168,980
Advance lease financing and diminishing musharaka installments	15,927,188	1,463,309
Trade and other payables	30,943,148	(13,657,830)
	52,335,378	(9,025,541)
<b>Cash generated from operations</b>	529,258,286	378,796,062
Purchase of lease financing assets	(286,751,300)	(316,761,336)
Proceeds from transfer of lease financing assets	49,319,415	17,308,985
Diminishing musharaka financing - net	121,475,316	(349,060,121)
Long term advances, deposits and prepayments	(5,760,789)	434,218
Security deposits against lease financing assets	(870,889)	(10,962,736)
Financial charges paid	(177,408,652)	(86,441,401)
Tax paid	(2,496,962)	(292,285)
	(302,493,861)	(745,774,676)
<b>Net cash generated / (used) in operating activities</b>	226,764,425	(366,978,614)
<b>CASH FLOW FROM INVESTING ACTIVITIES</b>		
Purchase of assets in own use	(1,711,586)	(7,669,735)
Purchase of investments	-	(75,000,000)
Proceeds from sale / maturity of investments	155,493,420	5,510,862
Proceeds from sale of assets in own use	-	1,478,668
<b>Net cash generated / (used) in investing activities</b>	153,781,834	(75,680,205)
<b>CASH FLOW FROM FINANCING ACTIVITIES</b>		
Dividends paid	(122,778)	(114,914)
Certificates of investment (musharaka)	(359,137,564)	266,792,925
<b>Net cash (used) / generated from financing activities</b>	(359,260,342)	266,678,011
<b>Net increase / (decrease) in cash and cash equivalents during the period</b>	21,285,917	(175,980,808)
Cash and cash equivalents at the beginning of the period	50,624,704	320,868,504
<b>Cash and cash equivalents at the end of the period</b>	71,910,621	144,887,696

The annexed notes from 1 to 12 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**

## CONDENSED INTERIM STATEMENT OF CHANGES IN EQUITY (UNAUDITED)

FOR THE PERIOD ENDED SEPTEMBER 30, 2019

	Capital reserves			Revenue reserves		
	Certificate capital	Certificate premium	Statutory reserves*	General reserves	Unappropriated profit	Total equity
	(Rupees)					
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	-	-	-	-	66,184,803	66,184,803
Balance as at September 30, 2018	<u>1,008,000,000</u>	<u>378,000,000</u>	<u>1,103,489,848</u>	<u>640,000,000</u>	<u>126,953,291</u>	<u>3,256,443,139</u>
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	-	-	-	-	86,839,156	86,839,156
Surplus Transferred to unappropriated profit during the year	-	-	-	-	(96,327)	(96,327)
Balance as at September 30, 2019	<u>1,008,000,000</u>	<u>378,000,000</u>	<u>1,119,474,106</u>	<u>640,000,000</u>	<u>170,750,846</u>	<u>3,316,321,279</u>

The annexed notes from 1 to 12 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**

## NOTES TO THE CONDENSED INTERIM FINANCIAL STATEMENTS (UNAUDITED)

FOR THE PERIOD ENDED SEPTEMBER 30, 2019

### 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 (Ijarah), Musharaka, Murabaha financing and other related business. The affairs, activities and transactions, performed by the Modaraba during the year 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 is situated at 6th Floor, HBZ plaza, (Hirani centre), I.I Chundrigar Road, Karachi.

### 2 BASIS OF PREPARATION

#### 2.1 Statement of compliance

These condensed interim financial statements of the Modaraba for the quarter ended September 30, 2019 are unaudited and being submitted to the certificate holders as required under Rule 10 of the 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, 2019.

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 financial statements are same as those applied in preparing the financial statements for the year ended June 30, 2019.

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, 2019.

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, 2019.

### 4 INTANGIBLE ASSETS

This includes capital work in progress amounting to Rs. 1.401 (June 30, 2019: NIL) million.

### 5 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 PERIOD ENDED SEPTEMBER 30, 2019

### 6 CONTINGENCIES AND COMMITMENTS

#### 6.1 Contingencies

During the year, the Modaraba received a letter from Sindh Revenue Board (SRB) 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 year 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 the financial statements for the year ended September 30, 2019."

#### 6.2 Commitments

Commitments in respect of lease financing transactions amounting to Rs. 382 (June 30, 2019: Rs.338) million.

### 7 MODARABA MANAGEMENT COMPANY'S REMUNERATION INCLUSIVE OF SALES TAX

**7.1** 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 September 30, 2019 has been recognized at 10% (September 30, 2018: 10%) of profit for the period.

**7.2** 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 Modaraba for the year ended June 30, 2019.

### 8 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 (UNAUDITED)

FOR THE PERIOD ENDED SEPTEMBER 30, 2019

	Note	(Unaudited) September 30, 2019	(Unaudited) September 30, 2018
		-----Rupees-----	
<b>9 EARNINGS PER CERTIFICATE - BASIC AND DILUTED</b>			
There is no dilutive effect on earnings per certificate which is based on:			
Net profit for the period		<b>86,839,156</b>	66,184,803
Weighted average number of ordinary certificates		<b>201,600,000</b>	201,600,000
Basic earnings per certificate		<b>0.43</b>	0.33

## 10 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 Staff Gratuity Fund and key management personnel. Transactions and balances outstanding with related parties and associated undertakings are as follows:

			(Unaudited) September 30, 2019	(Audited) June 30, 2019
			-----Rupees-----	
Balances held				
Related party	Related party relationship	Nature of balances		
Habib Metropolitan Bank Limited	Holding Company of the Management Company	Bank Balances	70,577,737	45,314,995
		Certificates of investment (musharaka)	4,500,000,000	4,950,000,000
		Profit receivable	1,037,488	1,163,848
		Financial charges payable	83,301,575	74,258,904
		Prepaid Utility charges	838,743	1,675,682
		Prepaid Rent	156,618	313,236
		Security deposit	130,000	130,000
		Lease financing assets*	1,037,488	2,941,523
Habib Bank AG Zurich	Ultimate Parent	Lease financing assets*	463,790	561,863
Habib Metropolitan Modaraba Management Company (Private) Limited	Management Company	Management fee payable	46,766,661	36,776,651
		Sale tax on management fee payable	10,410,156	13,666,838
Habib Metropolitan Financial Services Limited	Associate	Lease financing assets*	19,770	19,770
Provident Fund	Associate	Certificates of investment (musharaka)	1,200,000	1,200,000
Gratuity Fund	Associate	Gratuity Payable	376,174	-

## NOTES TO THE CONDENSED INTERIM FINANCIAL STATEMENTS (UNAUDITED)

FOR THE PERIOD ENDED SEPTEMBER 30, 2019

			(Unaudited)	(Unaudited)
			September 30, 2019	September 30, 2018
			-----Rupees-----	
Transactions during the period				
Related party	Related party relationship	Nature of transactions		
Habib Metropolitan Bank Limited	Holding Company of the Management Company	Profit on bank accounts	4,653,001	1,464,559
		Bank charges	127,080	118,578
		rent charges	156,618	-
		Utility charges	645,915	880,218
		Financial charges	147,167,329	49,445,209
		Lease financing installments received*	1,849,721	6,822,564
Habib Bank AG Zurich	Ultimate Parent	Income from Lease financing assets*	94,312	360,624
Habib Metropolitan Modaraba Management Company (Private) Limited	Management Company	Management fee	9,990,010	7,613,925
		Sale tax on management fee	1,298,701	989,810
		Management fee paid	-	33,311,460
Habib Metropolitan Financial Services Limited	Associate	Brokerage commission	88,149	4,445
		Proceeds against sale of securities	15,847,897	11,716,341
Provident Fund	Associate	Contribution made	683,562	624,451

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

**10.2** 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 September 30, 2019, further the lease financing outstanding was originally disbursed before March 31, 2017 when these were not associated undertakings (related party) of the Modaraba.

### 11 DATE OF AUTHORIZATION FOR ISSUE

These financial statements were authorized for issue on October 24, 2019 by the Board of Directors of the Modaraba Management Company.

### 12 GENERAL

Figures have been rounded off to the nearest rupee.

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

**CHIEF FINANCIAL OFFICER**

**CHIEF EXECUTIVE OFFICER**

**DIRECTOR**

**DIRECTOR**