

First Habib Modaraba

(An Islamic Financial Institution)



Quarterly Accounts
For the period ended September 30, 2020
(UNAUDITED)

HABIBMETRO
Modaraba Management

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Corporate Information

MODARABA MANAGEMENT COMPANY

Habib Metropolitan Modaraba Management Company (Private) Limited

BOARD OF DIRECTORS

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

LEGAL ADVISOR

Mohsin Tayebaly & Company
Ahmed & Qazi Advocates & Legal Consultants

AUDIT COMMITTEE

Mr. Saeed Uddin Khan	- Chairman
Syed Rasheed Akhtar	- Member
Mr. Mohammad Shams Izhar	- Member
Mr. Intisar M. Usmani	- 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 (Officiating Company Secretary)

SHARIAH ADVISOR

Mufti Faisal Ahmed

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

DIRECTOR'S REPORT

On 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, 2020.

Performance of first quarter of current year remained satisfactory as compared to previous quarter of last year. During the quarter we made disbursement of Rs.1,099 million as compared to Rs.902 million of last quarter. Profits of first quarter also remain as per target set at the beginning of the current year. However, it is slightly reduced in comparison of profits of last corresponding period due to low lending rates. We have also managed to increase overall size of balance sheet to Rs.10,127 million as compare to size of Rs.9,913 million at the end of June, 2020.

Presently, the economic business conditions are moving in positive direction. Pakistan's economy has made a good start after the ease down of long lockdown due to Pandemic. The major indicators of economy showed a satisfactory trend in Q1 of current fiscal year. Current account showed a surplus after the gap of last so many years including impressive growth in foreign remittances has been witnessed. Pakistan Stock Exchange has also remained best performing market and once again won the title of being the best Asian stock market. The PSX has become the fourth best-performing market across the world in 2020 as the government has successfully dealt with Covid-19 challenges and put the economy back on track.

Central Bank in Monetary Policy Statement (MPS) of last month, decided to keep the policy rate unchanged at 7%. As per MPS the forecast for inflation has risen slightly due to recent supply side disturbance increase in food prices. The inflation rate again jumped to 9% in the month of September, 2020. It is expected that average inflation remained within the same range in coming months. It is also noted that series of targeted measures undertaken by SBP since the Covid-19 outbreak have injected significant liquidity and further lowered funding costs for many businesses and households. In addition, the government has undertaken a number of significant measures to support economic activity including the Ehsaas emergency cash program, commodity financing, a risk-sharing facility for SMEs, and acceleration of tax refunds which have supported well for economic revival.

Going forward, although the markets have restored their operational position, however, to expect same level of status is uncertain since pandemic is still not completely washed out. The cases of COVID-19 are again rising and we may experience an uptick in coronavirus once again. Furthermore, foreign debt servicing, the reduction in exports due to price hike may impact economic growth. Country is likely to face a gas shortage which will again disturb industrial production particularly exports related industries and in light of these circumstances expected target of growth may be slightly reduced.

In conclusion, keeping in view of better performance of first quarter, we are optimistic about better economic and business conditions in coming months keeping in view encouraging movement of key indicators of the economy. However, we shall follow our prudent stance for new business engagements and assets booking.

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 holders for their trust and confidence and other regulatory bodies for their continued guidance.

For and on behalf of Board of Directors

Syed Rasheed Akhtar
Chairman

Muhammad Shoaib Ibrahim
Chief Executive Officer

Karachi: October 27, 2020

ڈائریکٹرز کی رپورٹ

یہ میرے لئے باعث مسرت ہیکہ میں بورڈ آف ڈائریکٹرز کی جانب سے ۳۰ ستمبر، ۲۰۲۰ کو ختم ہونے والی پہلی سہ ماہی کے مدت اختتام پر فرسٹ حبیب مضاربہ کے غیر محتسب شدہ کھاتے پیش کروں۔

گذشتہ سال کی پہلی سہ ماہی کے مقابلہ میں رواں سال کی پہلی سہ ماہی کی کارکردگی تسلی بخش رہی۔ سہ ماہی کے دوران ہم نے گذشتہ سہ ماہی کے ۹۰۲ ملین روپے کے مقابلہ میں ۱۰۹۹ ملین روپے کی فراہمی کی ہے۔ رواں سال کے آغاز میں طے شدہ ہدف کے مطابق پہلی سہ ماہی کا منافع ہوا ہے۔ تاہم، قرض دینے پر کم شرح کی وجہ سے پچھلی اسی مدت کے منافع کے مقابلہ میں اس مدت کا منافع قدرے کم ہوا ہے۔ ہم جون ۲۰۲۰ کے آخر میں بیلنس شیٹ ۹،۹۱۳ ملین روپے کے مجموعی سائز کو بڑھا کر ۱۰،۱۲ ملین روپے کرنے میں بھی کامیاب رہے ہیں۔

فی الحال، اقتصادی کاروباری حالات مثبت سمت میں گامزن ہیں۔ وبائی امراض کی وجہ سے طویل لاک ڈاؤن میں آسانی کے بعد پاکستان کی معیشت نے اچھا آغاز کیا ہے۔ معیشت کے اہم اشاریوں نے رواں مالی سال کی پہلی سہ ماہی میں تسلی بخش رجحان ظاہر کیا۔ غیر ملکی ترسیلات زر میں غیر معمولی اضافے سمیت پچھلے کئی سالوں کے وقفے کے بعد کرنٹ اکاؤنٹ میں اضافے کا مظاہرہ ہوا۔ پاکستان اسٹاک ایکسچینج بہترین کارکردگی کا مظاہرہ کرنے والی منڈی بھی رہی ہے اور ایک بار پھر ایشیا کی بہترین مارکیٹ ہونے کا اعزاز اپنے نام کر لیا۔ پی ایس ایکس ۲۰۲۰ میں دنیا بھر میں چوتھی بہترین کارکردگی کا مظاہرہ کرنے والی ایکسچینج بن گئی ہے کیونکہ حکومت نے کوویڈ-۱۹ چیلنجوں کو کامیابی سے قابو پایا ہے اور معیشت کو پٹری پر کھڑا کیا ہے۔

پچھلے مہینے کے مرکزی بینک میں مانیٹری پالیسی اسٹیٹمنٹ میں (ایم پی ایس) نے پالیسی کی شرح میں تبدیلی نہ کرتے ہوئے ۷ فیصد پر ہی رکھنے کا فیصلہ کیا ہے۔ ایم پی ایس کے پیش گوئی کے مطابق، اشیائے خورد و نوش کی قیمتوں میں حالیہ اضافہ سپلائی سائڈ کی طرف سے خرابی کی وجہ سے مہنگائی قدرے بڑھ گئی ہے۔ مہنگائی کی شرح ستمبر ۲۰۲۰ کے مہینے میں ایک بار پھر ۹ فیصد ہو گئی ہے۔ توقع کی جاتی ہے کہ آنے والے مہینوں میں اوسط افراط زر اسی حدود میں رہے گا۔ یہ بھی نوٹ کیا گیا ہے کہ کوویڈ-۱۹ پھیلنے کے بعد سے اسٹیٹ بینک کے ذریعہ کئے گئے ہدف کے سلسلے اقدامات میں نمایاں لیکویڈیٹی لگائی گئی ہے اور بہت سے کاروباروں اور گھرانوں کے لئے مالی اعانت کی لاگت کم ہو گئی ہے۔ اس کے علاوہ، حکومت نے معاشی سرگرمیوں کی حمایت کے لئے بہت سارے اہم اقدامات اٹھائے ہیں جن میں احساس ایمر جنسی کیش پروگرام، اجناس کی مالی اعانت، ایس ایم ایز کے لئے رسک شیئرنگ کی سہولت، اور ٹیکس کی ریفنڈ میں تیزی شامل ہے جس نے معاشی بحالی کے لئے اچھی طرح سے معاونت کی ہے۔

مزید برآں یہ کہ، اگرچہ مارکیٹوں نے اپنی آپریشنل پوزیشن بحال کر دی ہے، تاہم، اسی سطح کی توقع کرنا غیر یقینی ہے کیونکہ وبائی بیماری ابھی

بھی پوری طرح سے ختم نہیں ہوئی ہے۔ کوویڈ-۱۹ کے کیسز ایک بار پھر بڑھ رہے ہیں اور ہم ایک بار پھر کورونا وائرس میں اضافے کا سامنا کر سکتے ہیں۔ مزید یہ کہ غیر ملکی قرضوں، قیمتوں میں اضافے کی وجہ سے برآمدات میں کمی معاشی نمو کو متاثر کر سکتی ہے۔ امکان ہے کہ ملک کو گیس کی قلت کا سامنا کرنا پڑے گا جس سے ایک بار پھر صنعتی پیداوار پریشان ہو جائے گی خصوصاً برآمدات سے متعلق صنعتوں کو اور ان حالات کی روشنی میں متوقع نمو کو تھوڑا کم ہو سکتا ہے۔

آخر میں، پہلی سہ ماہی کی بہتر کارکردگی کے پیش نظر، ہم معیشت کے اہم اشاریوں کی حوصلہ افزا کارکردگی کو مد نظر رکھتے ہوئے آنے والے مہینوں میں بہتر معاشی اور کاروباری حالات کے بارے میں پر امید ہیں۔ تاہم، ہم نئی کاروباری مصروفیات اور اثاثوں کی بکنگ کے لئے اپنے محتاط انداز سے آگے بڑھینگے۔

میں شکر گزار ہوں اپنے قابل احترام کسٹمرز کا، رجسٹرار مضاربہ کا، سیکورٹیز اینڈ ایکسچینج کمیشن پاکستان کا جنہوں مسلسل ہماری رہنمائی اور سرپرستی کی، اس کے علاوہ اپنے ملازمین کی بے انتہا محنت اور جذبے کا، سرٹیفکیٹ ہولڈرز کی اور دوسری ریگولیٹری باڈیز کا جنہوں نے اپنا بھروسہ اور اپنا تعاون مسلسل جاری رکھا۔

بورڈ آف ڈائریکٹرز کے لئے اور اُن کی جانب سے

سید رشید اختر
چیرمین

محمد شعیب ابراہیم
چیف ایگزیکٹو آفیسر

کراچی۔ اکتوبر ۲۰۲۰ء

CONDENSED INTERIM BALANCE SHEET

AS AT SEPTEMBER 30, 2020

	Note	(Un-audited) September 30, 2020	(Audited) June 30, 2020
		-----Rupees-----	
ASSETS			
NON-CURRENT ASSETS			
Lease financing assets		1,464,659,678	1,719,650,990
Assets in own use		65,341,227	69,428,828
Intangible assets		169,995	198,711
Diminishing musharaka financing		4,389,890,284	4,282,849,332
Long term deposits		1,218,850	1,218,850
		5,921,280,034	6,073,346,711
CURRENT ASSETS			
Investments		952,080,705	768,406,670
Current portion of diminishing musharaka financing		2,875,165,512	2,719,651,582
Lease financing installments receivables		3,160,775	1,003,375
Diminishing musharaka financing installments receivables		5,517,769	2,785,509
Advances and prepayments		5,093,134	4,440,028
Other receivables		20,524,177	21,102,159
Income tax refundable		153,711,487	153,711,487
Cash and bank balances	4	190,734,409	168,609,750
		4,205,987,968	3,839,710,560
TOTAL ASSETS		10,127,268,002	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		2,337,145,563	2,538,683,912
Certificate holders' equity		3,345,145,563	3,546,683,912
SURPLUS ON REVALUATION OF INVESTMENTS		120,544,147	86,870,111
NON-CURRENT LIABILITIES			
Security deposits against lease financing assets		214,903,302	232,284,208
Liability against right of use assets		22,134,647	21,771,196
		237,037,949	254,055,404
CURRENT LIABILITIES			
Certificates of investment (musharaka)		5,480,545,153	5,279,731,965
Security deposits - current portion		94,435,576	124,155,383
Current maturity of liability against right of use assets		1,525,301	1,095,504
Unearned lease financing and diminishing musharaka installments		3,967,462	7,204,778
Advance lease financing and diminishing musharaka installments		14,418,919	15,193,649
Trade and other payables		421,142,161	419,261,414
Profit payable on certificates of investment (musharaka)		83,084,840	135,580,868
Profit distribution payable	5	325,420,932	43,224,283
		6,424,540,344	6,025,447,844
TOTAL EQUITY AND LIABILITIES		10,127,268,002	9,913,057,271
CONTINGENCIES AND COMMITMENTS	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 Executive Officer

Chief Financial Officer

Director

Director

CONDENSED INTERIM PROFIT AND LOSS ACCOUNT (UN -AUDITED)

FOR THE PERIOD ENDED SEPTEMBER 30, 2020

	Note	Three Months Ended	
		September 30, 2020	September 30, 2019
		-----Rupees-----	
Income from lease financing		31,968,178	47,016,007
Income from diminishing musharaka financing		163,525,910	252,986,006
Provision in respect of diminishing musharaka		3,193,554	(10,062,772)
Administrative expenses		(36,769,151)	(35,025,563)
		161,918,491	254,913,678
Other income		21,483,859	36,000,464
		183,402,350	290,914,142
Financial charges		(90,562,865)	(191,014,047)
Modaraba Management Company's remuneration	7	(9,283,949)	(9,990,010)
Sales tax on Modaraba Management Company's remuneration	7	(1,206,913)	(1,298,701)
Provision for Sindh Workers' Welfare Fund		(1,646,972)	(1,772,228)
Profit before taxation		80,701,651	86,839,156
Taxation	8	-	-
Profit for the period		80,701,651	86,839,156
Earning per certificate - basic and diluted	9	0.40	0.43

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 Executive Officer

Chief Financial Officer

Director

Director

CONDENSED INTERIM STATEMENT OF COMPREHENSIVE INCOME (UN -AUDITED)

FOR THE PERIOD ENDED SEPTEMBER 30, 2020

	Note	Three Months Ended	
		September 30, 2020	September 30, 2019
		-----Rupees-----	
Profit for the period		80,701,651	86,839,156
Components of other comprehensive income reflected below equity			
Items that will not be reclassified subsequently to profit and loss account			
Surplus / (deficit) on revaluation of investments classified as 'available-for-sale' - net*		33,674,036	(30,402,480)
Total comprehensive income		114,375,687	56,436,676

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 Executive Officer

Chief Financial Officer

Director

Director

CONDENSED INTERIM CASH FLOW STATEMENT (UN -AUDITED)

FOR THE PERIOD ENDED SEPTEMBER 30, 2020

Note	September 30, 2020	September 30, 2019
	-----Rupees-----	
CASH FLOW FROM OPERATING ACTIVITIES		
Profit for the period	80,701,651	86,839,156
Adjustment for:		
Depreciation and amortization	184,563,188	280,414,807
Financial charges	90,416,155	190,886,310
Gain on transfer of lease financing assets - net	(3,305,007)	(3,523,663)
Gain on disposal of assets in own use - net	(479,532)	-
Provision in respect of diminishing musharaka	(3,193,554)	-
Owned assets written off	12	1
	268,001,262	467,777,455
Changes in working capital		
Decrease / (increase) in current assets		
Lease financing installments receivables	(2,157,400)	(39,720,209)
Diminishing musharaka financing installments receivables	461,294	(25,750,382)
Advances and prepayments	(653,106)	(7,229,612)
Other receivables	1,041,814	(4,617,326)
	(1,307,398)	(77,317,529)
Increase / (Decrease) increase in current liabilities		
Unearned lease financing and diminishing musharaka installments	(3,237,316)	5,465,042
Advance lease financing and diminishing musharaka installments	(774,730)	15,927,188
Trade and other payables	1,880,747	30,566,974
	(2,131,299)	51,959,204
Cash generated from operations	345,264,216	529,258,286
Purchase of lease financing assets	(11,347,342)	(286,751,300)
Proceeds from transfer of lease financing assets	89,645,699	49,319,415
Diminishing musharaka financing - net	(262,554,882)	121,475,316
Long term advances, deposits and prepayments	-	(5,760,789)
Security deposits against lease financing assets	(47,100,713)	(870,889)
Financial charges paid	(142,118,928)	(177,408,652)
Tax paid	(463,832)	(2,496,962)
	(373,939,998)	(302,493,861)
Net cash (used)/ generated in operating activities	(28,675,782)	226,764,425
CASH FLOW FROM INVESTING ACTIVITIES		
Purchase of assets in own use	(1,315,589)	(1,711,586)
Purchase of investments	(150,000,000)	-
Proceeds from sale / maturity of investments	-	155,493,420
Proceeds from sale of assets in own use	1,346,193	-
Net cash (used)/ generated in investing activities	(149,969,396)	153,781,834
CASH FLOW FROM FINANCING ACTIVITIES		
Dividends paid	(43,351)	(122,778)
Certificates of investment (musharaka)	200,813,188	(359,137,564)
Net cash (used)/ generated from financing activities	200,769,837	(359,260,342)
Net increase in cash and cash equivalents during the period	22,124,659	21,285,917
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	190,734,409	71,910,621

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 Executive Officer

Chief Financial Officer

Director

Director

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

FOR THE PERIOD ENDED SEPTEMBER 30, 2020

	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	-	-	-	-	86,839,156	86,839,156
Deficit transferred to unappropriated profit during the period					(96,327)	(96,327)
Balance as at September 30, 2019	1,008,000,000	378,000,000	1,119,474,106	640,000,000	170,750,846	3,316,224,952
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	-	-	-	-	80,701,651	80,701,651
Surplus transferred to unappropriated profit during the period					-	-
Balance as at September 30, 2020	1,008,000,000	378,000,000	1,135,308,260	640,000,000	183,837,303	3,345,145,563

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 Executive Officer

Chief Financial Officer

Director

Director

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

FOR THE PERIOD ENDED SEPTEMBER 30, 2020

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 nine months period ended September 30, 2020 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, 2020.

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, 2020.

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, 2020.

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, 2020.

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 2019 since the management is confident that the same shall be refunded.

		(Un-audited)	(Audited)
		September 30, 2020	June 30, 2020
Note			
		-----Rupees-----	
5	PROFIT DISTRIBUTION PAYABLE		
	Profit distribution payable for the year ended June 30, 2020	282,240,000	-
	Unclaimed profit distribution	43,180,932	43,224,283
		<u>325,420,932</u>	<u>43,224,283</u>

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

FOR THE PERIOD ENDED SEPTEMBER 30, 2020

6 CONTINGENCIES AND COMMITMENTS

6.1 Contingencies

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.

6.2 Commitments

Commitments in respect of financing transactions amounting to Rs. 291 (June 30, 2020: Rs.136) 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, 2020 has been recognized at 10% (September 30, 2019: 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 23.5 to the annual financial statements of the Modaraba for the year ended June 30, 2020.

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.

		Three Months Ended (Un-audited)	
	Note	September 30, 2020	September 30, 2019
-----Rupees-----			
There is no dilutive effect on earnings per certificate which is based on:			
Net profit for the period		80,701,651	86,839,156
Weighted average number of ordinary certificates		201,600,000	201,600,000
Basic earnings per certificate		0.40	0.43

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

FOR THE PERIOD ENDED SEPTEMBER 30, 2020

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:

			(Un-audited)	(Audited)
			September 30, 2020	June 30, 2020
			-----Rupees-----	
Balances held				
Related party	Related party relationship	Nature of balances		
Habib Metropolitan Bank Limited	Parent Company	Bank Balances	178,623,010	167,733,693
		Investment in HMB	100,000,000	100,000,000
		Certificates of investment (musharaka)	900,000,000	700,000,000
		Profit receivable	2,636,545	3,855,200
		Financial charges payable	10,421,370	13,024,658
		Prepaid Utility charges	922,844	1,845,689
		Prepaid Rent	172,278	344,556
		Security deposit	130,000	130,000
		Lease financing assets*	-	-
Habib Bank AG Zurich	Ultimate Parent	Lease financing assets*	-	121,821
Habib Metropolitan Modaraba management Company (Private) Limited	Management Company	Management fee payable	9,283,949	36,431,341
		Sale tax on management fee payable	19,609,825	18,402,912
Transactions during the period				
Related party	Related party relationship	Nature of transactions		
Habib Metropolitan Bank Limited	Parent Company	Profit on bank accounts	1,488,861	4,653,001
		Bank charges	146,710	127,080
		Rent charges	172,278	156,618
	Company	Utility charges	922,844	645,915
		Financial charges	14,853,424	147,167,329
		Lease financing installments received*	-	1,849,721
Habib Bank AG Zurich	Ultimate Parent	Lease financing installments received*	-	94,312
Habib Metropolitan Modaraba Management Company (Private) Limited	Management Company	Management fee	9,283,949	9,990,010
		Sale tax on management fee	1,206,913	1,298,701
		Management fee paid	33,516,834	-
Habib Metropolitan Financial Services Limited	Associate	Brokerage commission	-	88,149
		Proceeds against sale of securities	-	15,847,897
Staff Retirement Benefit Fund	Associate	Gratuity expense	750,000	720,000
		Contribution made	-	-
Provident Fund	Associate	Contribution made	773,273	683,562

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

FOR THE PERIOD ENDED SEPTEMBER 30, 2020

- 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, 2020, 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 OF ISSUE

These financial statements were authorized for issue on October 27, 2020 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 Executive Officer

Chief Financial Officer

Director

Director