

First Habib Modaraba

(An Islamic Financial Institution)



Quarterly Accounts

for the nine months period and quarter ended

March 31, 2018

(Unaudited)

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CORPORATE INFORMATION

BOARD OF DIRECTORS

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

LEGAL ADVISOR

Mohsin Tayebaly & Company
Ahmed & Qazi Advocates & Legal Consultants

AUDIT COMMITTEE

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

HUMAN RESOURCE COMMITTEE

Mr. Syed Rasheed Akhtar	- Chairman
Mr. Wazir Mumtaz Ahmed	- Member

REGISTRAR

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

AUDITOR

EY Ford Rhodes
Chartered Accountants

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 my great pleasure to present the un-audited accounts of the Modaraba for the period ended March 31, 2018.

Alhamdulillah, we have completed business operation of nine months of current financial year with satisfactory business performance. Total disbursements of Rs.3.363 billion were made as compared to Rs.2.837 billion, an increase of around 17% over same corresponding period of last year. Out of total disbursements, Diminishing Musharaka financing was around 68%. Likewise, deposit under the scheme of Certificate of Investment (Musharaka arrangement) was also raised by around 42% i.e. from Rs.3.400 billion to Rs.4.833 billion in similar period.

Due to enhancement in financing and deposit size, overall size of balance sheet has also been increased from Rs. 7.806 billion in March, 2017 to Rs.9.246 billion in March, 2018, which reflect growth of around 18%. Despite lower lending rates which directly impacting core revenues, the stability in profitability was supported through enhancement of financing assets size. However, little decline in profit was due to provision of remunerations of management company made on accrual basis.

Upon completion of 3rd quarter, the overall performance in terms of disbursements and additions of good quality assets reasonably did well as compare to corresponding period of last year. The trend of economic activities remained in positive zone particularly in first half of the financial year which was in continuation of reform agenda persuade by present government. However, presently business witnessed slightly slow down owing political instability and upcoming election.

Currently the economy of Pakistan passing through with few economic challenges i.e., high current and trade deficit continued weakening of Pak Rupee, huge stock of domestic and foreign debt and high import bill. It is expected that government may miss the GDP target of 6% set at the beginning of current financial year. Recently the International Monetary Fund (IMF) has shown its concern over Pakistan's weakening macroeconomic situation, including widening external and fiscal imbalances, reduction in foreign exchange reserves which leads towards risks to economic and financial outlook in long term.

However, in recent Monetary Policy Statement (MPS), the State Bank of Pakistan (SBP) has shown satisfaction on the short term outlook of economy and maintain policy rate at same level i.e., 6%. According to MPS the prospects of achieving high growth rate is very promising with average headline inflation within comfortable limit for current fiscal year. It is further stated that high fiscal deficit could affect medium-term stability of the economy. The recent adjustment in value of Pak Rupee, active monetary management as well as visible improvements in exports and remittances are expected to bear fruit for medium-term in terms of sustaining the growth momentum without posing a risk to stability.

Due to reform package for export, the slight improvement in export earnings has been witnessed during the period. Improvements of worker's remittances have also been shown during the same period. However, the growth in imports remains high and as a result the current account deficit reached at all time high which is about 50% more than it was during the same period of last year. The full impact of recent devaluation of Pak Rupees on exports will be reflected in coming months.

Going forward, we feel that business activity in coming months will remain in stress due to continuous decline of Pak Rupee, rising cost of import & petroleum products, pressure on foreign exchange reserve and upcoming election. However, keeping in view of financial performance of up to 3rd quarter of current financial year, we are hopeful, that we will achieve our set target of disbursement and profits for the financial year 2017-18.

In conclusion, I am extremely grateful to our valued customers, Registrar Modaraba, Securities & Exchange Commission of Pakistan for their patronage, to 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

Muhammad Shoaib Ibrahim
Chief Executive Officer

Karachi: April 24, 2018

ڈائریکٹرز کی رپورٹ

میرے لیے یہ انتہائی خوشی کی بات ہے کہ میں بورڈ آف ڈائریکٹرز کی جانب سے ۳۱ مارچ ۲۰۱۸ کی اختتام پذیر مدت کے غیر محتسب شدہ کھاتے پیش کروں۔

الحمد للہ، ہم موجودہ مالی سال کے کاروباری آپریشن کے کاروباری کارکردگی کے نواہ اطمینان بخش طریقے سے مکمل کر چکے ہیں۔ گذشتہ سال اسی مدت کی ادائیگیوں کے ۱۲۸۳۷ ارب روپے کے مقابلے میں ۱۷ فیصد اضافے کے ساتھ اس نواہ کے مدت میں ۳۶۳۳۳ ارب روپے کی کل ادائیگیاں کی گئیں۔ کل ادائیگیوں میں سے، گھٹتے ہوئے مشار کہ کی سرمایہ کاری ۶۸ فیصد تھی۔ اسی طرح، سرمایہ کاری کے سرٹیفیکیٹس (مشار کہ انتظام) میں بھی ۴۲ فیصد کا اضافہ ہوا یعنی گذشتہ سال اسی مدت کے ۳۷۰۰ ارب روپے سے بڑھ کر ۵۳۳۳ ارب روپے ہو گیا۔

سرمایہ کاری اور ڈپازٹس میں اضافے کی وجہ سے بیلنس شیٹ کا سائز بھی مارچ ۲۰۱۷ کی ۸۰۶۷ ارب روپے سے بڑھ کر مارچ ۲۰۱۸ میں اس کی مالیت ۲۴۶۱۹ ارب روپے ہو گئی جو ۱۸ فیصد کی نمو دکھاتا ہے۔ کم لینڈنگ کی شرح کے باوجود، جو بنیادی مالگذاری کو براہ راست متاثر کر رہا ہے، منافع بخشی میں استحکام کی معاونت اثاثہ جات کے حجم میں سرمایہ کاری کے اضافے کے ذریعے سے کی۔ تاہم، منافع میں معمولی کمی کی وجہ مینجمنٹ کمپنی کے مشاہرہ کے لیے اکروول (Accrual) کی بنیاد پر مختص کرنا تھی۔

تیسری سہ ماہی کی تکمیل پر ادائیگیوں اور معیاری اثاثہ جات کے اضافے سے مجموعی کارکردگی گذشتہ سال اسی مدت کے مقابلے میں مناسب حد تک اطمینان بخش تھی۔ معاشی سرگرمیوں کا رجحان مثبت زون میں رہا، خاص طور پر مالیاتی سال کے پہلے نصف جس میں موجودہ گورنمنٹ نے اصلاحاتی ایجنڈا جاری رکھا۔ تاہم، موجودہ طور پر کاروبار نے سیاسی عدم استحکام اور آنے والے انتخاب کی وجہ سے معمولی کمی دیکھی۔

موجودہ طور پر پاکستان کی معیشت کو چند معاشی چیلنجوں کا سامنا ہے یعنی بلند جاری اور تجارتی خسارہ جاری ہے اور پاکستانی روپے کی کم ہوتی ہوئی قدر ملکی اور غیر ملکی قرضوں کا بڑا اسٹاک اور بڑا ادائیگی بل۔ یہ توقع کی جا رہی ہے کہ موجودہ مالی سال کے آغاز پر مجموعی قومی پیداوار کا ۶ فیصد کا متعین کردہ ہدف حاصل نہ کر سکے گی۔ کچھ عرصہ پہلے انٹرنیشنل مانیٹری فنڈ پاکستان کی معیشت کی کمزور ہوتی ہوئی صورت حال، بشمول بیرونی اور مالیاتی عدم توازن، غیر ملکی زرمبادلہ کے ذخائر جس مستقبل میں معاشی اور مالیاتی منظر نامے کے خطرے کی نشاندہی کرتے ہیں، اس پر اپنی پریشانی کا اظہار کر چکا ہے۔

تاہم، بینک دولت پاکستان اپنے حالیہ مالیاتی پالیسی بیانیہ (MPS) میں قلیل مدت کے منظر نامے پر اپنا اطمینان اظہار کر چکا ہے اور اس نے پالیسی نرخ کو اس سطح پر برقرار رکھا یعنی ۶ فیصد پر۔ MPS کے مطابق زیادہ نمو کی شرح کے حاصل کرنے کے امکانات حوصلہ مند ہیں اور موجودہ مالی سال میں شہ سرخی بننے والا افراط زر مناسب حد میں رہے گا۔ مزید یہ کہا گیا ہے کہ بڑا مالی خسارہ، معیشت کے درمیانی مدت کے استحکام کو متاثر کر سکتا ہے۔ روپے کی قدر میں حالیہ رد و بدل، فعال مالیاتی انتظام کے ساتھ ساتھ نظر آتی ہوئی برآمدات اور ترسیل زر میں بہتری سے توقع ہے درمیانی مدت کے لیے ترقی کی رفتار کو برقرار رکھنے میں بنکسی استحکام کو خطرہ لاحق کئے بغیر ثمر بار ہوگی۔

اس مدت میں برآمدات کے پیکیج کی وجہ سے برآمدات سے آمدنی میں معمولی سے بہتری نظر آئی ہے۔ تاہم، درآمدات میں نمو کی شرح بلند رہی اور اس کے نتیجے میں جاری کھاتے کا خسارہ تاریخ کی بلند ترین سطح پر پہنچ گیا ہے جو گزشتہ سال کی اسی مدت سے ۵۰ فیصد زیادہ ہے۔ پاکستانی روپے کی قدر میں حالیہ کمی کے برآمدات پر اثرات آنے والے مہینوں میں ظاہر ہونگے۔

آگے بڑھتے ہوئے، پاکستانی روپے کی مسلسل کمی، بڑھتی ہوئی درآمدات اور تیل کی مصنوعات کی لاگتوں میں اضافہ، غیر ملکی زرمبادلہ کے ذخائر پر دباؤ اور آنے والے انتخاب کی وجوہات کی بنا پر ہمارا خیال ہے کہ کاروباری سرگرمیاں آنے والے مہینوں میں دباؤ کا شکار رہیں گی۔ تاہم، موجودہ مالی سال کے تیسری سہ ماہی تک مالی کارکردگی کی بنیاد پر، ہم پر امید ہیں کہ مالی سال ۲۰۱۷-۱۸ کے لیے اپنے ادائیگیوں اور منافع کے طے شدہ اہداف حاصل کر لیں گے۔

آخر میں، میں اپنے معزز گاہکوں، رجسٹرار مضاربہ، سیکوریٹیز اینڈ ایکسچینج کمیشن آف پاکستان کی سرپرستی کے لیے، اپنے ملازمین کی لگن کا، اپنے سرٹیفیکیٹ کنندگان کے اعتماد اور بھروسے کا اور دیگر انتظامی باڈیوں کا ان کی رہنمائی کا مخلصانہ طور پر شکر گزار ہوں۔

بورڈ آف ڈائریکٹرز کی جانب سے اور ان کے لیے

محمد شعیب ابراہیم
چیف ایگزیکٹو آفیسر

کراچی: ۲۴ اپریل ۲۰۱۸

CONDENSED INTERIM BALANCE SHEET (UNAUDITED)

AS AT MARCH 31, 2018

	Note	(Unaudited) March 31, 2018	(Audited) June 30, 2017 Restated (Note 3.2)
ASSETS			
NON-CURRENT ASSETS			
Fixed assets - tangible			
Lease financing assets			
Assets in own use	4	2,588,919,538	2,440,975,610
		24,124,144	12,280,591
		2,613,043,682	2,453,256,201
Intangible assets		339,967	35,519
Long term advances, deposits and prepayments		1,215,850	3,070,000
Long term diminishing musharaka financing		3,004,326,590	2,653,337,842
		5,618,926,089	5,109,699,562
CURRENT ASSETS			
Investments		1,285,815,228	1,298,684,499
Current portion of diminishing musharaka financing		2,085,752,822	1,638,299,962
Lease financing installments receivables		3,043,447	991,649
Short term advances, deposits and prepayments		7,583,353	9,003,232
Income tax refundable	5	113,683,111	89,006,078
Other receivables		18,953,869	28,706,328
Cash and bank balances		112,902,554	192,259,670
		3,627,734,384	3,256,951,418
		9,246,660,473	8,366,650,980
TOTAL ASSETS			
EQUITY AND LIABILITIES			
CAPITAL AND RESERVES			
Authorized certificate capital 220,000,000 (June 30, 2017: 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
Capital reserves		1,467,011,820	1,467,011,820
Revenue reserves		897,808,935	879,255,715
		3,372,820,755	3,354,267,535
SURPLUS ON REVALUATION OF INVESTMENTS			
		106,901,324	117,635,373
NON-CURRENT LIABILITIES			
Security deposits against lease financing assets		265,602,754	241,767,687
CURRENT LIABILITIES			
Certificates of investment (musharaka)		4,832,861,407	3,913,784,732
Current portion of security deposits against lease financing assets		110,635,577	102,023,172
Unearned lease financing and diminishing musharaka installments		61,606,086	24,519,411
Advance lease financing and diminishing musharaka installments		20,415,779	22,586,591
Trade and other payables		441,789,546	434,289,479
Advance against Murabaha		-	123,860,502
Unclaimed profit distributions		34,027,245	31,916,498
		5,501,335,640	4,652,980,385
		9,246,660,473	8,366,650,980
TOTAL EQUITY AND LIABILITIES			
CONTINGENCIES AND COMMITMENTS			

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The annexed notes from 1 to 12 form an integral part of these condensed interim financial statements.

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

CHIEF EXECUTIVE OFFICER

DIRECTOR

DIRECTOR

CHIEF FINANCIAL OFFICER

CONDENSED INTERIM PROFIT AND LOSS ACCOUNT (UNAUDITED)

FOR THE NINE MONTHS PERIOD & QUARTER ENDED MARCH 31, 2018

		Nine Months Ended		Quarter ended	
Note		March 31, 2018	March 31, 2017	March 31, 2018	March 31, 2017
-----Rupees-----					
Income from lease financing		145,956,337	176,707,232	47,772,855	49,560,153
Profit on diminishing musharaka financing		286,671,829	233,755,364	100,624,119	86,632,278
Administrative expenses		(79,244,936)	(72,038,843)	(28,977,599)	(25,731,334)
		353,383,230	338,423,753	119,419,375	110,461,097
Other income	7	91,565,648	70,772,933	26,465,951	29,553,744
		444,948,878	409,196,686	145,885,326	140,014,841
Financial charges		(190,552,860)	(149,365,633)	(66,601,193)	(53,225,239)
Modaraba Management Company's remuneration	8	(25,439,602)	-	(7,928,413)	-
Sales tax on Modaraba Management Company's remuneration	8	(3,307,148)	-	(1,030,693)	-
Provision for Sindh Workers' Welfare Fund (SWWF)		(4,512,985)	(4,670,114)	(1,406,500)	(1,559,926)
Profit before taxation		221,136,283	255,160,939	68,918,527	85,229,676
Taxation	9	-	-	-	-
Profit for the period		221,136,283	255,160,939	68,918,527	85,229,676
Earning per certificate - basic and diluted	10	1.10	1.27	0.34	0.42

The annexed notes from 1 to 12 form an integral part of these condensed interim financial statements.

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

CHIEF EXECUTIVE OFFICER

DIRECTOR

DIRECTOR

CHIEF FINANCIAL OFFICER

CONDENSED INTERIM STATEMENT OF COMPREHENSIVE INCOME (UNAUDITED)

FOR THE NINE MONTHS PERIOD & QUARTER ENDED MARCH 31, 2018

	Nine Months Ended		Quarter ended	
	March 31, 2018	March 31, 2017	March 31, 2018	March 31, 2017
	Rupees			
Profit for the period	221,136,283	255,160,939	68,918,527	85,229,676
(Deficit) / surplus on revaluation of investments classified as 'available-for-sale'	(10,734,049)	71,582,539	21,712,347	(15,521,168)
Actuarial loss on defined benefit plan	(983,063)	-	-	-
Total comprehensive income for the period	<u>209,419,171</u>	<u>326,743,478</u>	<u>90,630,874</u>	<u>69,708,508</u>

The annexed notes from 1 to 12 form an integral part of these condensed interim financial statements.

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

CHIEF EXECUTIVE OFFICER

DIRECTOR

DIRECTOR

CHIEF FINANCIAL OFFICER

CONDENSED INTERIM CASH FLOW STATEMENT (UNAUDITED)

FOR THE NINE MONTHS PERIOD ENDED MARCH 31, 2018

	(Unaudited) March 31, 2018	(Audited) June 30, 2017
	-----Rupees-----	
CASH FLOW FROM OPERATING ACTIVITIES		
Profit for the period	221,136,283	255,160,939
Adjustment for:		
Depreciation and amortization	733,064,137	777,333,529
Amortization of premium on sukuk bonds	4,006,440	2,230,128
Financial charges	190,552,860	149,365,633
Gain on sale of investment in listed equity securities	(447,660)	(567,589)
Gain on transfer of lease financing assets	(12,417,565)	(18,275,906)
Gain on sale of assets in own use	(95,067)	(179,460)
Owned assets written off	3	29
Dividend income	(10,253,607)	(8,506,943)
	904,409,541	901,399,421
Changes in working capital		
(Increase) / decrease in current assets		
Lease financing installments receivables	(2,051,798)	(5,733,522)
Short term advances, deposits and prepayments	1,419,879	4,133,723
Income tax refundable	(24,677,033)	
Other receivables	10,438,057	(14,958,912)
	(14,870,895)	(16,558,711)
Increase / (decrease) in current liabilities		
Unearned lease financing and diminishing musharaka installments	37,086,675	8,906,721
Advance lease financing and diminishing musharaka installments	(2,170,812)	(2,000,609)
Trade and other payables	2,773,826	12,118,670
	37,689,689	19,024,782
Cash generated from operations	1,148,364,618	1,159,026,431
Purchase of lease financing assets	(1,064,247,184)	(691,335,212)
Proceeds from transfer of lease financing assets	198,573,387	232,254,397
Diminishing musharaka financing - net	(798,441,608)	(1,022,670,366)
Long term advances, deposits and prepayments	1,854,150	(3,296,905)
Security deposits against lease financing assets	32,447,472	(35,541,771)
Financial charges paid	(182,770,133)	(163,315,717)
Tax paid	(685,598)	-
	(1,813,269,515)	(1,683,905,574)
Net cash used in operating activities	(664,904,896)	(524,879,143)
CASH FLOW FROM INVESTING ACTIVITIES		
Purchase of assets in own use	(15,294,762)	(5,400,356)
Purchase of intangible assets	(344,565)	
Purchase of investments	(33,522,533)	(16,423,572)
Proceeds from sale of investments in shares	32,098,966	2,314,096
Proceeds from sale of assets in own use	669,697	179,496
Dividend received	10,253,607	8,506,943
Net cash used in investing activities	(6,139,590)	(10,823,393)
CASH FLOW FROM FINANCING ACTIVITIES		
Dividends paid	(199,489,254)	(197,761,476)
Proceeds from murabaha financing	-	197,964,000
Profit paid on murabaha financing	(4,039,549)	-
Payment on maturity of murabaha financing	(123,860,502)	-
Certificate of investment (musharaka)	919,076,675	349,296,123
Net cash generated from financing activities	591,687,370	349,498,647
Net decrease in cash and cash equivalents during the period	(79,357,116)	(186,203,889)
Cash and cash equivalents at the beginning of the period	192,259,670	248,143,222
Cash and cash equivalents at the end of the period	112,902,554	61,939,333

The annexed notes from 1 to 12 form an integral part of these condensed interim financial statements.

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

CHIEF EXECUTIVE OFFICER

DIRECTOR

DIRECTOR

CHIEF FINANCIAL OFFICER

CONDENSED INTERIM STATEMENT OF CHANGES IN EQUITY (UNAUDITED)

FOR THE NINE MONTHS PERIOD ENDED MARCH 31, 2018

	Capital Reserves			Revenue Reserves		
	Certificate capital	Certificate premium	Statutory reserves*	General reserves	Unappropriated profit	Total equity
	-----Rupees-----					
Balance as at July 01, 2016 (restated, see note 3.2)	1,008,000,000	378,000,000	1,000,656,671	640,000,000	235,591,305	3,262,247,976
Profit distribution for the year ended June 30, 2016 @ Rs.1 per certificate	-	-	-	-	(201,600,000)	(201,600,000)
Total comprehensive income for the period	-	-	-	-	255,160,939	255,160,939
Balance as at March 31, 2017	<u>1,008,000,000</u>	<u>378,000,000</u>	<u>1,000,656,671</u>	<u>640,000,000</u>	<u>289,152,244</u>	<u>3,315,808,915</u>
Balance as at July 01, 2017 (restated, see note 3.2)	1,008,000,000	378,000,000	1,089,011,820	640,000,000	239,255,715	3,354,267,535
Profit distribution for the year ended June 30, 2017 @ Rs.1 per certificate	-	-	-	-	(201,600,000)	(201,600,000)
Total comprehensive income for the period	-	-	-	-	220,153,220	220,153,220
Balance as at March 31, 2018	<u>1,008,000,000</u>	<u>378,000,000</u>	<u>1,089,011,820</u>	<u>640,000,000</u>	<u>257,808,935</u>	<u>3,372,820,755</u>

* 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.

The annexed notes from 1 to 12 form an integral part of these condensed interim financial statements.

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

CHIEF EXECUTIVE OFFICER
DIRECTOR
DIRECTOR
CHIEF FINANCIAL OFFICER

NOTES TO THE CONDENSED INTERIM FINANCIAL STATEMENTS (UNAUDITED)

FOR THE NINE MONTHS PERIOD & QUARTER ENDED MARCH 31, 2018

1. LEGAL STATUS AND NATURE OF BUSINESS

First Habib Modaraba (the Modaraba) is a perpetual, multi-purpose modaraba managed by Habib Metropolitan Modaraba Management Company (Private) Limited (the Modaraba Management Company) having its registered office at 5th Floor, HBZ Plaza, I.I. Chundrigar Road, Karachi. The Modaraba is listed on Pakistan Stock Exchange Limited. The Modaraba is engaged in the business of leasing, Musharaka, Murabaha financing and other related business.

2. BASIS OF PREPARATION

- 2.1** These condensed interim financial statements of the Modaraba for the nine months period ended March 31, 2018 are unaudited and being submitted to the certificate holders as required under Rule 10 of Modaraba Companies and Modaraba Rules, 1981 and have been prepared in accordance with the requirements of the International Accounting Standard 34 - "Interim Financial Reporting".
- 2.2** The condensed interim financial statements do not include all the information and disclosures required for full annual financial statements and should be read in conjunction with the annual financial statements of the Modaraba as at and for the year ended June 30, 2017.
- 2.3** These condensed interim financial statements have been presented in Pak Rupees, which is the functional currency of the Modaraba.

3. SIGNIFICANT ACCOUNTING POLICIES, ESTIMATES AND JUDGEMENTS

- 3.1** The accounting policies and methods of computation followed for the preparation of these condensed interim financial statements are the same as those applied in preparing the financial statements for the year ended June 30, 2017.
- 3.2** Pursuant to the amendment in the Prudential Regulations for Modarabas by the Securities and Exchange Commission of Pakistan (SECP) vide its Circular No. SC/M/PRDD/PRs/2017-259 dated December 11, 2017, the surplus on revaluation of investments shall not become part of equity. Previously, such surplus was presented as a separate component of equity. In view of the above amendment, the Modaraba has changed its accounting policy in respect of recording the surplus on revaluation of investments and the same is now shown below the equity as a separate line item on the balance sheet.

The above change is accounted for in accordance with the requirements of IAS – 8 “Accounting Policies, Changes in Accounting Estimates and Errors”.

Had there been no change in the above accounting policy, the equity of the Modaraba as at the period end would have been higher by Rs.106.901 million.

- 3.3** 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, 2017.

NOTES TO THE CONDENSED INTERIM FINANCIAL STATEMENTS (UNAUDITED) FOR THE NINE MONTHS PERIOD & QUARTER ENDED MARCH 31, 2018

- 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, 2017.
- 4.** This includes capital work in progress amounting to Rs.10.184 (June 30, 2017: Rs.0.733) million.
- 5.** 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 2017 since the management is confident that the same shall be refunded.
- 6.** There are no contingencies to report as at March 31, 2018, whereas commitments in respect of lease financing transactions amounting to Rs.195 (June 30, 2017: Rs.157) million.
- 7.** During the financial year 2017, the Honorable Supreme Court of Pakistan passed a judgement declaring the insertion of amendments introduced in the Finance Acts, 2006 and 2008 pertaining to Workers' Welfare Fund Ordinance, 1971, as unlawful and thereby striking down such amendments. In view of the above, during the period, the management reassessed the situation based on the general industry practice and accordingly, reversed the entire provision for WWF amounting to Rs.12.861 million.

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

- 8.1** 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, 2018 has been recognized at 10% (March 31, 2017: Nil) of profit for the period.
- 8.2** 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 19.2 to the annual financial statements of the Fund for the year ended June 30, 2017.

9. 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 NINE MONTHS PERIOD & QUARTER ENDED MARCH 31, 2018

10. EARNINGS PER CERTIFICATE - BASIC AND DILUTED

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

	Nine Months Ended		Quarter ended	
	March 31, 2018	March 31, 2017	March 31, 2018	March 31, 2017
	Rupees			
Net profit for the period	221,136,283	255,160,939	68,918,527	85,229,676
Weighted average number of ordinary certificates	201,600,000	201,600,000	201,600,000	201,600,000
Basic earnings per certificate	1.10	1.27	0.34	0.42

11. DATE OF AUTHORIZATION FOR ISSUE

These financial statements were authorized for issue on April 24, 2018 by the Board of Directors of the Modaraba Management Company.

12. GENERAL

12.1 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.

12.2 Figures have been rounded off to the nearest rupee.

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

CHIEF EXECUTIVE OFFICER

DIRECTOR

DIRECTOR

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