

# First Habib Modaraba

(An Islamic Financial Institution)



## Quarterly Accounts

For the period ended September 30, 2021

(Unaudited)

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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. 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

### 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)  
Habib Bank Limited (Islamic Banking)

### REGISTERED OFFICE

6th Floor, HBZ Plaza (Hirani Centre)  
I.I. Chundrigar Road, Karachi.  
Tel : 021-32635949-51  
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

#### Lahore Branch:

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

#### Islamabad Branch:

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

#### Multan Branch:

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

## DIRECTORS' REPORT

On behalf of the Board of Directors, it is our great pleasure to present the un-audited accounts of the First Habib Modaraba for the period ended September 30, 2021.

Performance of first quarter of current year remained excellent as compared to similar quarter of last year. The remarkable progress has been made in quarterly disbursement i.e., Rs.2.379 billion was made as compared to Rs.1.099 billion of same quarter of last year increasing by 116%. Similarly, balance sheet size has also grown by 32% i.e., from Rs.10.217 billion to Rs.13.257 billion. Profit before tax for the quarter has also been increased to Rs.95.908 million as compared to Rs.80.702 million of corresponding period of last year.

The satisfactory performance of first quarter of current financial year was due to good economic activity, high business and investment sentiments and better business planning at our network. The majority of disbursements were made in auto financing in private and commercial vehicles. Our branches successfully engaged new customers segments of small and medium size within the financing portfolio.

Last month, the State Bank of Pakistan (SBP) has increased policy rate by 25 basis points. According to Monetary Policy Committee (MPC), the pace of economic recovery has exceeded the expectation. The high prices of commodity in international market, robust recovery in domestic demand has accelerated import bill and a rise in the current account deficit are the main reason of upsurge in policy rate. Presently, there are two main challenges for Pakistan's economy in fiscal year 2021-22. One is inflation and another is current account deficit. Both segments are very critical and needs careful management and control. Due to high import, the SBP has issued revised guidelines for consumer auto financing and further stringent the same to minimize the import of luxury and other vehicles.

The high current account and trade deficit, further depreciation of Pak Rupees, high oil prices & food inflation and rising trend of discount rate of SBP, are cause of concern and may impact our current year GDP growth which may lead to slow down economic and business activities. However, good pace of exports, strong foreign remittances and stable domestic demands are encouraging indicators and may support to achieve growth target. The achieving high numbers of COVID-19 vaccination and the expansion of social protection programs are also moving towards inclusive and sustainable growth.

Keeping in view of satisfactory performance of first quarter, we are optimistic about better economic and business conditions. However, rising trend of inflation and lending rates are really cause of concern and if it is not managed in effective manner, the same may lead to slow down the economic and business growth.

As reported in our last annual report, the Federal Government has withdrawn tax exemption status of Modaraba sector. By virtue of said directives, the income of Modaraba will be subject to tax from current year i.e., FY 2021-22 and accordingly we have made tax provision in our first quarter of current year. Last year our NBFI and Modaraba Association has made several communications and made representation to Tax Authorities, Finance Minister and SECP for restoration of tax exemption status of Modarabas sector. However, said withdrawal was not restored and finally said amendment made the part of Finance Bill 2021-22. Presently, our association is again planning to re-engage relevant authorities for restoration of tax exemption status. Withdrawal of tax exemption status is cause of concern for us and will have impact on net profitability and dividend distributions to our investors.

In conclusion, we 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: October 26, 2021

## ڈائریکٹر رپورٹ

یہ میرے لئے باعثِ مسرت ہیکہ میں بورڈ آف ڈائریکٹرز کی جانب سے ۳۰ ستمبر، ۲۰۲۱ کو ختم ہونے والی پہلی سہ ماہی کے مدتِ اختتام پر فرسٹ حبیب مضاربہ کے غیر محتسب شدہ کھاتے پیش کروں۔

گزشتہ سال کی پہلی سہ ماہی کے مقابلہ میں رواں سال کی پہلی سہ ماہی کی کارکردگی بہترین رہی۔ اس سہ ماہی میں تقسیم میں قابل ذکر پیش رفت ہوئی ہے یعنی گزشتہ سال کی اسی سہ ماہی کے ۱۰۹۹ بلین روپے کے مقابلے میں ۲۰۳۷ بلین روپے کی رقم ۱۱۶ فیصد بڑھ گئی۔ اسی طرح بیلنس شیٹ کا سائز بھی ۳۲ فیصد یعنی ۱۰۲۱ بلین روپے سے بڑھ کر ۱۳۲۵ بلین روپے ہو گیا ہے۔ سہ ماہی کے لئے قبل از ٹیکس منافع بھی بڑھا کر ۹۵۹۰۸ ملین روپے ہو گیا ہے جبکہ گزشتہ سال کی اسی مدت کے ۸۰۷۰۲ ملین روپے تھے۔

موجودہ مالی سال کی پہلی سہ ماہی کی اطمینان بخش کارکردگی اچھی معاشی سرگرمی، بہترین کاروباری اور سرمایہ کاری کے احساسات اور ہمارے نیٹ ورک پر بہتر کاروباری منصوبہ بندی کی وجہ سے تھی۔ زیادہ تر تقسیم نجی اور تجارتی گاڑیوں میں آٹو فنانسنگ میں کی گئی تھی۔ ہماری برانچز نے فنانسنگ پورٹ فولیو کے اندر چھوٹے اور درمیانے سائز کے نئے صارفین کے سیگمنٹ کو کامیابی سے شامل کیا۔

گزشتہ ماہ اسٹیٹ بینک آف پاکستان (اسٹیٹ بینک) نے پالیسی ریٹ میں ۲۵ بیس پوائنٹس کا اضافہ کیا ہے۔ مالیاتی پالیسی کمیٹی (ایم پی سی) کے مطابق اقتصادی بحالی کی رفتار توقع سے تجاوز کر گئی ہے۔ بین الاقوامی مارکیٹ میں اجناس کی اونچی قیمتیں، مقامی مانگ میں مضبوط بحالی نے درآمدی بل میں تیزی لائی ہے اور کرنٹ اکاؤنٹ خسارے میں اضافہ پالیسی ریٹ میں اضافے کی بنیادی وجہ ہے۔ اس وقت مالی سال ۲۰۲۱-۲۲ میں پاکستان کی معیشت کے لیے دو اہم چیلنجز ہیں۔ ایک افراط زر اور دوسرا کرنٹ اکاؤنٹ خسارہ ہے۔ دونوں حصے بہت اہم ہیں اور انہیں محتاط انتظام اور کنٹرول کی ضرورت ہے۔ زیادہ درآمدی مدد کی وجہ سے اسٹیٹ بینک نے کنزیومر آٹو فنانسنگ کے لئے نظر ثانی شدہ رہنما گائیڈ لائنز جاری کیے ہیں اور لگژری اور دیگر گاڑیوں کی درآمد کو کم سے کم کرنے کے لئے اسے مزید سخت کیا ہے۔

کرنٹ اکاؤنٹ اور تجارتی خسارہ، پاک روپے کی قدر میں مزید کمی، تیل کی اونچی قیمتوں اور اشیائے خورد و نوش کی افراط زر اور اسٹیٹ بینک کی رعایتی شرح میں اضافے کا رجحان تشویش کا باعث ہے اور اس سے ہماری رواں سال کی جی ڈی پی نمو متاثر ہو سکتی ہے جس سے معاشی اور کاروباری سرگرمیاں سست پڑ سکتی ہیں۔ تاہم برآمدات کی اچھی رفتار، مضبوط غیر ملکی ترسیلات زر اور مستحکم ملکی مانگ اشاریوں کی حوصلہ افزائی کر رہے ہیں اور ترقی کے ہدف کے حصول میں معاون ہو سکتے ہیں۔ کوویڈ-۱۹ ایکسینیشن کی بہترین تعداد کے حصول اور سماجی تحفظ کے پروگراموں کی توسیع بھی جامع اور پائیدار ترقی کی طرف بڑھ رہی ہے۔

پہلی سہ ماہی کی اطمینان بخش کارکردگی کے پیش نظر ہم بہتر معاشی اور کاروباری حالات کے بارے میں پر امید ہیں۔ تاہم افراط زر اور قرضوں کی شرح میں اضافہ واقعی تشویش کا باعث ہے اور اگر اس کا موثر طریقے سے انتظام نہ کیا گیا تو اس سے معاشی اور کاروباری ترقی سست پڑ سکتی ہے۔

جیسا کہ ہماری آخری سالانہ رپورٹ میں بتایا گیا ہے کہ وفاقی حکومت نے مضاربہ سیلکٹر ٹیکس چھوٹ کا استثنیٰ واپس لے لیا ہے۔ مذکورہ ہدایات کی بدولت مضاربہ کی آمدنی موجودہ سال یعنی مالی سال ۲۰۲۱-۲۲ سے ٹیکس سے مشروط ہوگی اور اس کے مطابق ہم نے موجودہ سال کی اپنی پہلی سہ ماہی میں ٹیکس کی فراہمی کی ہے۔

گزشتہ سال ہماری NBFI اور مضاربہ ایسوسی ایشن نے متعدد راجبے کیے ہیں اور مضاربہ سیکٹر کی ٹیکس چھوٹ کا استثنیٰ کی بحالی کے لئے ٹیکس حکام، وزیر خزانہ اور SECP کو نمائندے بھیجے۔ تاہم کہا گیا کہ استثنیٰ بحال نہیں کیا گیا اور آخر میں بتایا گیا کہ ترمیم کے ذریعے اسے فنانس بل ۲۰۲۱-۲۲ کا حصہ بنادیا ہے۔ فی الحال، ہماری ایسوسی ایشن دوبارہ ٹیکس استثنیٰ کی بحالی کے لئے متعلقہ حکام کو دوبارہ شامل کرنے کا منصوبہ بنا رہی ہے۔ ٹیکس استثنیٰ کی حیثیت واپس لینا ہمارے لئے تشویش کا باعث ہے اور اس کا اثر ہمارے سرمایہ کاروں پر خالص منافع اور منافع کی تقسیم پر پڑے گا۔

آخر میں ہم سکیورٹیز اینڈ ایکسچینج کمیشن آف پاکستان اور رجسٹرار مضاربہ، مضاربہ کے صارفین کی سرپرستی اور سرٹیفکیٹ ہولڈرز کی جانب سے فراہم کردہ مسلسل معاونت اور رہنمائی پر دلی شکریہ اور ستائش ادا کرنا چاہتے ہیں جو ایف ایچ ایم کے ساتھ پر عزم رہے۔ ہم ہموار سرگرمیوں اور اطمینان بخش نتائج کے حصول کے لئے ایف ایچ ایم کے ملازمین کی لگن، اعلیٰ سطح کی پیشہ ورانہ مہارت اور محنت کو بھی سراہتے ہیں۔

بورڈ آف ڈائریکٹرز کیلئے اور ان کی جانب سے

سید رشید اختر  
ڈائریکٹر

محمد شعیب ابراہیم  
چیف ایگزیکٹو آفیسر

کراچی: ۲۶ اکتوبر ۲۰۲۱

# CONDENSED INTERIM BALANCE SHEET

AS AT SEPTEMBER 30, 2021

	Note	(Unaudited) September 30, 2021	(Audited) June 30, 2021
-----Rupees-----			
<b>ASSETS</b>			
<b>NON-CURRENT ASSETS</b>			
Lease financing assets		753,920,603	861,522,931
Assets in own use		50,657,874	54,298,927
Intangible assets		141,250	141,250
Diminishing musharaka financing	4	7,537,132,570	6,217,547,845
Long term prepayments and deposits		1,167,850	1,147,800
		<b>8,343,020,147</b>	<b>7,134,658,753</b>
<b>CURRENT ASSETS</b>			
Investments	5	946,734,987	872,463,162
Current portion of diminishing musharaka financing	4	3,540,847,137	3,696,264,542
Lease financing installments receivables		388,692	385,597
Diminishing musharaka financing installments receivables		1,159,742	155,806
Advances, deposits and prepayments		5,256,481	9,813,533
Other receivables		34,493,085	25,613,009
Income tax refundable	6	139,263,781	167,077,010
Cash and bank balances	7	246,497,835	216,102,298
		<b>4,914,641,740</b>	<b>4,987,874,957</b>
<b>TOTAL ASSETS</b>		<b>13,257,661,887</b>	<b>12,122,533,710</b>
<b>EQUITY AND LIABILITIES</b>			
<b>CAPITAL AND RESERVES</b>			
Authorized certificate capital 220,000,000 (June 30, 2021: 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		2,687,162,259	2,619,067,813
Certificate holders' equity		3,695,162,259	3,627,067,813
<b>SURPLUS ON REVALUATION OF INVESTMENTS</b>	5	286,160,869	201,278,830
<b>NON-CURRENT LIABILITIES</b>			
Security deposits against lease financing assets		118,699,452	130,913,803
Liability against right of use assets		11,058,892	10,133,260
		<b>129,758,344</b>	<b>141,047,063</b>
<b>CURRENT LIABILITIES</b>			
Certificates of investment (musharaka)		8,037,453,260	7,290,539,424
Security deposits - current portion		71,867,881	70,898,081
Current maturity of liability against right of use assets		13,313,584	13,562,585
Unearned lease financing and diminishing musharaka installments		19,492,930	17,850,254
Advance lease financing and diminishing musharaka installments		9,535,485	10,007,913
Trade and other payables		684,432,448	546,546,836
Profit payable on certificates of investment (musharaka)		114,523,054	107,487,595
Running Musharaka		149,977,685	49,999,000
Unclaimed profit distributions		45,984,088	46,248,316
		<b>9,146,580,415</b>	<b>8,153,140,004</b>
<b>TOTAL EQUITY AND LIABILITIES</b>		<b>13,257,661,887</b>	<b>12,122,533,710</b>
<b>CONTINGENCIES AND COMMITMENTS</b>	8		

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

CHIEF FINANCIAL OFFICER

CHIEF EXECUTIVE OFFICER

DIRECTOR

DIRECTOR

## CONDENSED INTERIM PROFIT AND LOSS ACCOUNT (UN -AUDITED)

FOR THE QUARTER ENDED SEPTEMBER 30, 2021

		Three months ended	
	Note	September 30, 2021	September 30, 2020
-----Rupees-----			
Income from lease financing		34,496,751	31,968,178
Income from diminishing musharaka financing		238,320,786	163,525,910
Provision in respect of diminishing musharaka		(7,817,882)	3,193,554
Administrative expenses		(40,521,893)	(36,769,151)
		224,477,762	161,918,491
Other income		23,287,335	21,483,859
		247,765,097	183,402,350
Financial charges		(137,432,549)	(90,562,865)
Modaraba Management Company's remuneration	9	(11,033,255)	(9,283,949)
Sales tax on Modaraba Management Company's remuneration	9	(1,434,323)	(1,206,913)
Provision for Sindh Workers' Welfare Fund	10	(1,957,299)	(1,646,972)
Profit before taxation		95,907,671	80,701,651
Taxation	11	(27,813,225)	-
Profit for the period		68,094,446	80,701,651
Earning per certificate - basic and diluted	12	0.34	0.40

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)**

CHEIF FINANCIAL OFFICER

CHIEF EXECUTIVE OFFICER

DIRECTOR

DIRECTOR

# CONDENSED INTERIM STATEMENT OF COMPREHENSIVE INCOME (UN-AUDITED)

FOR THE QUARTER ENDED SEPTEMBER 30, 2021

		Three months ended	
	Note	September 30, 2021	September 30, 2020
Rupees			
Profit for the period		68,094,446	80,701,651
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	5.2	84,882,039	33,674,036
Total comprehensive income for the period		152,976,485	114,375,687

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)**

CHEIF FINANCIAL OFFICER

CHIEF EXECUTIVE OFFICER

DIRECTOR

DIRECTOR

## CONDENSED INTERIM CASH FLOW STATEMENT (UN-AUDITED)

FOR THE QUARTER ENDED SEPTEMBER 30, 2021

	Note	September 30, 2021	September 30, 2020
		-----Rupees-----	
<b>CASH FLOW FROM OPERATING ACTIVITIES</b>			
Profit for the period		95,907,671	80,701,651
Adjustment for:			
Depreciation and amortization		123,066,608	184,563,188
Financial charges		136,066,894	90,416,155
Gain on transfer of lease financing assets - net		(5,970,394)	(3,305,007)
Gain on disposal of assets in own use - net		-	(479,532)
Provision in respect of diminishing musharaka		7,817,882	(3,193,554)
Owned assets written off		-	12
		260,980,990	268,001,262
<b>Changes in working capital</b>			
<b>Decrease / (increase) in current assets</b>			
Lease financing installments receivables		(3,095)	(2,157,400)
Diminishing musharaka financing installments receivables		(8,821,818)	461,294
Advances, deposits and prepayments		4,557,052	(653,106)
Other receivables		(5,093,985)	1,041,814
		(9,361,846)	(1,307,398)
<b>(Decrease) / increase in current liabilities</b>			
Unearned lease financing and diminishing musharaka installments		1,642,676	(3,237,316)
Advance lease financing and diminishing musharaka installments		(472,428)	(774,730)
Trade and other payables		137,885,612	1,880,747
		139,055,860	(2,131,299)
<b>Cash generated from operations</b>		486,582,675	345,264,216
Purchase of lease financing assets		(57,982,023)	(11,347,342)
Proceeds from transfer of lease financing assets		52,843,189	89,645,699
Diminishing musharaka financing - net		(1,164,167,320)	(262,554,882)
Long term advances, deposits and prepayments		(20,050)	-
Security deposits against lease financing assets		(11,244,551)	(47,100,713)
Financial charges paid		(128,211,251)	(142,118,928)
Tax paid		(3,786,091)	(463,832)
		(1,312,568,097)	(373,939,998)
<b>Net cash (outflow) / inflow from operating activities</b>		(825,985,422)	(28,675,782)
<b>CASH FLOW FROM INVESTING ACTIVITIES</b>			
Purchase of assets in own use		(713,995)	(1,315,589)
Payments of lease rentals		(143,553)	-
Purchase of investments		-	(150,000,000)
Proceeds from sale / maturity of investments		10,610,214	-
Proceeds from sale of assets in own use		-	1,346,193
<b>Net cash generated / (used) in investing activities</b>		9,752,666	(149,969,396)
<b>CASH FLOW FROM FINANCING ACTIVITIES</b>			
Dividends paid		(264,228)	(43,351)
Running musharaka obtained		99,978,685	
Certificates of investment (musharaka)		746,913,836	200,813,188
<b>Net cash inflow from financing activities</b>		846,628,293	200,769,837
<b>Net increase in cash and cash equivalents during the period</b>		30,395,537	22,124,659
<b>Cash and cash equivalents at the beginning of the period</b>		216,102,298	168,609,750
<b>Cash and cash equivalents at the end of the period</b>		246,497,835	190,734,409

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 FINANCIAL OFFICER

CHIEF EXECUTIVE OFFICER

DIRECTOR

DIRECTOR

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

FOR THE QUARTER ENDED SEPTEMBER 30, 2021

	Certificate capital	Capital reserves		Revenue reserves		Total equity
		Certificate premium	Statutory reserves*	General reserves	Unappropriated profit	
						(Rupees)
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	-	-	-	-	-	-
<b>Balance as at September 30, 2020</b>	<b>1,008,000,000</b>	<b>378,000,000</b>	<b>1,135,308,260</b>	<b>640,000,000</b>	<b>183,837,303</b>	<b>3,345,145,563</b>
Balance as at July 01, 2021	1,008,000,000	378,000,000	1,207,937,890	640,000,000	393,129,923	3,627,067,813
Profit distribution for the year ended						
June 30, 2021 @ Rs.1.40 per certificate	-	-	-	-	-	-
Total comprehensive income for the period	-	-	-	-	68,094,446	68,094,446
Surplus transferred to unappropriated profit during the period	-	-	-	-	-	-
<b>Balance as at September 30, 2021</b>	<b>1,008,000,000</b>	<b>378,000,000</b>	<b>1,207,937,890</b>	<b>640,000,000</b>	<b>461,224,369</b>	<b>3,695,162,259</b>

\* 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)

CHEIF FINANCIAL OFFICER

CHEIF EXECUTIVE OFFICER

DIRECTOR

DIRECTOR

# NOTES TO THE INTERIM FINANCIAL STATEMENTS

## FOR THE THREE MONTHS PERIOD ENDED SEPTEMBER 30, 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 condensed interim financial statements of the Modaraba for the three months period ended September 30, 2021 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", Companies Act 2017, 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).
- 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, 2021.
- 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, 2021.
- 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, 2021.
- 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, 2021.

	(Unaudited)	(Audited)
	September 30, 2021	June 30, 2021
	Rupees	
<b>4. DIMINISHING MUSHARAKA FINANCING - SECURED</b>		
Diminishing musharka financing	9,471,980,817	8,601,350,789
Less: Provision in respect of Diminishing Musharaka Financing	(158,856,324)	(151,038,442)
	<b>9,313,124,493</b>	8,450,312,347
Less: Current portion	(3,540,847,137)	(3,696,264,542)
	<b>5,772,277,356</b>	4,754,047,805
Add: Advance against diminishing musharaka financing	1,764,855,214	1,463,500,040
	<b>7,537,132,570</b>	6,217,547,845

## NOTES TO THE INTERIM FINANCIAL STATEMENTS

FOR THE THREE MONTHS PERIOD ENDED SEPTEMBER 30, 2021

		(Unaudited)	(Audited)
	Note	September 30, 2021	June 30, 2021
<b>5. INVESTMENTS</b>		<b>-----Rupees-----</b>	
At fair value through other comprehensive income			
Investment in shares		<b>403,175,928</b>	302,815,389
Investment in sukuk		<b>80,000,000</b>	80,000,000
		<b>483,175,928</b>	382,815,389
At amortised cost			
Investment in Term Deposit Musharakas (TDMs)	5.1	<b>463,559,059</b>	489,647,773
		<b>946,734,987</b>	872,463,162

**5.1** These carry profit at rates ranging from 5.50% to 6.75% (June 30, 2021: 5.50% to 6.75%) per annum, having latest maturity of November 2021.

		(Unaudited)	(Audited)
		September 30, 2021	June 30, 2021
<b>5.2 Surplus on revaluation of investments</b>		<b>-----Rupees-----</b>	
Market value of investments		<b>403,175,928</b>	302,815,389
Less: Cost of investments		<b>(117,015,059)</b>	(101,536,559)
		<b>286,160,869</b>	201,278,830
Surplus on revaluation at the beginning of the period / year		<b>201,278,830</b>	86,870,111
Surplus transferred to unappropriated profit during the period / year		<b>-</b>	-
Surplus / (deficit) on revaluation during the period / year		<b>84,882,039</b>	114,408,719
		<b>84,882,039</b>	114,408,719
		<b>286,160,869</b>	201,278,830

**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.

# NOTES TO THE INTERIM FINANCIAL STATEMENTS

## FOR THE THREE MONTHS PERIOD ENDED SEPTEMBER 30, 2021

	(Unaudited)	(Audited)
	September 30, 2021	June 30, 2021
	-----Rupees-----	
<b>7. CASH AND CASH EQUIVALENTS</b>		
Stamps in hand	107,000	152,200
<b>At banks</b>		
<b>Current accounts</b>		
State Bank of Pakistan	209,989	232,047
With other banks	50,088,739	8,115,580
<b>Profit bearing accounts</b>		
Modaraba deposit account with Habib Metropolitan Bank Limited (Islamic branch) - a related party	196,092,107	207,602,471
Modaraba deposit account with other financial institutions	-	-
	<b>196,092,107</b>	<b>207,602,471</b>
	<b>246,497,835</b>	<b>216,102,298</b>

### 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, 2021.

#### 8.2 Commitments

Commitments in respect of financing transactions amounted to Rs. 771 (June 30, 2021: Rs. 569) 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 September 30, 2021 has been recognized at 10% (September 30, 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% (June 30, 2021: 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, 2021.

### 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.

## NOTES TO THE INTERIM FINANCIAL STATEMENTS

### FOR THE THREE MONTHS PERIOD ENDED SEPTEMBER 30, 2021

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.

		(Unaudited)	
	Note	September 30, 2021	September 30, 2020
		Rupees	
<b>11. TAXATION</b>			
Provision for taxation	11.1	27,813,225	-

- 11.1** 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.

Accordingly, provision for Income Tax has been made in the quarterly accounts for the period ended July 1, 2021 to September 30, 2021."

### 12. EARNINGS PER CERTIFICATE - BASIC AND DILUTED

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

There is no dilutive effect on earnings per certificate which is based on:		(Unaudited)	
	Note	September 30, 2021	September 30, 2020
		Rupees	
Net profit for the period		68,094,446	80,701,651
Weighted average number of ordinary certificates		201,600,000	201,600,000
Basic earnings per certificate		0.34	0.40

### 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:

# NOTES TO THE INTERIM FINANCIAL STATEMENTS

FOR THE THREE MONTHS PERIOD ENDED SEPTEMBER 30, 2021

			(Unaudited)	(Audited)
			September 30, 2021	June 30, 2021
			Rupees	
<b>Balances held</b>				
<b>Related party</b>	<b>Related party relationship</b>	<b>Nature of balances</b>		
Habib Metropolitan Bank Limited	Holding Company	Bank Balances	243,974,125	215,230,643
		Investment in HMB	585,393	537,821
		Certificates of investment (musharaka)	2,925,000,000	2,225,000,000
		Profit receivable	2,207,708	2,834,905
		Financial Charges Payable	29,501,884	25,010,308
		Prepaid Utility charges	705,274	1,691,076
		Prepaid rent	242,986	344,556
		Security deposit	130,000	130,000
Habib Metropolitan Modaraba Management Company (Private)	Management Company	Management fee payable	52,809,960	41,776,705
		Sale tax on management fee payable	25,268,214	23,833,891
Staff Retirement Benefit Funds	Associate	Payable to staff Gratuity Fund	875,602	-

			(Unaudited)	
			September 30, 2021	September 30, 2020
			Rupees	
<b>Transactions during the period</b>				
<b>Related party</b>	<b>Related party relationship</b>	<b>Nature of transactions</b>		
Habib Metropolitan Bank Limited	Holding Company	Profit on bank accounts	9,991,829	1,488,861
		Bank charges	154,986	146,710
		Utility charges	607,779	922,844
		Rent expense	189,982	172,278
		Financial charges	42,063,100	14,853,424
Habib Metropolitan Modaraba Management Company (Private) Limited	Management Company	Management fee	11,033,255	9,283,949
		Sale tax on management fee	1,434,323	1,206,913
		Management fee paid	-	33,516,834
Staff Retirement Benefit Fund	Associate	Gratuity expense	825,000	750,000
		Contribution made	-	-
Provident Fund	Associate	Contribution made	875,602	773,273

## NOTES TO THE INTERIM FINANCIAL STATEMENTS

### FOR THE THREE MONTHS PERIOD ENDED SEPTEMBER 30, 2021

**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 September 30, 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 26 October 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)**

**CHEIF FINANCIAL OFFICER**

**CHIEF EXECUTIVE OFFICER**

**DIRECTOR**

**DIRECTOR**