

First Habib Modaraba

(An Islamic Financial Institution)

(Managed by: HabibMetro Modaraba Management)



Quarterly Accounts 2018

HABIBMETRO
Modaraba Management

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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
Mr. Tehsin Abbas	- Secretary

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

COMPANY SECRETARY

Muhammad Mustafa

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 First Habib Modaraba for the period ended September 30, 2018.

During the first quarter of current year our balance sheet size reached to 10.611 billion as compared 8.542 billion of same period of last year. During the quarter, we have made disbursement of Rs.1.281 billion which is slightly behind of our yearly target. Our profit for the quarter has also slightly reduced due to undelivered motor vehicles from local cars assemblers due to high booking of vehicles. However, it is expected that vehicle will be delivered within few months and our profitability will be better in coming months.

Currently, economy of Pakistan is passing through with difficult time due to unfavorable balance of payment position, widening current account deficit driven by robust imports and high oil prices. In FY18, the current account deficit was \$18bn which created a big gap in the country's balance of payment. However, as per recent statistics the current account deficit for Q1 of current year has slightly declined due to little improvement in home remittances and exports.

In recent Monetary Policy Statement (MPS) the State Bank of Pakistan (SBP) has further increased policy rate by 100 bps to 8.5%. This is second adjustment by SBP during the Q1 of current year. The recent trend of high inflations, current account and trade deficit, devaluation of Pak rupees continue to pose challenge to economy of Pakistan and will impact on businesses in current fiscal year. The impact of government policies to reduce the deficit is yet to appear in the balance sheet while higher oil prices in the international market will not allow the government to reduce import bill. The new government is desperately looking for borrowing options to meet the current account deficit. The recent Saudi package may provide breathing space to the government for dealing with economic challenges. It is expected that improved foreign exchange reserves would strengthen Pakistan's negotiating position in talks with the other foreign lending institution in coming months.

As we stated in our last annual report that we foresee that in current year the economy of Pakistan will remain under pressure due to various economic issues and challenges. Keeping in view of present economic condition, we move forward cautiously and expand our businesses in prudent manner. We are confident that new political set up will be able to enhance the business activities through business friendly policies and structural changes.

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 25, 2018

Syed Rasheed Akhtar
Director

Muhammad Shoaib Ibrahim
Chief Executive Officer

ڈائریکٹرز کی رپورٹ

یہ ہمارے لئے بہت خوشی کا باعث ہے کہ ہم بورڈ آف ڈائریکٹرز کی جانب سے فرسٹ حبیب مضاربہ کے ۳۰ ستمبر ۲۰۱۸ کو ختم ہونے والی مدت کی غیر مختص شدہ کھاتے پیش کریں۔

اس سال کی پہلی سہ ماہی میں ہماری بیلنس شیٹ کا حجم ۱۰.۶۱۱ بلین تک پہنچ گیا ہے جو کہ پچھلے سال اسی مدت میں ۸.۵۴۲ بلین تھا۔ اس سہ ماہی میں ہم نے ادائیگیوں کی صورت میں ۱.۲۸۱ بلین روپے ادا کئے جو کہ ہمارے سالانہ ٹارگٹ سے ذرا سا پیچھے ہے۔ ہمارا اس سہ ماہی کا منافع بھی تھوڑا سا کم رہا جس کی وجہ لوکل کار اسمبلرز کی موٹروہیکلز کی بہت زیادہ بکنگ تھی جو وہ ڈیلور نہ کر سکے۔ مگر یہ اُمید ہے کہ یہ گاڑیاں چند ماہ میں ڈیلور کر دی جائیں گی اور ہمارے منافع کی شرح میں آئندہ آنے والے مہینوں میں اضافہ ہو گا۔

اس وقت پاکستانی معیشت ادائیگیوں کی غیر متوازن ہونے، دلا میں اضافہ اور تیل کی بڑھتی ہوئی قیمتوں کی بدولت کرنٹ اکاؤنٹ میں خسارہ کی وجہ سے بہت ہی مشکل وقت سے گزر رہی ہے۔ مالی سال ۲۰۱۸ میں کرنٹ اکاؤنٹ کا خسارہ ۱۸ بلین ڈالر تک پہنچ گیا جس کی وجہ سے ملکی ادائیگیوں میں ایک بہت بڑی خلیج پڑ گئی۔ تاہم، حالیہ اعداد و شمار کے مطابق، زر مبادلہ کی پینکوں کے ذریعے منتقلی اور برآمدات میں تھوڑی بہتری کی وجہ سے Q1 میں کرنٹ اکاؤنٹ کے خسارے میں تھوڑی سی کمی ہے۔

حالیہ مائٹری پالیسی اسٹیٹمنٹ (MPS) میں اسٹیٹ بینک آف پاکستان (SBP) نے پالیسی ریٹ ۱۰۰ bps سے مزید بڑھاتے ہوئے ۸.۵٪ کر دیا ہے۔ یہ اسٹیٹ بینک آف پاکستان (SBP) کی طرف سے Q1 کے دوران یہ میں اس سال کی دوسری ایڈجسٹمنٹ ہے۔ حالیہ رجحان کہ جس میں بڑھتی مہنگائی، کرنٹ اکاؤنٹ اور تجارت کا خسارہ، پاکستانی روپے کی گرتی قدر اس مالی سال میں پاکستانی معیشت اور کاروبار کو اثر انداز ہو گی۔ خسارے کو کم کرنے کے لئے حکومت کی پالیسیوں کے اثرات موجودہ پالیسیوں سے ملینڈ س شیٹ میں ابھی تک موجود نہیں ہیں جبکہ بین الاقوامی مارکیٹ میں تیل کی بڑھتی قیمتیں حکومت کی دلا مدی بل کو کم کرنے کی اجازت نہیں دے گی۔ نئی حکومت موجودہ کرنٹ اکاؤنٹ کے خسارے کو پورا کرنے کے لئے قرضے لینے کے ہر ممکن ذریعہ تلاش کر رہی ہے۔ حالیہ سعودی پیکیج اس حکومت کیلئے ایک ٹھنڈی ہوا کا جھونکا ہے جس سے وہ اس معاشی چیلنجز سے کچھ نبرد آزما ہو سکے۔ اس سے یہ اُمید ہے کہ یہ پاکستان کے فارن ایکسچین ریزروز کو مضبوط کرتے ہوئے آنے والے مہینوں میں قرض دینے والے اداروں کے سامنے پاکستان کی حیثیت کو مضبوط کریگا۔

جیسا کہ ہم نے اپنی سالانہ رپورٹ میں کہا تھا کہ ہم یہ دیکھتے ہیں کہ موجودہ سال میں پاکستان کی معیشت مختلف اقتصادی مسائل اور چیلنجوں کے باعث دباؤ میں رہے گی۔ موجودہ معاشی صورتحال کو مد نظر رکھتے ہوئے ہمیں بڑے محتاط طریقے سے آگے بڑھتے ہوئے اپنے کاروبار کو بڑھانا ہوگا۔ ہمیں اعتماد ہیکہ نئے سیاسی منظر نامے اور ان کی کاروبار دوستانہ پالیسیوں سے کاروباری سرگرمیوں میں اضافہ ہوگا۔

ہم بہت ہی مشکور ہیں اپنے قابل قدر کسٹمرز کا رجسٹرڈ مضاربہ، سیکورٹیز اینڈ ایکسچینج کمیشن آف پاکستان کے انہوں نے ہمیں تحفظ دیا، اپنے ملازمین کی مسلسل انتھک محنت کا، اپنے سرٹیفیڈ غیر کمیٹ ہولڈرز کا کہ انہوں نے ہم پر بھروسہ کیا اور ریگولیٹری باڈیز کا جنہوں نے ہماری مسلسل رہنمائی کی۔

بورڈ آف ڈائریکٹرز کیلئے اور ان کی جانب سے

سید رشید اختر
ڈائریکٹر

محمد شعیب ابراہیم
چیف ایگزیکٹو آفیسر

کراچی: ۲۵ اکتوبر ۲۰۱۸

CONDENSED INTERIM BALANCE SHEET

AS AT SEPTEMBER 30, 2018

	Note	(Unaudited)	(Audited)
		September 30, 2018	June 30, 2018
-----Rupees-----			
ASSETS			
NON-CURRENT ASSETS			
Lease financing assets		2,939,928,907	2,902,828,561
Fixed assets in own use	4	33,549,551	30,137,307
Intangible assets		274,939	307,451
Long term advances and deposits		781,632	1,215,850
Diminishing musharaka financing		3,311,077,458	3,349,956,311
		6,285,612,487	6,284,445,480
CURRENT ASSETS			
Investments		1,345,103,213	1,258,858,121
Current portion of diminishing musharaka financing		2,633,914,837	2,245,975,863
Lease financing installments receivables		12,546,226	2,139,247
Diminishing musharaka financing installments receivables		9,998,307	3,834,285
Advances and prepayments		15,743,562	4,595,951
Other receivables		49,317,378	44,856,094
Income tax refundable	5	113,683,111	113,683,111
Cash and bank balances		144,887,696	320,868,504
		4,325,194,329	3,994,811,176
TOTAL ASSETS		10,610,806,816	10,279,256,656
EQUITY AND LIABILITIES			
CAPITAL AND RESERVES			
Authorized certificate capital 220,000,000 (June 30, 2018: 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		2,248,443,140	2,434,258,336
		3,256,443,140	3,442,258,336
SURPLUS ON REVALUATION OF INVESTMENTS		131,945,193	117,877,892
NON-CURRENT LIABILITIES			
Security deposits against lease financing assets		341,967,170	416,028,462
CURRENT LIABILITIES			
Certificates of investment (musharaka)		5,859,853,948	5,593,061,023
Security deposits - current portion		123,239,568	60,141,012
Unearned lease financing and diminishing musharaka financing installments		66,658,452	63,489,472
Advance lease financing and diminishing musharaka financing installments		27,627,214	26,163,905
Trade and other payables		412,899,380	426,956,952
Profit payable on certificate of investment (musharaka)		78,881,563	74,332,870
Advance against murabaha		25,000,000	25,000,000
Profit payable on murabaha financing		469,357	9,986
Dividend payable		252,000,000	-
Unclaimed profit distributions		33,821,832	33,936,746
		6,880,451,313	6,303,091,966
TOTAL EQUITY AND LIABILITIES		10,610,806,816	10,279,256,656
CONTINGENCIES AND COMMITMENTS	6		

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 PERIOD ENDED SEPTEMBER 30, 2018

	Note	September 30, 2018	September 30, 2017
		Rupees	
Income from lease financing		44,466,506	51,802,027
Income from diminishing musharaka financing		124,039,321	91,123,583
Administrative expenses		(29,258,269)	(26,212,641)
		139,247,558	116,712,969
Other income		28,460,411	25,461,406
		167,707,969	142,174,375
Financial charges		(91,568,721)	(57,779,614)
Modaraba Management Company's remuneration	7	(7,613,925)	(8,439,476)
Sales tax on Modaraba Management Company's remuneration	7	(989,810)	(1,097,132)
Provision for Sindh Workers' Welfare Fund		(1,350,710)	(1,497,163)
Profit before taxation		66,184,804	73,360,990
Taxation	8	-	-
Profit for the period		66,184,804	73,360,990
Earning per certificate - basic and diluted	9	0.33	0.36

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 PERIOD ENDED SEPTEMBER 30, 2018

Note	September 30, 2018	September 30, 2017
	Rupees	
Profit for the period	66,184,804	73,360,990
Components of other comprehensive income reflected in equity		
Items that will not be reclassified subsequently to profit and loss account		
Actuarial gain /(loss) on defined benefit plan	-	-
Total comprehensive income for the period transferred to equity	66,184,804	73,360,990
Components of other comprehensive income reflected below equity		
Items that will be reclassified subsequently to profit and loss account		
Surplus on revaluation of investments classified as 'available for sale' - net	14,067,301	(11,401,114)
Total comprehensive income for the period	80,252,105	61,959,876

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 PERIOD ENDED SEPTEMBER 30, 2018

	Note	September 30, 2018	September 30, 2017
-----Rupees-----			
CASH FLOW FROM OPERATING ACTIVITIES			
Profit for the period		66,184,804	73,360,990
Adjustment for:			
Depreciation and amortization		267,390,418	247,901,715
Amortization of premium on sukuk bonds		1,335,480	1,335,480
Financial charges		91,449,465	57,779,614
Gain on sale of investment in listed equity securities		(4,024,133)	(41,236)
Gain on transfer of lease financing assets		(2,873,670)	(4,019,654)
Gain on sale of fixed assets in own use		(272,150)	(5,998)
Provision for gratuity		519,000	495,000
Dividend income		-	(4,350,000)
		353,524,410	299,094,921
Changes in working capital			
(Increase) / decrease in current assets			
Lease financing installments receivables		(10,406,979)	(4,843,857)
Diminishing musharaka financing installments receivables		(6,164,422)	(1,285,015)
Advances and prepayments		(11,147,611)	(5,087,170)
Other receivables		(4,168,999)	(13,412,360)
		(31,887,611)	(24,628,402)
Increase / (decrease) in current liabilities			
Unearned lease financing and diminishing musharaka financing installments		3,168,980	1,298,796
Advance lease financing and diminishing musharaka financing installments		1,463,309	(647,981)
Trade and other payables		(13,657,830)	55,684,889
		(9,025,541)	56,335,704
		378,796,062	404,163,213
Cash generated from operations			
Purchase of lease financing assets		(316,761,336)	(305,265,336)
Proceeds from transfer of lease financing assets		17,308,985	47,262,280
Diminishing musharaka financing - net		(349,060,121)	(221,175,793)
Long term advances and deposits		434,218	718,050
Security deposits against lease financing assets		(10,962,736)	18,022,840
Financial charges paid		(86,441,401)	(57,200,722)
Tax paid		(292,285)	(450,415)
		(745,774,676)	(518,089,096)
		(366,978,614)	(113,925,883)
Net cash used in operating activities			
CASH FLOW FROM INVESTING ACTIVITIES			
Purchase of fixed assets in own use		(7,669,735)	(120,430)
Purchase of investments		(75,000,000)	(33,522,533)
Proceeds from sale of investments		5,510,862	6,992,840
Proceeds from sale of fixed assets in own use		1,478,668	580,628
Dividend received		-	4,350,000
		(75,680,205)	(21,719,495)
Net cash used in investing activities			
CASH FLOW FROM FINANCING ACTIVITIES			
Dividend paid		(114,914)	-
Profit paid on murabaha financing		-	(4,039,549)
Payment on maturity of murabaha financing		-	(123,860,502)
Certificate of investment (musharaka)		266,792,925	165,527,607
Net cash generated from financing activities		266,678,011	37,627,556
Net decrease in cash and cash equivalents during the period		(175,980,808)	(98,017,822)
Cash and cash equivalents at the beginning of the period		320,868,504	192,259,670
Cash and cash equivalents at the end of the period		144,887,696	94,241,848

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 PERIOD ENDED SEPTEMBER 30, 2018

	Capital reserves			Revenue reserves		Total equity
	Certificate Capital	Certificate premium	Statutory reserves	General reserves	Unappropriated profit	
	(Rupees)					
Balance as at July 01, 2017	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	-	-	-	-	73,360,990	73,360,990
Balance as at September 30, 2017	<u>1,008,000,000</u>	<u>378,000,000</u>	<u>1,089,011,820</u>	<u>640,000,000</u>	<u>111,016,705</u>	<u>3,226,028,525</u>
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	-	-	-	-	66,184,804	66,184,804
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>126,953,292</u>	<u>3,256,443,140</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

NOTES TO THE CONDENSED INTERIM FINANCIAL STATEMENTS (UNAUDITED) FOR THE PERIOD ENDED SEPTEMBER 30, 2018

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, 2018 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, 2018.

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, 2018.

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, 2018.

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, 2018.

4 FIXED ASSETS IN OWN USE

This includes capital work in progress amounting to Rs. 0.434 (June 30, 2018: Rs.1.228) 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, 2018

6 CONTINGENCIES AND COMMITMENTS

There are no contingencies to report as at September 30, 2018, whereas commitments in respect of lease financing transactions amounting to Rs. 466 (June 30, 2018: Rs.279) 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, 2018 has been recognized at 10% (September 30, 2017: 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 Fund for the year ended June 30, 2018.

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.

	(Unaudited)	
	September 30, 2018	September 30, 2017
	Rupees	
9 EARNINGS PER CERTIFICATE - BASIC AND DILUTED		
There is no dilutive effect on earnings per certificate which is based on:		
Net profit for the period	66,184,804	73,360,990
Weighted average number of ordinary certificates	201,600,000	201,600,000
Basic earnings per certificate	0.33	0.36

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, Habib Management (Private) Limited, Digital Payment Solutions 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:

NOTES TO THE CONDENSED INTERIM FINANCIAL STATEMENTS (UNAUDITED)
FOR THE PERIOD ENDED SEPTEMBER 30, 2018

			(Unaudited)	(Audited)
			September 30, 2018	June 30, 2018
			Rupees	
Balances held				
Related party	Related party relationship	Nature of balances		
Habib Metropolitan Bank Limited	Holding Company of the Management Company	Bank Balances	143,717,510	299,220,335
		Certificates of investment (musharaka)	4,000,000,000	3,500,000,000
		Profit receivable	774,458	1,059,699
		Financial charges payable	43,267,123	33,930,822
		Utility charges payable	448,000	448,000
		Prepaid utility charges	723,600	1,447,200
		Prepaid rent	156,618	313,236
		Security deposit	130,000	130,000
		Lease financing assets*	18,560,621	22,713,700
Habib Bank AG Zurich	Ultimate Parent	Lease financing assets*	1,284,368	1,481,612
		Lease financing installment receivable*	75,025	-
Habib Metropolitan Modaraba management Company (Private) Limited	Management Company	Management fee payable	7,613,925	33,331,460
		Sale tax on management fee payable	9,875,683	8,885,873
		Dividend payable	25,200,000	-
Habib Metropolitan Financial Services Limited	Associate	Lease financing assets*	19,770	19,770
		Receivable against shares	5,510,862	11,716,341
Habib Management (Private) Limited	Associate	Sales tax on management fee payable	38,653,418	38,653,418
		Dividend payable	131,307,715	-
Provident Fund	Associate	Certificates of investment (musharaka)	23,544,482	25,422,654
		Dividend payable	1,387,500	-

			(Unaudited)	(Unaudited)
			September 30, 2018	September 30, 2017
			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	1,464,559	1,725,078
		Bank charges	118,578	65,022
		Utility charges	880,218	818,271
		Financial charges	49,445,209	33,263,358
		Income from Lease financing assets*	6,822,564	11,019,092
Habib Bank AG Zurich	Ultimate Parent	Income from Lease financing assets*	360,624	588,168
Habib Metropolitan Modaraba Management Company (Private) Limited	Management Company	Management fee	7,613,925	8,439,476
		Sales tax on management fee	989,810	1,097,132
		Management fee paid	33,311,460	-
Habib Metropolitan Financial Services Limited	Associate	Brokerage commission	4,445	7,000
		Purchase of securities	-	29,022,533
		Proceeds against sale of securities	11,716,341	6,992,840
		Income from Lease financing assets*	-	250,683
Provident Fund	Associate	Contribution made	624,451	1,248,902

- 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, 2018, 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 25, 2018 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

DIRECTOR

DIRECTOR

CHIEF FINANCIAL OFFICER

