

First Habib Modaraba

(An Islamic Financial Institution)



Quarterly Accounts

For the Nine months Ended

March 31, 2022

(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. Intisar M. Usamani	- 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
Email : 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 quarter ended 31st March, 2022.

Alhamdulillah, business performance of 3rd quarter remained more than satisfactory. Total disbursement of Rs.2,974 million was made during the quarter as compared to Rs.2,686 million of previous quarter. Total disbursement of up to 3rd quarter of current financial year reached to Rs.8,040 million as compared to Rs.4,606 million of corresponding period of last year which almost twice of last year. Due to high volume of disbursement, our balance sheet size touched to Rs.16.043 billion as compared to Rs.11.013 billion of same periods of last year reflecting growth of around 46%. With the blessing of Allah (SWT) and hard and dedicated efforts of our entire team members, so far overall performance in terms of disbursement, financing assets and balance sheet size remained excellent and surpass our budgeted target of the current financial year.

Presently we are operating in the last quarter of the current financial year and we are expecting that Insha'Allah, we will be ended up with good performance of FY22. On the economic front, currently, our country is passing through with difficult and challenging time. The recent political issues due to change of government through the move of no confidence resolution again raised political instability within the country. Now new government has taken over charge and it is expected that country will come out from political uncertainties. Presently, economy is passing through with several challenges i.e., high inflation, rising trade deficit & current account deficit and continuous weakening of Pak rupees.

According to recent report of Asian Development Bank, the economy of Pakistan will slow down to 4% of GDP in the current financial year as compared to 5.6% in FY21. The report stated that industrial growth will be diluted due to fiscal and monetary tightening, depreciation of the local currency resulting in costlier imports of raw material and subsequent upward adjustments to domestic oil and electricity prices.

In an emergent meeting of the Monetary Policy Committee on 7th April, 2022, the State Bank of Pakistan raised the discount rate by 250 basis points from 9.75% to 12.25%. The decision of high increase in policy rate was taken due to worsening situation of inflation keeping in view of significant uncertainty in international commodity prices due to Russian-Ukraine conflict, widening trade deficit and depleting foreign exchange reserves. The huge increase in discount rate will accelerate hardships of businesses which are already struggling with other issues of high import cost and utilities prices. Due to the high growth of GDP of last year stimulates package of SBP, the banking credit has increased manifold. However, the huge rise in lending rates within last 6 to 8 months will impact the repayment ability of borrowers.

The revivals of IMF program will also a key challenge for new government. The talk with IMF was deferred due to political instability in the country. The other key issues for new government would be to establish a sound relation with some key countries for supporting of foreign flows within country and rollover of maturing foreign currency loans on better terms. Meanwhile, adjustment in gas and electricity tariffs will also be a key initiative the new government will have to take.

Keeping in view of present circumstances and domestics challenges including external threats of commodity prices will lead towards slower growth. As usual we shall move forward cautiously and in a very prudent manner in order to achieve our targeted growth and better performance in FY22. In the month of March, 2022, the Board of Directors, in principle proposed the merger of Habib Metro Modaraba with First Habib Modaraba subject to approval from SECP and other relevant authorities. The Board view that the said merger will support for cost saving, improve economies of scale and bring competitive edge in auto financing market. The initial work for propose merger has been initiated and expected that it will take 5 to 6 months to complete the merger process.

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: 21 April, 2022

ڈائریکٹر رپورٹ

یہ میرے لئے باعثِ مسرت ہیکہ میں بورڈ آف ڈائریکٹرز کی جانب سے ۳۱ مارچ، ۲۰۲۲ کو ختم ہونے والی سہ ماہی کے مدتِ اختتام پر فرسٹ حبیب مضاربہ کے غیر محتسب شدہ کھاتے پیش کروں۔

الحمد للہ، تیسری سہ ماہی میں کاروباری کارکردگی اطمینان بخش رہی۔ گزشتہ سال کی پچھلی سہ ماہی کے ۶۸۶،۲ ملین روپے کے مقابلے میں اس مدت کے دوران ۹۷۴،۲ ملین روپے کی کل ادائیگیاں کی گئی جس میں تقریباً ۲۹۹ فیصد اضافہ ہوا۔ رواں مالی سال کی تیسری سہ ماہی تک کی کل ادائیگیاں گزشتہ سال کی اسی مدت کے ۶۰۶،۲ ملین روپے کے مقابلے میں ۸۰۴،۰ ملین روپے تک پہنچ گئی جو گزشتہ سال کے تقریباً دو گنا ہے۔ ادائیگیوں کے زیادہ حجم کی وجہ سے، ہماری بیلنس شیٹ کا حجم ۱۶،۰۴۳ ملین روپے تک پہنچ گیا جو کہ پچھلے سال کے اسی عرصے میں ۱۱،۰۱۳ ملین روپے کے مقابلے میں تقریباً ۴۶ فیصد کی نمو کو ظاہر کرتا ہے۔ اللہ (سبحان تعالیٰ) کی برکت اور ہماری پوری ٹیم کے اراکین کی سخت اور سرشار کوششوں سے، اب تک ادائیگی، مالیاتی اثاثوں اور بیلنس شیٹ کے سائز کے لحاظ سے مجموعی کارکردگی بہترین رہی اور رواں مالی سال کے لیے ہمارے بجٹ کے ہدف سے آگے نکل گئی۔

اس وقت ہم رواں مالی سال کی آخری سہ ماہی میں کام کر رہے ہیں اور ہم امید کر رہے ہیں کہ انشاء اللہ مالی سال ۲۲ میں اچھی کارکردگی کے ساتھ اختتام پذیر ہو گا۔ معاشی محاذ پر، ابھی ہمارا ملک ایک مشکل اور کھٹن وقت سے گزر رہا ہے۔ عدم اعتماد کی قرارداد کے ذریعے حکومت کی تبدیلی کی وجہ سے حالیہ سیاسی مسائل نے ملک کے اندر ایک بار پھر سیاسی عدم استحکام کو جنم دیا۔ اب نئی حکومت نے چارج سنبھال لیا ہے اور توقع ہے کہ ملک سیاسی غیر یقینی صورتحال سے نکل آئے گا۔ اس وقت معیشت کئی چیلنجز سے گزر رہی ہے، یعنی بلند افراط زر، بڑھتا ہوا تجارتی خسارہ اور کرنٹ اکاؤنٹ خسارہ اور پاکستانی روپے کا مسلسل کمزور ہونا۔

ایشیائی ترقیاتی بینک کی حالیہ رپورٹ کے مطابق، پاکستان کی معیشت رواں مالی سال میں جی ڈی پی کے ۴ فیصد تک سست ہو جائے گی جبکہ مالی سال ۲۱ میں یہ ۵۶ فیصد تھی۔ رپورٹ میں کہا گیا ہے کہ مالیاتی اور مالیاتی سختی، مقامی کرنسی کی قدر میں کمی کے نتیجے میں خام مال کی مہنگی، درآمدات اور اس کے نتیجے میں گھریلو تیل اور بجلی کی قیمتوں میں اضافے کی وجہ سے صنعتی ترقی کمزور ہو جائے گی۔

۷ اپریل ۲۰۲۲ کو مانیٹری پالیسی کمیٹی کے ایک ہنگامی اجلاس میں اسٹیٹ بینک آف پاکستان نے ڈسکاونٹ ریٹ کو ۲۵۰ بیس پوائنٹس سے بڑھا کر ۹۷۵ فیصد سے بڑھا کر ۱۲۲۵ فیصد کر دیا۔ پالیسی ریٹ میں اضافے کا فیصلہ روس یوکرین تنازعہ کے باعث بین الاقوامی اجناس کی قیمتوں میں نمایاں اضافہ، غیر یقینی صورتحال، تجارتی خسارے میں اضافہ اور زر مبادلہ کے ذخائر میں کمی کے باعث افراط زر کی بگڑتی ہوئی صورتحال کے پیش نظر کیا گیا۔ ڈسکاونٹ ریٹ میں زبردست اضافہ ان کاروباروں کی مشکلات کو تیز کرے گا جو پہلے ہی اعلیٰ مدی لاگت اور یوٹیلیٹی کی قیمتوں کے دیگر مسائل سے نبرد آزما ہیں۔ گزشتہ سال کی جی ڈی پی کی بلند شرح نمو اور اسٹیٹ بینک کے مختلف حوصلہ افزا پیکیجز کی وجہ سے، بینکنگ کرڈٹ کئی گنا بڑھ گیا ہے۔ تاہم، گزشتہ ۶ سے ۸ مہینوں کے اندر قرضے کی شرح میں زبردست اضافہ قرض لینے والوں کی واپسی کی صلاحیت کو متاثر کرے گا۔

آئی ایم ایف پروگرام کی بحالی بھی نئی حکومت کے لیے ایک اہم چیلنج ہو گا۔ ملک میں سیاسی عدم استحکام کے باعث آئی ایم ایف سے بات چیت ملتوی ہوئی۔ نئی حکومت کے لیے دیگر اہم مسائل ملک کے اندر غیر ملکی بہاؤ کی حمایت اور بہتر شرائط پر غیر ملکی کرنسی کے قرضوں کو پختہ کرنے کے لیے کچھ اہم ممالک کے ساتھ مضبوط تعلقات قائم کرنا ہوں گے۔ دریں اثنا، گیس اور بجلی کے نرخوں میں ایڈجسٹمنٹ بھی ایک اہم اقدام ہو گا جو نئی حکومت کو اٹھانا پڑے گا۔

موجودہ حالات اور ڈیویڈنڈ چیلنجز بشمول اجناس کی بڑھتی قیمتوں کے بیرونی خطرات کو مد نظر رکھتے ہوئے ترقی کی طرف سست روی سے لے کر جائے گا۔ ہمیشہ کی طرح، ہم محتاط انداز میں اور انتہائی ہوشیاری سے آگے بڑھیں گے تاکہ مالی سال ۲۰۲۲ کے مطلوبہ نتائج اور بڑھوتری بہتر پرفارمنس سے حاصل کر سکیں۔ مارچ ۲۰۲۲ کے مہینے میں، بورڈ آف ڈائریکٹرز نے اصولی طور پر حبیب میٹرو مضاربہ (ایچ ایم ایم) کے فرسٹ حبیب مضاربہ (ایف ایچ ایم) کے ساتھ انضمام کی تجویز پیش کی جس کی منظوری ایس ای سی پی اور دیگر متعلقہ حکام سے مشروط ہے۔ بورڈ کی سوچ ہے کہ اس انضمام سے لاگت کی بچت، بڑے پیمانے پر معیشت کو بہتر بنانے، آؤٹانسنگ مارکیٹ میں مسابقتی برتری اور منافع کی شکل میں بہتر واپسی کے لیے بھی معاونت کرے گا۔ انضمام کی تجویز کے لیے ابتدائی کام شروع کر دیا گیا ہے اور توقع ہے کہ انضمام کے عمل کو مکمل کرنے میں ۵ سے ۶ ماہ لگیں گے۔

آخر میں ہم سیوریٹیز اینڈ ایکسچینج کمیشن آف پاکستان اور رجسٹرڈ 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 بہتر 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 اُن کی جانب سے

سید رشید اختر
ڈائریکٹر

محمد شعیب ابراہیم
چیف ایگزیکٹو آفیسر

کراچی: ۲۱ اپریل ۲۰۲۲

CONDENSED INTERIM BALANCE SHEET

AS AT MARCH 31, 2022

	Note	(Unaudited) March 31, 2022	(Audited) June 30, 2021
ASSETS			
NON-CURRENT ASSETS			
Lease financing assets	4	351,493,090	861,522,931
Assets in own use	5	54,106,474	54,298,927
Intangible assets		298,434	141,250
Diminishing musharaka financing	6	9,318,741,594	6,217,547,845
Long term prepayments and deposits		1,147,800	1,147,800
Deferred tax Asset - net	14	886,644	-
		9,726,674,036	7,134,658,753
CURRENT ASSETS			
Investments	7	979,733,613	872,463,162
Current portion of diminishing musharaka financing	6	5,059,684,767	3,696,264,542
Lease financing installments receivables		-	385,597
Diminishing musharaka financing installments receivables		10,145,498	155,806
Advances, deposits and prepayments		8,084,535	9,813,533
Other receivables		35,994,723	25,613,009
Income tax refundable	8	118,005,085	167,077,010
Cash and bank balances		114,839,268	216,102,298
		6,326,487,489	4,987,874,957
TOTAL ASSETS		16,053,161,525	12,122,533,710
EQUITY AND LIABILITIES			
CAPITAL AND RESERVES			
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		2,603,156,489	2,619,067,813
Certificate holders' equity		3,611,156,489	3,627,067,813
SURPLUS ON REVALUATION OF INVESTMENTS		258,587,789	201,278,830
NON-CURRENT LIABILITIES			
Security deposits against lease financing assets	11	72,670,893	130,913,803
Liability against right of use assets	15	9,740,998	10,133,260
		82,411,891	141,047,063
CURRENT LIABILITIES			
Certificates of investment (musharaka)	10	10,322,591,884	7,290,539,424
Security deposits - current portion		32,277,495	70,898,081
Current maturity of liability against right of use assets	11	14,975,993	13,562,585
Unearned lease financing and diminishing musharaka installments		48,587,457	17,850,254
Advance lease financing and diminishing musharaka installments		10,335,357	10,007,913
Trade and other payables		702,174,220	546,546,836
Profit payable on certificates of investment (musharaka)		182,071,521	107,487,595
Running musharaka		738,812,149	49,999,000
Unclaimed profit distributions		49,179,280	46,248,316
		12,101,005,356	8,153,140,003
TOTAL EQUITY AND LIABILITIES		16,053,161,525	12,122,533,709

CONTINGENCIES AND COMMITMENTS

12

The annexed notes from 1 to 19 form an integral part of these interim financial statements.

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

CHIEF FINANCIAL OFFICER

CHIEF EXECUTIVE OFFICER

DIRECTOR

DIRECTOR

CONDENSED INTERIM PROFIT AND LOSS ACCOUNT

FOR THE QUARTER ENDED MARCH 31, 2022

	Note	Nine months ended		Quarter ended	
		March 31, 2022	March 31, 2021	March 31, 2022	March 31, 2021
		Rupees		Rupees	
Income from lease financing		111,995,409	66,198,893	28,138,931	19,712,923
Income from diminishing musharaka financing		897,842,139	572,769,886	391,877,342	195,176,686
Provision in respect of diminishing musharaka		(42,119,937)	(11,295,323)	(20,229,825)	8,549,987
Administrative expenses		(123,655,207)	(113,380,766)	(41,560,109)	(36,395,731)
		844,062,404	514,292,690	358,226,339	187,043,865
Other income		76,982,939	78,367,271	26,081,088	22,243,325
		921,045,343	592,659,961	384,307,427	209,287,190
Financial charges		(568,548,862)	(297,463,663)	(258,381,638)	(103,528,477)
Modaraba Management Company's remuneration	13	(35,249,648)	(29,519,630)	(12,592,579)	(10,575,871)
Sales tax on Modaraba Management Company's remuneration	13	(4,582,454)	(3,837,552)	(1,637,035)	(1,374,863)
Provision for Sindh Workers' Welfare Fund		(6,253,289)	(5,422,726)	(2,233,925)	(1,876,159)
Profit before taxation		306,411,090	256,416,390	109,462,250	91,931,820
Taxation	14	(40,082,414)	-	(22,351,674)	-
Profit for the period		266,328,676	256,416,390	87,110,576	91,931,820
Earning per certificate - basic and diluted	15	1.32	1.27	0.43	0.46

The annexed notes from 1 to 19 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

CONDENSED INTERIM STATEMENT OF COMPREHENSIVE INCOME

FOR THE QUARTER ENDED MARCH 31, 2022

		Nine months ended		Quarter ended	
	Note	March 31, 2022	March 31, 2021	March 31, 2022	March 31, 2021
		Rupees		Rupees	
Profit for the period		266,328,676	256,416,390	87,110,576	91,931,820
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		57,308,955	106,041,417	(27,573,084)	(77,350,911)
Total comprehensive income for the period		323,637,631	362,457,807	59,537,492	14,580,909

The annexed notes from 1 to 19 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

CONDENSED INTERIM CASH FLOW STATEMENT (UN-AUDITED)

FOR THE QUARTER ENDED MARCH 31, 2022

	Note	March 31, 2022	March 31, 2021
		Rupees	
CASH FLOW FROM OPERATING ACTIVITIES			
Profit for the period		306,411,090	256,602,334
Adjustment for:			
Depreciation and amortization		264,828,059	564,507,214
Financial charges		537,344,472	296,992,825
Gain on transfer of lease financing assets - net		(11,601,819)	(20,146,960)
Gain on disposal of assets in own use - net		(165,569)	(1,043,341)
Provision in respect of diminishing musharaka		42,119,937	11,295,323
Dividend income		(15,961,688)	(14,388,856)
		816,563,392	837,216,205
Changes in working capital			
Decrease / (increase) in current assets			
Lease financing installments receivables		385,597	720,912
Diminishing musharaka financing installments receivables		(52,109,629)	(8,928,129)
Advances, deposits and prepayments		1,728,998	(3,428,198)
Income tax refundable		-	(13,365,519)
Other receivables		(6,735,602)	14,913,893
		(56,730,636)	(10,087,041)
(Decrease) / increase in current liabilities			
Unearned lease financing and diminishing musharaka installments		30,737,203	3,837,566
Advance lease financing and diminishing musharaka installments		327,444	(3,859,599)
Trade and other payables		155,627,384	106,701,875
		186,692,031	106,679,842
Cash generated from operations		1,252,935,877	1,190,411,340
Purchase of lease financing assets		(57,982,023)	-
Proceeds from transfer of lease financing assets		328,869,803	156,396,432
Diminishing musharaka financing - net		(4,464,613,974)	(1,950,736,682)
Long term advances, deposits and prepayments		-	51,000
Security deposits against lease financing assets		(96,863,496)	(110,199,785)
Financial charges paid		(460,290,711)	(348,407,148)
Tax paid		(15,250,317)	(1,338,747)
		(4,766,130,718)	(2,254,234,930)
Net cash used in operating activities		(3,513,194,841)	(1,063,823,590)
CASH FLOW FROM INVESTING ACTIVITIES			
Purchase of assets in own use		(13,870,173)	(5,647,473)
Purchase of Intangible assets		(182,531)	-
Purchase of investments		(289,153,500)	-
Proceeds from sale / maturity of investments		-	499,999,999
Payments of lease rentals		(1,448,689)	(1,827,553)
Proceeds from sale of assets in own use		169,363	4,428,199
Dividends received		15,961,688	14,388,856
Net cash (used in)/generated from investing activities		(288,523,842)	511,342,028
CASH FLOW FROM FINANCING ACTIVITIES			
Dividends paid		(279,309,032)	(279,055,579)
Certificates of investment (musharaka)		3,032,052,460	1,073,093,391
Net cash inflow from financing activities		2,752,743,428	794,037,812
Net (decrease) / increase in cash and cash equivalents during the period		(1,048,975,255)	241,556,250
Cash and cash equivalents at the beginning of the period		655,751,071	168,609,750
Cash and cash equivalents at the end of the period	9	(393,224,184)	410,166,000

The annexed notes from 1 to 19 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

FOR THE QUARTER ENDED MARCH 31, 2022

The annexed notes from 1 to 19 form an integral part of these interim financial statements.

DIRECTOR

NOTES TO THE INTERIM FINANCIAL STATEMENTS

FOR THE QUARTER ENDED MARCH 31, 2022

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.

2. BASIS OF PREPARATION

2.1 These interim financial statements have been prepared in accordance with the accounting and reporting standards as applicable in Pakistan for interim financial reporting. Such standards comprise of:

- International Accounting Standard (IAS) 34, Interim Financial Reporting, issued by the International Accounting Standards Board (IASB) as notified under the Companies Act, 2017;
- Provisions of and directives issued under the Companies Act, 2017; and
- The requirements of 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).

The requirements of Modaraba Companies and Modarabas (Floatation and Control) Ordinance, 1980, Modaraba Companies and Modaraba Rules, 1981 and Modaraba Regulations 2021 for Modarabas (hereinafter referred to as the relevant laws). Up until previous years, Modaraba was also following the requirements of Prudential Regulations for Modarabas, which are now repealed by Modaraba Regulations 2021. There are no material financial adjustments required upon adoption of Modaraba Regulations 2021 in place of Prudential Regulations for Modarabas.

"Where provisions and directives issued under Companies Act, 2017 and the relevant laws differ from IFRS Standards, the provisions and directives issued under Companies Act, 2017 and the relevant laws have been followed.

The SECP has issued directive (vide SRO 431 (I) / 2007 dated May 22, 2007) that Islamic Financial Accounting Standard 2 (IFAS 2) shall be followed in preparation of the financial statements by Companies and Modarabas while accounting for Lease Financing transactions as defined by the said standard. The Modaraba has adopted the said standard.

IFRS 9 'Financial Instruments' was applicable effective from July 01, 2018. The standard addresses recognition classification, measurement and derecognition of financial assets and financial liabilities. The standard has also introduced a new impairment model for financial assets which requires recognition of impairment charge based on 'expected credit losses' (ECL) approach.

Accordingly, Modaraba adopted IFRS 9 and assessed the requirements of the same for classification of investments and expected credit loss of financial assets, other than the provisioning requirements for financing assets, which continued to be assessed under the requirements of Prudential Regulations / Modaraba Regulations, in light of the subsequent deferment provided by the SECP for application of IFRS 9, which is valid up till June 30, 2022. The impact of the adoption of IFRS 9 to the extent stated above is not considered material to these financial statements.

2.2 The 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 interim financial statements have been presented in Pak Rupee, which is the functional currency of the Modaraba.

NOTES TO THE INTERIM FINANCIAL STATEMENTS

FOR THE QUARTER ENDED MARCH 31, 2022

3 SIGNIFICANT ACCOUNTING POLICIES, ESTIMATES AND JUDGEMENTS

3.1 The accounting policies and methods of computation followed for the preparation of these interim financial statements are the same as those applied in preparing the financial statements for the year ended June 30, 2021 except for the following amended IFRS interpretations which became effective during the period as mentioned in note 3.2 below:

3.2 New / Revised Standards, Interpretations and Amendments

The following standards, amendments and interpretations with respect to the approved accounting standards as applicable in Pakistan would be effective from the dates mentioned below against the respective standard or interpretation:

Standards, interpretations and amendments	Effective date
Classification of liabilities as current or non-current - Amendment to IAS 1	January 1, 2023
Sale or Contribution of Assets between an Investor and its Associate or Joint Venture - Amendment to IFRS 10 and IAS 28	Not yet finalized
Definition of Accounting Estimates - Amendments to IAS 8	January 1, 2023
Disclosure of Accounting Policies - Amendments to IAS 1 and IFRS Practice Statement 2	January 1, 2023
Deferred Tax related to Assets and Liabilities arising from a Single Transaction – Amendments to IAS 12	January 1, 2023
IFRS 17 - Insurance Contracts	January 1, 2023
IFRS 3 - Reference to the Conceptual Framework (Amendments)	January 1, 2022

Further, following new standards have been issued by IASB which are yet to be notified by the SECP for the purpose of applicability in Pakistan.

The above standards and amendments are not expected to have any material impact on the Modaraba's financial statements in the period of initial application.

The SECP has deferred the applicability of IFRS-9 for Modarabas which is now applicable for reporting period / year ending on or after 30 June 2021 via S. R. O. 800 (I)/2021 dated June 22, 2021. Accordingly, the Modaraba has made the provision against Islamic financing in accordance with requirement of the Modaraba Regulations and Modaraba's policies for the period ended March 31, 2022. The management is currently evaluating the impact of provisioning on Islamic financing as per IFRS 9 which will be incorporated in the financial statements for the year ending 30 June 2022.

The adoption of the above standards, amendments and improvements to accounting standards and interpretations did not have any effect on the interim financial statements.

3.3 The preparation of 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.

NOTES TO THE INTERIM FINANCIAL STATEMENTS

FOR THE QUARTER ENDED MARCH 31, 2022

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, 2021.

3.5 Taxation

Current

Provision for current taxation is based on the taxable income for the year calculated on the basis of the tax laws enacted or substantively enacted at the reporting date, taxes paid under the final tax regime.

Deferred

Deferred tax is recognised using the balance sheet liability method, providing for all temporary differences between the carrying amounts of assets and liabilities for financial reporting purposes and the amounts used for taxation purposes. Deferred tax is measured at the tax rates that are expected to be applied to the temporary differences when they reverse, based on the laws that have been enacted or substantively enacted by the reporting date.

A deferred tax asset is recognised to the extent that it is probable that future taxable profits will be available against which temporary difference can be utilised. Deferred tax assets are reviewed at each reporting date and are reduced to the extent that it is no longer probable that the related tax benefit will be realised.

		(Unaudited)	(Audited)
	Note	March 31, 2022	June 30, 2021
Rupees			
4.	LEASE FINANCING ASSETS		
	Lease financing assets	351,493,090	861,522,931
		351,493,090	861,522,931
5.	ASSETS IN OWN USE		
	Assets in own use	35,332,065	31,716,735
	Right of use assets	18,774,409	22,582,192
		54,106,474	54,298,927
5.1	Opening	22,582,192	27,659,236.00
	Depreciation expense	(3,807,783)	(5,077,044)
	Closing	18,774,409	22,582,192
6.	DIMINISHING MUSHARAKA FINANCING - SECURED		
	Diminishing musharka financing	11,742,374,406	8,601,350,789
	Less: Provision in respect of Diminishing Musharaka	(193,158,379)	(151,038,442)
		11,549,216,027	8,450,312,347
	Less: Current portion	(5,059,684,767)	(3,696,264,542)
		6,489,531,260	4,754,047,805
	Advance against diminishing musharaka financing	2,829,210,334	1,463,500,040
		9,318,741,594	6,217,547,845
7.	INVESTMENTS		
	At fair value through other comprehensive income		
	Investment in shares	395,309,916	302,815,389
	Investment in sukuk	80,000,000	80,000,000
		475,309,916	382,815,389
	At amortised cost		
	Investment in Term Deposit Musharakas (TDMs)	230,748,697	489,647,773
	Investment in sukuk	273,675,000	-
		504,423,697	489,647,773
		979,733,613	872,463,162
7.1	These carry profit at rates ranging from 5.50% to 9.15% (June 30, 2021: 5.50% to 6.75%) per annum.		

NOTES TO THE INTERIM FINANCIAL STATEMENTS

FOR THE QUARTER ENDED MARCH 31, 2022

		(Unaudited)	(Audited)
	Note	March 31, 2022	June 30, 2021
8. INCOME TAX REFUNDABLE		Rupees	
Income tax	8.1	118,005,085	167,077,010

- 8.1** 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 the Tax Year 2021, as the management is confident that the same shall be refunded.

		(Unaudited)	(Audited)
	Note	March 31, 2022	June 30, 2021
9. CASH AND CASH EQUIVALENTS		Rupees	
Cash and bank balance		114,839,268	216,102,298
Term Deposit Musharakas (TDMs)		230,748,697	489,647,773
Running musharakah	9.1	(738,812,149)	(49,999,000)
		(393,224,184)	655,751,071

9.1 RUNNING MUSHARAKA

- 9.1.1** Facility for Running Musharaka is obtained from Meezan Bank Limited up to Rs.250 million during the year. The profit rate on this facility is 3 month KIBOR plus 0.25% per annum. The facility is secured against 1st hypothecation charge on all Modaraba's present and future movable/immovable fixed assets with 30% margin.

- 9.1.2** Facility for Running Musharaka is obtained from Habib Bank Limited upto Rs.500 million during the year. The profit rate on this facility is 3 month KIBOR plus 0.25% per annum. The facility is secured against 1st supplemental letter of hypothecation of fixed assets (plant, machinery and equipment) for Rs.715 million.

		(Unaudited)	(Audited)
	Note	March 31, 2022	June 30, 2021
10. CERTIFICATES OF INVESTMENT (MUSHARAKA) - UNSECURED		Rupees	
Certificates of investment (musharaka)	10.1	10,322,591,884	7,290,539,424

- 10.1** These certificates have different denominations and are repayable within three months to one year. The estimated share of profit paid / payable on these certificates ranges between 5.50% to 10.90% (June 30, 2021: 5.50% to 7.15%) per annum.

		(Unaudited)	(Audited)
	Note	March 31, 2022	June 30, 2021
11. LIABILITY AGAINST RIGHT OF USE ASSETS		Rupees	
Opening		23,695,845	22,866,700
Finance cost for the period		2,469,835	3,202,059
Payments made during the period		(1,448,689)	(2,372,914)
Closing		24,716,991	23,695,845
Less: Current maturity		(14,975,993)	(13,562,585)
		9,740,998	10,133,260

NOTES TO THE INTERIM FINANCIAL STATEMENTS

FOR THE QUARTER ENDED MARCH 31, 2022

12. CONTINGENCIES AND COMMITMENTS

12.1 Contingencies

There is no change in the status of the case related to letter received by the Modaraba last year 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.

12.2 Commitments

Commitments in respect of financing transactions amounted to Rs.1,083 (June 30, 2021: Rs.1005) million.

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

13.1 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, 2022 has been recognized at 10% (March 31, 2021: 10%) of profit for the period.

13.2 There is no change in the status of the Sindh Sales Tax levied by the Sindh Government at the rate of 13% (March 31, 2021: 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, 2021.

	Note	(Unaudited) March 31, 2022	(Audited) June 30, 2021
14. TAXATION			
Current			
- for the year		60,676,126	-
- for prior years		-	-
		60,676,126	-
Deferred		(20,593,712)	-
		40,082,414	-

15. 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, 2022	March 31, 2021	March 31, 2022	March 31, 2021
Rupees				
Net profit for the period	266,328,676	256,416,390	87,110,576	91,931,820
Weighted average number of ordinary certificates	201,600,000	201,600,000	201,600,000	201,600,000
Basic earnings per certificate	1.32	1.27	0.43	0.46

NOTES TO THE INTERIM FINANCIAL STATEMENTS

FOR THE QUARTER ENDED MARCH 31, 2022

16. 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:

			(Unaudited)	(Audited)
			March 31, 2022	June 30, 2021
			Rupees	
Balances held				
Related party	Related party relationship	Nature of balances		
Habib Metropolitan Bank Limited	Holding Company	Bank Balances	113,667,141	215,230,643
		Investment in Term Deposit Musharaka	75,000,000	537,821
		Certificates of investment (musharaka)	4,500,000,000	2,225,000,000
		Profit receivable	1,823,180	2,834,905
		Financial Charges Payable	54,053,141	25,010,308
		Utility charges Payable	750,000	1,691,076
		Rent Payable	180,000	344,556
		Security deposit	130,000	130,000
Habib Metropolitan Modaraba Management Company (Private) Limited	Management Company	Management fee payable	35,249,648	41,776,705
		Sale tax on management fee payable	28,416,345	23,833,891
Staff Retirement Benefit Funds	Associate	Payable to staff Gratuity Fund	2,475,000	-
			(Unaudited)	
			March 31, 2022	March 31, 2021
			Rupees	
Transactions during the period				
Related party	Related party relationship	Nature of transactions		
Habib Metropolitan Bank Limited	Holding Company	Profit on bank accounts	25,800,273	18,146,342
		Bank charges	510,888	542,604
		Utility charges	2,990,678	2,691,172
		Rent expense	344,556	516,836
		Financial charges	187,647,148	76,161,576
Habib Metropolitan Modaraba Management Company (Private) Limited	Management Company	Management fee	35,249,648	29,519,630
		Sale tax on management fee	4,582,454	3,837,552
		Management fee paid	41,776,705	36,431,341
		Dividend paid	28,224,000	28,224,000
Habib Metropolitan Financial Services Limited	Associate	Brokerage commission	24,000	-
		Purchase of securities	15,478,500	-
Staff Retirement Benefit Fund	Associate	Gratuity expense	2,475,000	2,250,000
Provident Fund	Associate	Contribution made	2,566,525	2,268,160

NOTES TO THE INTERIM FINANCIAL STATEMENTS

FOR THE QUARTER ENDED MARCH 31, 2022

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

16.2 The Modaraba carries out transactions with related parties at commercial terms and conditions as per Modaraba's policy.

17. FAIR VALUE OF FINANCIAL INSTRUMENTS

IFRS 13 - 'Fair Value Measurement' establishes a single source of guidance under IFRS for all fair value measurements and disclosures about fair value measurement where such measurements are required as permitted by other IFRSs. It defines fair value as the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date (i.e. an exit price).

Financial assets which are tradable in an open market are revalued at the market prices prevailing on the statement of assets and liabilities date. The estimated fair value of all other financial assets and financial liabilities is considered not significantly different from book value.

The following table shows financial instruments recognised at fair value, analysed between those whose fair value is based on:

Level 1: quoted prices in active markets for identical assets or liabilities;

Level 2: those involving inputs other than quoted prices included in Level 1 that are observable for the asset or liability, either directly (as prices) or indirectly (derived from prices); and

Level 3: those with inputs for the asset or liability that are not based on observable market data (unobservable inputs).

	March 31, 2022 (Un-audited)							
	Carrying amount				Fair value			
	At Fair value through OCI	At fair value through profit or loss	At amortised cost	Total	Level 1	Level 2	Level 3	Total
	(Rupees)				(Rupees)			
Financial assets measured at fair value								
Shares of listed companies	395,309,916	-	-	395,309,916	395,309,916	-	-	395,309,916
Sukuk	80,000,000	-	273,675,000	353,675,000	-	353,675,000	-	353,675,000
	<u>475,309,916</u>	<u>-</u>	<u>273,675,000</u>	<u>748,984,916</u>	<u>395,309,916</u>	<u>353,675,000</u>	<u>-</u>	<u>748,984,916</u>
Financial assets not measured at fair value								
Investment in Term Deposit Musharaka (TDMs)	-	-	230,748,697	230,748,697				
Diminishing musharaka financing	-	-	14,378,426,361	14,378,426,361				
Long term deposits	-	-	1,147,800	1,147,800				
Lease financing installments receivables	-	-	-	-				
Diminishing musharaka financing installments receivables	-	-	10,145,498	10,145,498				
Advances, deposits and prepayments	-	-	6,430,251	6,430,251				
Other receivables	-	-	35,994,723	35,994,723				
Cash and bank balances	-	-	114,839,268	114,839,268				
	<u>-</u>	<u>-</u>	<u>14,777,732,598</u>	<u>14,777,732,598</u>				

NOTES TO THE INTERIM FINANCIAL STATEMENTS

FOR THE QUARTER ENDED MARCH 31, 2022

	June 30, 2021 (Audited)							
	Carrying amount				Fair value			
	At fair value							
	At Fair value through OCI	through profit or loss	At amortised cost	Total	Level 1	Level 2	Level 3	Total
	(Rupees)				(Rupees)			
Financial assets measured at fair value								
Shares of listed companies	302,815,389	-	-	302,815,389	302,815,389	-	-	302,815,389
Sukuk	80,000,000	-	-	80,000,000	-	80,000,000	-	80,000,000
	<u>382,815,389</u>	<u>-</u>	<u>-</u>	<u>382,815,389</u>	<u>302,815,389</u>	<u>80,000,000</u>	<u>-</u>	<u>382,815,389</u>
Financial assets not measured at fair value								
Investment in Term Deposit Musharaka (TDMs)	-	-	489,647,773	489,647,773				
Diminishing musharaka financing	-	-	9,913,812,387	9,913,812,387				
Long term advances and deposits	-	-	1,147,800	1,147,800				
Lease financing installments receivables	-	-	385,597	385,597				
Diminishing musharaka financing installments receivables	-	-	155,806	155,806				
Advances, deposits and prepayments	-	-	6,062,804	6,062,804				
Other receivables	-	-	5,914,137	5,914,137				
Cash and bank balances	-	-	215,718,051	215,718,051				
	<u>-</u>	<u>-</u>	<u>10,632,844,355</u>	<u>10,632,844,355</u>				
	March 31, 2022 (Unaudited)				June 30, 2021 (Audited)			
	At fair value	Other financial liabilities	Total		At fair value	Other financial liabilities	Total	
	(Rupees)				(Rupees)			
Financial liabilities								
Security deposits against lease financing assets	-	104,948,388	104,948,388		-	201,811,884	201,811,884	
Liability against right of use assets	-	24,716,991	24,716,991		-	-	-	
Certificates of investment (musharaka)	-	10,322,591,884	10,322,591,884		-	7,290,539,424	7,290,539,424	
Unearned lease financing and diminishing musharaka installments	-	48,587,457	48,587,457		-	17,850,254	17,850,254	
Advance lease financing and diminishing musharaka installments	-	10,335,357	10,335,357		-	10,007,913	10,007,913	
Trade and other payables	-	702,174,220	702,174,220		-	456,031,515	456,031,515	
Profit payable on certificates of investment (musharaka)	-	182,071,521	182,071,521		-	107,487,595	107,487,595	
Running musharaka	-	738,812,149	738,812,149		-	-	-	
Unclaimed profit distributions	-	49,179,280	49,179,280		-	46,248,316	46,248,316	
	<u>-</u>	<u>12,183,417,247</u>	<u>12,183,417,247</u>		<u>-</u>	<u>8,129,976,901</u>	<u>8,129,976,901</u>	

17.1 The Modaraba has not disclosed the fair values for these financial assets, as these are either short term in nature or repriced periodically. Therefore, their carrying amounts are a reasonable approximation of fair value.

18. DATE OF AUTHORIZATION FOR ISSUE

These condensed interim financial statements were authorized for issue on April 21, 2022 by the Board of Directors of the Modaraba Management Company.

19. GENERAL

19.1 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.

19.2 Figures have been rounded off to the nearest rupee.

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

CHEIF FINANCIAL OFFICER

CHEIF EXECUTIVE OFFICER

DIRECTOR

DIRECTOR