

# First Habib Modaraba

(An Islamic Financial Institution)



## Quarterly Accounts

FOR THE QUARTER  
ENDED SEPTEMBER 30, 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. Muhammad Babar	- Secretary

## HUMAN RESOURCE COMMITTEE

Mr. Saeed Uddin Khan	- Chairman
Syed Rasheed Akhtar	- Member
Mr. Mohammad Shams Izhar	- Member
Mr. Muhammad Jehanzeb	- 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

Ms. Aeraj Abeer

## 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 period ended September 30, 2022

Performance of the first quarter of current year remained slightly under pressure due to several issues on the economic front of Pakistan. Disbursement of Rs. 2.132 billion as compared to Rs. 2.379 billion was made in the same quarter of last year. However, the profitability of the quarter was not only maintained but also increased with good margins.

Presently, the economy of Pakistan is passing through with difficult time due to some external and internal shocks. Worries are rising again over the health of Pakistan's economy as foreign reserves are not on a sufficient level, the local currency weakens and inflation stands at decades-high levels despite the renewal of International Monetary Fund funding support in August. The global prices of Oil and other commodities are still on higher side and which is pushing inflation as well.

The recent floods due to torrential rain have also impacted growth and disrupted several crops including supply chain. The economy of Pakistan has been affected by widespread destruction due to extreme flooding. This will have negative impact on the government's fiscal situation from both the revenue and expenditure sides. Besides, global and domestic uncertainties diluted the economic prospects. High inflation, aggressive monetary tightening, and uncertainty from the Ukraine war have hampered the economic outlook.

Pakistan's trade deficit minimized in the first quarter of current fiscal year due to decrease in imports. Trade deficit showing good improvement in Q1 as compared to same period of last year. Recently, Monetary Policy Committee (MPC) of State Bank of Pakistan, has decided to maintain policy rate at 15%. According to MPC, the post flood macroeconomic outlook reflects the further dilution of projected GDP to 2% in FY23, compared to the previous forecast between 3 to 4%.

We expect that keeping in view of present economic situation, businesses will be remained in slow pace in next few months and this will impact our overall disbursements and collection of financing instalments. In present circumstances we will be more vigilant and will focus on our recoveries.

The Merger of Habib Metro Modaraba with and into First Habib Modaraba is on advance stage and few updates/approval from relevant authorities are in process which are expected to be completed within one to two months and we will be able to complete the amalgamation by the end of 31st December, 2022.

In conclusion, we would like to express our sincere thanks and gratitude for the continued support and guidance provided by the 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 the employees of FHM for smooth operations and achieving better results.

**For and on behalf of Board of Directors**

**Syed Rasheed Akhtar**

Director

**Muhammad Shoaib Ibrahim**

Chief Executive Officer

**Karachi: 27th October, 2022**

## ڈائریکٹر رپورٹ

ہمیں بڑی مسرت و خوشی ہو رہی ہے کہ میں بورڈ آف ڈائریکٹرز کی طرف سے فرسٹ حبیب مضاربہ کے غیر محتسب شدہ اکاؤنٹس برائے اختتام سہ ماہی ۳۰ ستمبر ۲۰۲۲ پیش کروں۔

پاکستان کے معاشی محاذ پر کئی مسائل کی وجہ سے رواں سال کی پہلی سہ ماہی کی کارکردگی کافی دباؤ میں رہی۔ ۲۰۲۲ء ارب روپے کی ادائیگیاں کی گئیں جبکہ گزشتہ سال کی اسی سہ ماہی میں ۲۰۲۱ء بلین روپے ادا کئے گئے تھے۔ تاہم، سہ ماہی کے منافع کو نہ صرف برقرار رکھا گیا بلکہ اچھے مارجن کے ساتھ اضافہ بھی ہوا۔

اس وقت، پاکستانی معیشت کچھ اندرونی اور بیرونی عوامل اور جھٹکوں کی وجہ سے مشکل دور سے گزر رہی ہے۔ پاکستان کی معیشت پر تشویش ایک بار پھر بڑھ رہی ہے کیونکہ اگست میں بین الاقوامی مالیاتی فنڈ کی فنڈنگ سپورٹ کی تجدید کے باوجود زر مبادلہ کے ذخائر مناسب سطح پر نہیں ہیں، مقامی کرنسی کمزور پڑ رہی ہے اور مہنگائی دہائیوں کی بلند ترین سطح پر ہے۔ تیل اور دیگر اشیاء کی عالمی قیمتیں اب بھی بلندی پر ہیں اور جو مہنگائی کو بھی مزید دھکیل رہی ہیں۔

موسلا دھار بارش کی وجہ سے حالیہ سیلاب نے بھی ترقی کو متاثر کیا ہے اور سپلائی چین سمیت متعدد فصلوں کو متاثر کیا ہے۔ پاکستان کی معیشت شدید سیلاب کی وجہ سے بڑے پیمانے پر تباہی سے متاثر ہوئی ہے۔ اس سے حکومت کی مالیاتی صورتحال پر آمدنی اور اخراجات دونوں طرف سے منفی اثرات مرتب ہوں گے۔ اس کے علاوہ، عالمی اور مقامی غیر یقینی صورتحال نے بھی اقتصادی امکانات کو کمزور کر دیا۔ بلند افراط زر، جارحانہ مالیاتی سختی، اور یوکرین کی جنگ سے غیر یقینی صورتحال نے اقتصادی نقطہ نظر کو شدید متاثر کیا ہے۔

درآمدات میں کمی کے باعث رواں مالی سال کی پہلی سہ ماہی میں پاکستان کا تجارتی خسارہ کم ہوا۔ تجارتی خسارہ گزشتہ سال کی اسی مدت کے مقابلے میں پہلی سہ ماہی میں اچھی بہتری دکھارہا ہے۔ حال ہی میں اسٹیٹ بینک آف پاکستان کی مانیٹری پالیسی کمیٹی (MPC) نے پالیسی ریٹ کو ۱۵ فیصد پر برقرار رکھنے کا فیصلہ کیا ہے۔ ایم پی سی کے مطابق، سیلاب کے بعد کامیکرو اکنامک آؤٹ لک مالی سال ۲۰۲۳ میں متوقع جی ڈی پی کے مزید ۲ فیصد تک کم ہونے کی عکاسی کرتا ہے، جو کہ سابقہ پیش گوئی کے مقابلے سے ۳ سے ۴ فیصد کے درمیان ہے۔

ہم توقع کرتے ہیں کہ موجودہ معاشی صورتحال کو مد نظر رکھتے ہوئے اگلے چند مہینوں میں کاروبار سست رفتاری سے جاری رہیں گے اور اس سے ہماری مجموعی ادائیگیوں اور مالیاتی اقساط کی وصولی پر اثر پڑے گا۔ موجودہ حالات میں ہم زیادہ چوکس رہیں گے اور اپنی بحالی پر توجہ دیں گے۔

حبیب میٹرو مضاربہ کا فرسٹ حبیب مضاربہ کے ساتھ اور اس میں انضمام پیشگی مرحلے پر ہے اور متعلقہ حکام سے کچھ اپ ڈیٹس / منظوری عمل میں ہے جو ایک سے دو ماہ کے اندر مکمل ہونے کی امید ہے اور ہم آخر میں ۳۱ دسمبر ۲۰۲۲ تک انضمام کو مکمل کرنے میں کامیاب ہو جائیں گے۔

آخر میں، ہم سیکورٹیز اینڈ ایکسچینج کمیشن آف پاکستان اور رجسٹرڈ مضاربہ، مضاربہ کے صارفین کی جانب سے فراہم کردہ مسلسل تعاون اور رہنمائی اور ان کی سرپرستی اور سرٹیفکیٹ ہولڈرز جو FHM سے وابستہ رہے ہیں، کا تہہ دل سے شکریہ ادا کرنا چاہیں گے۔ ہم خوشگوار آپریشنز اور بہتر نتائج کے حصول کے لیے FHM کے ملازمین کی لگن، اعلیٰ سطحی پیشہ ورانہ مہارت اور محنت کی بھی تعریف کرتے ہیں۔

بورڈ آف ڈائریکٹرز کی طرف سے اور کیلئے۔

سید رشید اختر  
ڈائریکٹر

محمد شعیب ابراہیم  
چیف ایگزیکٹو آفیسر

تاریخ: ۱۲ اکتوبر ۲۰۲۲

## CONDENSED INTERIM BALANCE SHEET

AS AT SEPTEMBER 30, 2022

	Note	(Unaudited) September 30, 2022	(Audited) June 30, 2022
Rupees			
<b>ASSETS</b>			
<b>NON-CURRENT ASSETS</b>			
Lease financing assets	4	155,210,855	185,055,850
Assets in own use	5	46,460,489	50,229,380
Intangible assets		126,767	141,975
Diminishing musharaka financing	6	10,729,765,995	11,172,262,516
Long term prepayments and deposits		1,147,800	1,172,800
Deferred tax Assets - net	14	50,149,628	34,358,016
		<b>10,982,861,534</b>	<b>11,443,220,537</b>
<b>CURRENT ASSETS</b>			
Investments	7	746,685,402	728,314,744
Current portion of diminishing musharaka financing	6	5,656,123,161	4,723,078,394
Diminishing musharaka financing installments receivables		1,509,030	2,338,076
Advances, deposits and prepayments		89,502,196	13,755,955
Other receivables		28,594,938	25,597,501
Income tax refundable	8	45,137,368	89,470,329
Cash and bank balances		242,655,049	137,042,312
		<b>6,810,207,144</b>	<b>5,719,597,311</b>
<b>TOTAL ASSETS</b>		<b>17,793,068,678</b>	<b>17,162,817,848</b>
<b>EQUITY AND LIABILITIES</b>			
<b>CAPITAL AND RESERVES</b>			
Authorized certificate capital 220,000,000 (June 30, 2022: 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		2,861,652,945	2,959,519,451
Certificate holders' equity		3,869,652,945	3,967,519,451
<b>SURPLUS ON REVALUATION OF INVESTMENTS</b>		4,347,194	9,495,741
<b>NON-CURRENT LIABILITIES</b>			
Security deposits against lease financing assets		17,861,785	26,320,785
Liability against right of use assets	11	8,356,753	8,284,058
		<b>26,218,538</b>	<b>34,604,843</b>
<b>CURRENT LIABILITIES</b>			
Certificates of investment (musharaka)	10	11,768,666,105	11,262,599,835
Security deposits - current portion		41,103,713	33,661,163
Current maturity of liability against right of use assets	11	2,110,883	1,980,642
Unearned lease financing and diminishing musharaka installments		95,995,999	79,964,659
Advance lease financing and diminishing musharaka installments		13,846,105	11,111,098
Trade and other payables		742,851,760	741,298,141
Profit payable on certificates of investment (musharaka)		252,394,208	223,420,415
Running musharaka		725,511,800	748,281,800
Unclaimed profit distributions		250,369,428	48,880,060
		<b>13,892,850,000</b>	<b>13,151,197,812</b>
<b>TOTAL EQUITY AND LIABILITIES</b>		<b>17,793,068,678</b>	<b>17,162,817,848</b>
<b>CONTINGENCIES AND COMMITMENTS</b>	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 Executive Officer

Chief Financial Officer

Director

Director



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

FOR THE QUARTER ENDED SEPTEMBER 30, 2022

		Quarter ended	
	Note	September 30, 2022	September 30, 2021
Rupees			
Income from lease financing		21,934,723	34,496,751
Income from diminishing musharaka financing		642,695,262	238,320,786
Provision in respect of diminishing musharaka		(33,894,927)	(7,817,882)
Administrative expenses		(48,737,880)	(40,521,893)
		581,997,178	224,477,762
Other income		40,036,770	23,287,335
		622,033,948	247,765,097
Financial charges		(462,562,030)	(137,432,549)
Modaraba Management Company's remuneration	13	(15,947,192)	(11,033,255)
Sales tax on Modaraba Management Company's remuneration	13	(2,073,135)	(1,434,323)
Provision for Sindh Workers' Welfare Fund		(2,829,033)	(1,957,299)
Profit before taxation		138,622,558	95,907,671
Taxation	14	(34,889,064)	(27,813,225)
Profit for the period		103,733,494	68,094,446
Earning per certificate - basic and diluted	15	0.51	0.34

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 Executive Officer

Chief Financial Officer

Director

Director

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

FOR THE QUARTER ENDED SEPTEMBER 30, 2022

	Quarter ended	
	September 30, 2022	September 30, 2021
	Rupees	
<b>Profit for the period</b>	<b>103,733,494</b>	68,094,446
<b>Components of other comprehensive income reflected below equity</b>		
<b>Items that will not be reclassified subsequently to profit and loss account</b>		
Surplus on revaluation of investments classified as 'at fair value through other comprehensive income'- net	(5,884,054)	84,882,039
<b>Total comprehensive income for the period</b>	<b>97,849,440</b>	152,976,485

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 Executive Officer

Chief Financial Officer

Director

Director



# CONDENSED INTERIM CASH FLOW STATEMENT (UN-AUDITED)

## FOR THE QUARTER ENDED SEPTEMBER 30, 2022

	Note	September 30, 2022	September 30, 2021
		Rupees	
<b>CASH FLOW FROM OPERATING ACTIVITIES</b>			
Profit for the period		138,622,558	95,907,671
Adjustment for:			
Depreciation and amortization		30,745,827	123,066,608
Financial charges		433,298,086	136,066,894
Gain on transfer of lease financing assets - net		(559,370)	(5,970,394)
Gain on disposal of assets in own use - net		(11,668)	-
Provision in respect of diminishing musharaka		33,894,927	7,817,882
		497,367,802	260,980,990
<b>Changes in working capital</b>			
<b>Decrease / (increase) in current assets</b>			
Lease financing installments receivables		-	(3,095)
Diminishing musharaka financing installments receivables		(33,065,881)	(8,821,818)
Advances, deposits and prepayments		(75,746,241)	4,557,052
Other receivables		(2,694,937)	(5,093,985)
		(111,507,059)	(9,361,846)
<b>(Decrease) / increase in current liabilities</b>			
Unearned lease financing and diminishing musharaka installments		16,031,340	1,642,676
Advance lease financing and diminishing musharaka installments		2,735,007	(472,428)
Trade and other payables		1,553,619	137,885,612
		20,319,966	139,055,860
<b>Cash generated from operations</b>		544,803,267	486,582,675
Purchase of lease financing assets		-	(57,982,023)
Proceeds from transfer of lease financing assets		4,198,551	52,843,189
Diminishing musharaka financing - net		(490,548,246)	(1,164,167,320)
Long term advances, deposits and prepayments		25,000	(20,050)
Security deposits against lease financing assets		(1,016,450)	(11,244,551)
Financial charges paid		(403,977,803)	(128,211,251)
Tax paid		(5,914,709)	(3,786,091)
		(897,233,657)	(1,312,568,097)
<b>Net cash used in operating activities</b>		(352,430,390)	(825,985,422)
<b>CASH FLOW FROM INVESTING ACTIVITIES</b>			
Purchase of assets in own use		(833,750)	(713,995)
Proceeds from sale / maturity of investments		-	10,610,214
Payments of lease rentals		(143,553)	(143,553)
Proceeds from sale of assets in own use		89,505	-
<b>Net cash (used in)/generated from investing activities</b>		(887,798)	9,752,666
<b>CASH FLOW FROM FINANCING ACTIVITIES</b>			
Dividends paid		(110,632)	(264,228)
Running Musharaka		-	99,978,685
Certificates of investment (musharaka)		506,066,270	746,913,836
<b>Net cash inflow from financing activities</b>		505,955,638	846,628,293
Net (decrease) / increase in cash and cash equivalents during the period		152,637,450	30,395,537
Cash and cash equivalents at the beginning of the period		(329,366,278)	216,102,298
<b>Cash and cash equivalents at the end of the period</b>	9	(176,728,828)	246,497,835

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 Executive Officer

Chief Financial Officer

Director

Director

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

FOR THE QUARTER ENDED SEPTEMBER 30, 2022

	Certificate capital	Capital reserves		Revenue reserves		Total equity
		Certificate premium	Statutory reserves	General reserves	Unappropriated profit	
						(Rupees)
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
Total comprehensive income for the period	-	-	-	-	68,094,446	68,094,446
<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>
Balance as at July 01, 2022	1,008,000,000	378,000,000	1,284,362,639	740,000,000	557,156,812	3,967,519,451
Profit distribution for the year ended June 30, 2022 @ Rs.1 per certificate	-	-	-	-	(201,600,000)	(201,600,000)
Total comprehensive income for the period	-	-	-	-	103,733,494	103,733,494
<b>Balance as at September 30, 2022</b>	<b>1,008,000,000</b>	<b>378,000,000</b>	<b>1,284,362,639</b>	<b>740,000,000</b>	<b>459,290,306</b>	<b>3,869,652,945</b>

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 Executive Officer

Chief Financial Officer

Director

Director

# NOTES TO THE INTERIM FINANCIAL STATEMENTS (UN-AUDITED)

## FOR THE QUARTER ENDED SEPTEMBER 30, 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.

**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, 2022.

**2.3** These interim financial statements have been presented in Pak Rupee, which is the functional currency of the Modaraba.

### 3. SIGNIFICANT ACCOUNTING POLICIES, ESTIMATES AND JUDGEMENTS

**3.1** The accounting policies and methods of computation of balances adopted in the preparation of these condensed interim financial statements are the same as those applied in the preparation of the annual published financial statements of the Modaraba for the year ended June 30, 2022 except for those disclosed in note 3.2.

#### **3.2 Standards, interpretations and amendments to published approved accounting standards that are effective**

There are certain other new standards, interpretations and amendments to accounting and reporting standards which are mandatory for the Modaraba's accounting periods beginning on or after July 1, 2022 but are considered not to be relevant or have any significant effect on the Modaraba's financial reporting and therefore, have not been disclosed in these condensed interim financial statements.

## NOTES TO THE INTERIM FINANCIAL STATEMENTS (UN-AUDITED)

FOR THE QUARTER ENDED SEPTEMBER 30, 2022

### Standards, interpretations and amendments to published approved accounting standards that are not yet effective but relevant

There are certain new standards, interpretations and amendments to accounting and reporting standards that will be mandatory for the Modaraba's annual accounting periods beginning on or after July 1, 2022 but are considered not to be relevant or have any significant effect on the Modaraba's financial reporting and therefore, have not been disclosed in these condensed 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, 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, 2022.

	Note	(Unaudited) September 30, 2022	(Audited) June 30, 2022
		Rupees	
<b>4. LEASE FINANCING ASSETS</b>			
Lease financing assets		155,210,855	185,055,850
Advance against lease financing assets		-	-
		<b>155,210,855</b>	<b>185,055,850</b>
<b>5. ASSETS IN OWN USE</b>			
Assets in own use		30,224,602	32,724,232
Right of use assets	5.1	16,235,887	17,505,148
		<b>46,460,489</b>	<b>50,229,380</b>
<b>5.1</b>			
Opening		17,505,148	22,582,192
Depreciation expense		(1,269,261)	(5,077,044)
Terminated during the period		-	-
Closing		<b>16,235,887</b>	<b>17,505,148</b>
<b>6. DIMINISHING MUSHARAKA FINANCING - SECURED</b>			
Diminishing musharka financing		14,184,239,594	13,438,064,734
Less: Provision in respect of Diminishing Musharaka	6.1	(288,725,894)	(254,830,967)
		<b>13,895,513,700</b>	<b>13,183,233,767</b>
Less: Current portion		(5,656,123,161)	(4,723,078,394)
		<b>8,239,390,539</b>	<b>8,460,155,373</b>
Advance against diminishing musharaka financing		2,490,375,456	2,712,107,143
		<b>10,729,765,995</b>	<b>11,172,262,516</b>

- 6.1** This includes classification into various categories based on subjective evaluation of borrowers. The Modaraba also applies Expected Credit Loss (ECL) model to evaluate the provisioning impact. Consequently, as per the ECL model under IFRS 9, the impairment impact is materially same to the provisioning requirements under Modaraba Regulation 2021.

# NOTES TO THE INTERIM FINANCIAL STATEMENTS (UN-AUDITED)

## FOR THE QUARTER ENDED SEPTEMBER 30, 2022

		(Unaudited)	(Audited)
Note		September 30, 2022	June 30, 2022
		Rupees	
7.	INVESTMENTS		
	At fair value through other comprehensive income		
	Investment in shares	86,777,320	92,661,374
	Investment in sukuk	80,000,000	80,000,000
		166,777,320	172,661,374
	At amortised cost		
	Investment in Term Deposit Musharakas (TDMs)	306,127,922	281,873,210
	Investment in sukuk	273,780,160	273,780,160
		579,908,082	555,653,370
		746,685,402	728,314,744

**7.1** These carry profit at rates ranging from 13.50% to 14.50% (June 30, 2022: 5.50% to 6.75%) per annum.

		(Unaudited)	(Audited)	
	Note	September 30, 2022	June 30, 2022	
		Rupees		
8.	INCOME TAX REFUNDABLE			
	Income tax	8.1	45,137,368	89,470,329

**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		September 30, 2022	June 30, 2022
		Rupees	
9.	CASH AND CASH EQUIVALENTS		
	Cash and bank balance	242,655,049	137,042,312
	Term Deposit Musharakas (TDMs)	306,127,922	281,873,210
	Running musharakah	(725,511,800)	(748,281,800)
		(176,728,828)	(329,366,278)

### 9.1 RUNNING MUSHARAKA

**9.1.1** Facility for Running Musharaka is obtained from Meezan Bank Limited up to Rs.250 million. 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. 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	September 30, 2022	June 30, 2022
10. CERTIFICATES OF INVESTMENT (MUSHARAKA) - UNSECURED		Rupees	
Certificates of investment (musharaka)	10.1	11,768,666,105	11,262,599,835



## NOTES TO THE INTERIM FINANCIAL STATEMENTS (UN-AUDITED)

### FOR THE QUARTER ENDED SEPTEMBER 30, 2022

**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 12.30% to 15.75% (June 30, 2022: 5.50% to 15.85%) per annum.

	(Unaudited) September 30, 2022	(Audited) June 30, 2022
	Rupees	
<b>11. LIABILITY AGAINST RIGHT OF USE ASSETS</b>		
Opening	10,264,700	23,695,845
Finance cost for the period	346,489	2,797,640
Payments made during the period	143,553	(16,228,785)
Closing	10,754,742	10,264,700
Less: Current maturity	(2,110,883)	(1,980,642)
	<b>8,643,859</b>	<b>8,284,058</b>

## 12. CONTINGENCIES AND COMMITMENTS

### 12.1 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, 2022.

### 12.2 Commitments

Commitments in respect of financing transactions amounted to Rs.1,250 (June 30, 2022: Rs.839) 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 September 30, 2022 has been recognized at 10% (September 30, 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% (September 30, 2021: 13%) on the remuneration of the Modaraba Management Company, as reported in note 24.6 to the annual financial statements of the Modaraba for the year ended June 30, 2022.

	(Unaudited) September 30, 2022	September 30, 2021
	Rupees	
<b>14. TAXATION</b>		
Current		
- for the year	49,945,169	27,813,225
- for prior years	-	-
	<b>49,945,169</b>	<b>27,813,225</b>
Deferred	(15,056,105)	-
	<b>34,889,064</b>	<b>27,813,225</b>



# NOTES TO THE INTERIM FINANCIAL STATEMENTS (UN-AUDITED)

## FOR THE QUARTER ENDED SEPTEMBER 30, 2022

		(Unaudited)	
		September 30, 2022	September 30, 2021
		Rupees	
<b>15. EARNINGS PER CERTIFICATE - BASIC AND DILUTED</b>			
There is no dilutive effect on earnings per certificate which is based on:			
Net profit for the period		<b>103,733,494</b>	68,094,446
Weighted average number of ordinary certificates		<b>201,600,000</b>	201,600,000
Basic earnings per certificate		<b>0.51</b>	0.34

### 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 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)
			September 30, 2022	June 30, 2022
			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	<b>238,714,354</b>	134,830,365
		Certificates of investment (musharaka)	<b>4,800,000,000</b>	4,550,000,000
		Profit receivable	<b>5,095,626</b>	5,137,584
		Financial Charges Payable	<b>80,368,151</b>	71,446,986
		Utility charges Payable	-	2,354,333
		Security deposit	<b>130,000</b>	130,000
Habib Metropolitan Modaraba Management Company (Private) Limited	Management Company	Management fee payable	<b>15,947,192</b>	56,977,101
		Sale tax on management fee payable	<b>33,314,049</b>	31,240,914
Staff Retirement Benefit Funds	Associate	Payable to staff Gratuity Fund	<b>900,000</b>	-

## NOTES TO THE INTERIM FINANCIAL STATEMENTS (UN-AUDITED)

FOR THE QUARTER ENDED SEPTEMBER 30, 2022

			(Unaudited)	
			September 30, 2022	September 30, 2021
			-----Rupees-----	
Transactions during the period				
Related party	Related party relationship	Nature of transactions		
Habib Metropolitan Bank Limited	Holding Company	Profit on bank accounts	17,775,791	9,991,829
		Bank charges	126,655	154,986
		Utility charges	2,990,678	607,779
		Rent expense	-	189,982
		Financial charges	172,466,507	42,063,100
Habib Metropolitan Modaraba Management Company (Private) Limited	Management Company	Management fee	15,947,192	11,033,255
		Sale tax on management fee	2,073,135	1,434,323
		Management fee paid	56,977,101	-
Staff Retirement Benefit Fund	Associate	Gratuity expense	900,000	825,000
Provident Fund	Associate	Contribution made	1,940,016	875,602

**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).

# NOTES TO THE INTERIM FINANCIAL STATEMENTS (UN-AUDITED)

## FOR THE QUARTER ENDED SEPTEMBER 30, 2022

	September 30, 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	86,777,320	-	-	86,777,320	86,777,320	-	-	86,777,320
Sukuk	80,000,000	-	273,780,160	353,780,160	-	353,780,160	-	353,780,160
	166,777,320	-	273,780,160	440,557,480	86,777,320	353,780,160	-	440,557,480
Financial assets not measured at fair value (note 17.1)								
Investment in Term Deposit Musharaka (TDMs)	-	-	306,127,922	306,127,922				
Investment in GOP Ijarah Sukuk			273,780,160	273,780,160				
Diminishing musharaka financing	-	-	16,385,889,156	16,385,889,156				
Long term deposits	-	-	1,147,800	1,147,800				
Lease financing installments receivables	-	-	-	-				
Diminishing musharaka financing installments receivables	-	-	1,509,030	1,509,030				
Advances, deposits and prepayments	-	-	83,944,931	83,944,931				
Other receivables	-	-	28,594,938	28,594,938				
Cash and bank balances	-	-	242,655,049	242,655,049				
	-	-	17,323,648,986	17,323,648,986				

During the period ended September 30, 2022, there were no transfers between level 1 and level 2 fair value measurements, and no transfer into and out of level 3 fair value measurements.

	June 30, 2022 (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	92,661,374	-	-	92,661,374	92,661,374	-	-	92,661,374
Sukuk	80,000,000	-	-	80,000,000	-	80,000,000	-	80,000,000
	172,661,374	-	-	172,661,374	92,661,374	80,000,000	-	172,661,374
Financial assets not measured at fair value								
Investment in Term Deposit Musharaka (TDMs)	-	-	281,873,210	281,873,210				
Investment in GOP Ijarah Sukuk	-	-	273,780,160	273,780,160				
Diminishing musharaka financing	-	-	15,895,340,910	15,895,340,910				
Long term advances and deposits	-	-	1,172,800	1,172,800				
Lease financing installments receivables	-	-	-	-				
Diminishing musharaka financing installments receivables	-	-	2,338,076	2,338,076				
Advances, deposits and prepayments	-	-	10,604,411	10,604,411				
Other receivables	-	-	25,597,501	25,597,501				
Cash and bank balances	-	-	136,525,764	136,525,764				
	-	-	16,627,232,832	16,627,232,832				

	September 30, 2022 (Un-audited)			June 30, 2022 (Audited)		
	At fair value	Other financial liabilities	Total	At fair value	Other financial liabilities	Total
	----- (Rupees) -----			----- (Rupees) -----		
<b>Financial liabilities</b>						
Security deposits against lease financing assets	-	58,965,498	58,965,498	-	59,981,948	59,981,948
Liability against right of use assets	-	10,467,636	10,467,636	-	-	-
Certificates of investment (musharaka)	-	11,768,666,105	11,768,666,105	-	11,262,599,835	11,262,599,835
Unearned lease financing and diminishing musharaka installments	-	95,995,999	95,995,999	-	79,964,659	79,964,659
Advance lease financing and diminishing musharaka installments	-	13,846,105	13,846,105	-	11,111,098	11,111,098
Trade and other payables	-	742,851,760	742,851,760	-	636,248,097	636,248,097
Profit payable on certificates of investment (musharaka)	-	252,394,208	252,394,208	-	223,420,415	223,420,415
Running musharaka	-	725,511,800	725,511,800	-	-	-
Unclaimed profit distributions	-	250,369,428	250,369,428	-	48,880,060	48,880,060
	-	13,919,068,539	13,919,068,539	-	12,322,206,112	12,322,206,112

## NOTES TO THE INTERIM FINANCIAL STATEMENTS (UN-AUDITED) FOR THE QUARTER ENDED SEPTEMBER 30, 2022

**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 October 27, 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)**

Chief Executive Officer

Chief Financial Officer

Director

Director