

First Habib Modaraba

(An Islamic Financial Institution)



Quarterly Accounts

FOR THE QUARTER
ENDED SEPTEMBER 30, 2023
(Unaudited)

Contents

Corporate Information	3
Directors' Report	4
Condensed Interim Balance Sheet	6
Condensed Interim Profit and Loss Account (unaudited)	7
Condensed Interim Statement of Comprehensive Income (unaudited)	8
Condensed Interim Cash Flow Statement (unaudited)	9
Condensed Interim Statement of Changes In Equity (unaudited)	10
Notes To The Condensed Interim Financial Statements (unaudited)	11

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

BDO Ebrahim & Co.
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. 513, 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 (FHM) for the quarter ended September 30, 2023.

Performance of first quarter of current year remained satisfactory due to slightly better economic conditions of Pakistan. Disbursements of Rs.2.702 billion were made as compared to Rs.2.132 billion of corresponding quarter of last year. Balance sheet footing also increased by around 20% and reach to Rs.21.300 billion as compared to Rs.17.793 billion same quarter of last year. FHM has also made significant growth in profit before and after tax i.e., 95% and 80% respectively.

At present the economy of Pakistan is slightly showing positive sign and business sentiments are marginally improved. The few positive steps of caretaker government i.e., crackdown on smuggling goods, reforms in exchange company's businesses etc., are yielding some positive results. Furthermore, few encouraging news on current account position, improved home remittances, strengthening of Pak rupee against US dollar and rising index of Pakistan Stock Exchange are promising move. However, sustainability of these short term achievements is critical and most important for stability of economy.

Inflation in the month of September, 2023 bounced back to 31.4% which is the highest in four months due to increase in electricity and fuel prices. However, recent reduction in prices of petroleum products in line with global trend and improving Pak rupee parity with US dollar, the inflation numbers showed slightly downward trend. However, uncertainties are also prevailing around particularly on political fronts. The support from IMF in the shape of the current standby facility is expiring in March, 2024 and Pakistan has heavy debt repayments in coming years. According to recent report of IMF, Pakistan's key macroeconomic indicators as projected in the International Monetary Fund's Fiscal Monitor showed declining trend as compared to the projections in the Stand-By Arrangement (SBA) documents of July 2023. To achieve projection of SBA documents and its renewal will be most critical task for upcoming government.

Going forward, we expect that in current year business activities will be improved to some extent, however, overall economy will remain under stress till formation of new government after general election. Our first quarter performance remained satisfactory but slightly behind our business targets. According to our business strategy of current year, we shall move forward in cautious manner and enhance our domestic presence, continue to deliver unmatched services to our customers and add sound entities within financing portfolio.

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, investors 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 in extremely difficult business environment.

For and on behalf of Board of Directors

Syed Rasheed Akthar
Chairman

Muhammad Shoaib Ibrahim
Chief Executive Officer

Karachi: 24th October, 2023

ڈائریکٹرز رپورٹ

مجھے بورڈ آف ڈائریکٹرز کی جانب سے ۳۰ ستمبر ۲۰۲۳ کو ختم ہونے والی سہ ماہی کے لئے مضاربہ کے غیر آڈٹ شدہ اکاؤنٹس پیش کرتے ہوئے خوشی ہو رہی ہے۔

پاکستان کے معاشی حالات قدرے بہتر ہونے کی وجہ سے رواں سال کی پہلی سہ ماہی کی کارکردگی تسلی بخش رہی۔ پچھلے سال کی اسی سہ ماہی کے 2.132 بلین روپے کے مقابلے میں 2.702 بلین روپے کی ادائیگیاں کی گئی۔ پچھلے سال کی اسی سہ ماہی کے 17.793 بلین روپے کے مقابلے میں بیلنس شیٹ کی سطح بھی تقریباً 20 فیصد بڑھ گئی اور 21.300 بلین روپے تک پہنچ گئی۔ ایف ایچ ایم نے ٹیکس سے پہلے اور بعد میں منافع میں بھی نمایاں اضافہ کیا ہے یعنی بالترتیب 95 فیصد اور 80 فیصد۔

اس وقت پاکستان کی معیشت قدرے مثبت اشارے دکھا رہی ہے اور کاروباری معاملات میں معمولی بہتری آئی ہے۔ مگر اس حکومت کے چند مثبت اقدامات یعنی سامان کی سہولت کے خلاف کریک ڈاؤن، ایکسیج مپنی کے کاروبار میں اصلاحات وغیرہ کے کچھ مثبت نتائج برآمد ہو رہے ہیں۔ مزید برآں، کرنٹ اکاؤنٹ کی پوزیشن، ترسیلات میں بہتری، امریکی ڈالر کے مقابلے میں پاکستانی روپے کی مضبوطی اور پاکستان اسٹاک ایکسیج کے بڑھتے ہوئے انڈیکس کے حوالے سے چند حوصلہ افزا خبریں امید افزا اقدام ہیں۔ تاہم، ان قلیل مدتی کامیابیوں کی پائیداری معیشت کے استحکام کے لیے اہم اور سب سے اہم ہے۔

ستمبر 2023 میں مہنگائی 31.4 فیصد پر واپس آگئی جو بجلی اور ایندھن کی قیمتوں میں اضافے کی وجہ سے چار ماہ میں سب سے زیادہ ہے۔ تاہم، عالمی رجحان کے مطابق پٹرولیم مصنوعات کی قیمتوں میں حالیہ کمی اور امریکی ڈالر کے ساتھ پاکستانی روپے کی برابری میں بہتری آئی، افراط زر کی شرح میں قدرے کمی کارچان ظاہر ہوا۔ تاہم، خاص طور پر سیاسی محاذوں پر بھی غیر یقینی صورتحال موجود ہے۔ موجودہ سٹیٹ بانی سہولت کی شکل میں آئی ایم ایف کی طرف سے دی جانے والی سپورٹ مارچ 2024 میں ختم ہو رہی ہے اور آنے والے سالوں میں پاکستان پر قرضوں کی بھاری ادائیگیاں ہیں۔ آئی ایم ایف کی حالیہ رپورٹ کے مطابق، پاکستان کے کلیدی میکرو اکنامک انڈیکسز جیسا کہ انٹرنیشنل مانیٹری فنڈ کے مالیاتی مانیٹر میں پیش کیا گیا تھا، جولائی 2023 کے اسٹیٹ بانی ریمینٹ (SBA) دستاویزات کے تخمینوں کے مقابلے میں کمی کارچان ظاہر کیا۔ تجدید آئندہ حکومت کے لیے سب سے اہم کام ہو گا۔

آگے بڑھتے ہوئے، ہم توقع کرتے ہیں کہ موجودہ سال میں کاروباری سرگرمیاں کسی حد تک بہتر ہوں گی، تاہم عام انتخابات کے بعد نئی حکومت کے قیام تک مجموعی معیشت دباؤ کا شکار رہے گی۔ ہماری پہلی سہ ماہی کی کارکردگی تسلی بخش رہی لیکن ہمارے کاروباری اہداف سے قدرے پیچھے رہی۔ موجودہ سال کی اپنی کاروباری حکمت عملی کے مطابق، ہم محتاط انداز میں آگے بڑھیں گے اور اپنی ڈومیسٹک موجودگی میں اضافہ کریں گے، اپنے صارفین کو بے مثال خدمات کی فراہمی جاری رکھیں گے اور فنانشنگ پورٹ فولیو میں مضبوط اداروں کو شامل کریں گے۔

بورڈ شکر گزار ہے کہ جو تعاون اور مدد اُسے سیکورٹیز اینڈ ایکسیج کمیشن پاکستان (SECP) رجسٹرڈ مضاربہ کمپنیز، مالیاتی اداروں اور اسٹیٹ بینک آف پاکستان کا جنہوں نے گاہے بگاہے کی، اس کے علاوہ مضاربہ کے کسٹمرز کی جنہوں نے اپنے کاروبار اور دیگر معاملات میں ہماری رہنمائی کی، سرٹیفکیٹ کنندگان کی جنہوں نے فرسٹ حبیب مضاربہ کے ساتھ مسلسل اپنا تعاون جاری رکھا۔ آخر میں، بورڈ مضاربہ کے ملازمین کے بہترین پرفیومنس، سخت محنت اور انتھک جذبے کو سراہتا ہے جن کی وجہ سے ہمیں یہ بہترین نتائج حاصل ہوئے ہیں۔

بورڈ آف ڈائریکٹرز کی طرف سے اور کیلئے۔

محمد شعیب ابراہیم
سید رشید اختر
چیف ایگزیکٹو آفیسر
چیرمین

تاریخ: ۲۴ اکتوبر ۲۰۲۳

Condensed Interim Balance Sheet

AS AT SEPTEMBER 30, 2023

		(Un-audited)	(Audited)
	Note	September 30, 2023	June 30, 2023
----- (Rupees) -----			
ASSETS			
NON-CURRENT ASSETS			
Fixed assets in own use	4	67,631,034	54,442,474
Intangible assets		65,936	81,143
Diminishing musharaka financing	5	12,466,044,786	12,102,544,307
Long term deposits		852,800	852,800
Deferred tax assets - net		189,567,236	169,977,273
		12,724,161,792	12,327,897,997
CURRENT ASSETS			
Investments	6	627,500,643	858,857,564
Current portion of diminishing musharaka financing	5	6,288,572,586	5,879,239,824
Diminishing musharaka financing installments receivables		13,050,405	7,590,286
Advances and prepayments	7	940,223,069	1,253,786,642
Other receivables		39,549,664	24,375,360
Cash and bank balances	8	667,056,905	188,108,417
		8,575,953,272	8,211,958,093
TOTAL ASSETS		21,300,115,064	20,539,856,090
EQUITY AND LIABILITIES			
CAPITAL AND RESERVES			
Authorized certificate capital 280,000,000 (June 30, 2023: 280,000,000) certificates of Rs.5/- each		1,400,000,000	1,400,000,000
Issued, subscribed and paid-up certificate capital		1,108,305,000	1,108,305,000
Reserves		3,465,490,772	3,499,571,200
Certificate holders' equity		4,573,795,772	4,607,876,200
SURPLUS ON REVALUATION OF INVESTMENTS		2,768,088	5,915,958
NON-CURRENT LIABILITIES			
Liability against right of use assets	9	17,402,470	19,655,522
CURRENT LIABILITIES			
Certificates of investment (musharaka)	10	14,420,461,097	13,708,381,051
Current maturity of liability against right of use assets	9	5,834,134	2,769,105
Unearned lease financing and diminishing musharaka installments		42,249,313	38,359,710
Advance lease financing and diminishing musharaka installments		13,506,703	15,572,861
Trade and other payables		1,050,870,816	981,833,656
Profit payable on certificates of investment (musharaka)		404,438,832	362,344,841
Running musharaka		495,664,632	745,667,326
Unclaimed profit distributions		273,123,207	51,479,860
		16,706,148,734	15,906,408,410
TOTAL EQUITY AND LIABILITIES		21,300,115,064	20,539,856,090
CONTINGENCIES AND COMMITMENTS	11		

The annexed notes from 1 to 23 form an integral part of these condensed 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, 2023

	Note	Quarter ended	
		September 30, 2023	September 30, 2022
		(Rupees)	
Income from lease financing		-	21,934,723
Income from diminishing musharaka financing		1,195,195,209	642,695,262
Provision in respect of diminishing musharaka		(86,440,186)	(33,894,927)
Administrative expenses		(62,878,164)	(48,737,880)
		1,045,876,859	581,997,178
Other income	12	69,243,338	40,036,770
		1,115,120,197	622,033,948
Financial charges	13	(804,087,040)	(462,562,030)
Modaraba Management Company's remuneration	14	(31,103,316)	(15,947,192)
Sales tax on Modaraba Management Company's remuneration	14	(4,043,431)	(2,073,135)
Provision for Workers' Welfare Fund		(5,517,728)	(2,829,033)
Profit before taxation		270,368,682	138,622,558
Taxation	15	(82,788,110)	(34,889,064)
Profit for the period		187,580,572	103,733,494
Earning per certificate - basic and diluted	16	0.85	0.51

The annexed notes from 1 to 23 form an integral part of these condensed 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, 2023

	Quarter ended	
	September 30, 2023	September 30, 2022
	(Rupees)	
Profit for the period	187,580,572	103,733,494
Components of other comprehensive income reflected below equity		
Items that will not be reclassified subsequently to profit and loss account		
Deficit on revaluation of investments classified as 'at fair value through other comprehensive income'- net	(3,305,000)	(5,884,054)
Total comprehensive income for the period	184,275,572	97,849,440

The annexed notes from 1 to 23 form an integral part of these condensed 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, 2023

	Note	September 30, 2023	September 30, 2022
(Rupees)			
CASH FLOW FROM OPERATING ACTIVITIES			
Profit for the period		270,368,682	138,622,558
Adjustment for:			
Depreciation and amortization		4,884,136	30,745,827
Financial charges		804,087,040	433,298,086
Gain on transfer of lease financing assets - net		-	(559,370)
Loss on disposal of assets in own use - net		1,009,483	-
Gain on disposal of assets in own use	12	-	(11,668)
Provision in respect of diminishing musharaka		86,440,186	33,894,927
		896,420,845	497,367,802
Changes in working capital			
Decrease / (increase) in current assets			
Diminishing musharaka financing installments receivables		(5,460,119)	(33,065,881)
Advances and prepayments		313,563,573	(75,746,241)
Other receivables		68,968,262	(2,694,937)
		377,071,716	(111,507,059)
(Decrease) / increase in current liabilities			
Unearned lease financing and diminishing musharaka installments		3,889,603	16,031,340
Advance lease financing and diminishing musharaka installments		(2,066,158)	2,735,007
Trade and other payables		450,040,102	1,553,619
		451,863,547	20,319,966
Cash generated from operations		1,995,724,790	544,803,267
Proceeds from transfer of lease financing assets		-	4,198,551
Diminishing musharaka financing - net		(686,393,055)	(490,548,246)
Long term advances, deposits and prepayments		-	25,000
Security deposits against lease financing assets		-	(1,016,450)
Financial charges paid		(725,347,555)	(403,977,803)
Tax paid		(84,142,566)	(5,914,709)
		(1,495,883,176)	(897,233,657)
Net cash generated from / (used in) operating activities		499,841,614	(352,430,390)
CASH FLOW FROM INVESTING ACTIVITIES			
Purchase of assets in own use	4.1.1	(23,347,719)	(833,750)
Proceeds from sale / maturity of investments - net		(228,051,921)	-
Payments of lease rentals	9	(168,859)	(143,553)
Proceeds from sale of assets in own use		7,699,028	89,505
Net cash used in investing activities		(243,869,471)	(887,798)
CASH FLOW FROM FINANCING ACTIVITIES			
Dividend paid		(221,643,347)	(110,632)
Running Musharaka		(250,002,694)	-
Certificates of investment (musharaka)		712,080,046	506,066,270
Net cash inflow from financing activities		240,434,005	505,955,638
Net increase in cash and cash equivalents during the period		496,406,147	152,637,450
Cash and cash equivalents at the beginning of the period		(197,618,432)	(329,366,278)
Cash and cash equivalents at the end of the period	17	298,787,715	(176,728,828)

The annexed notes from 1 to 23 form an integral part of these condensed 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, 2023

	Certificate capital	Capital reserves			Revenue reserves		Total equity
		Certificate premium	Amalgamation reserve	Statutory reserves	General reserves	Unappropriated profit	
(R upees)							
Balance as at June 30, 2022 (Audited)	1,008,000,000	378,000,000	-	1,284,362,639	740,000,000	557,156,812	3,967,519,451
Total comprehensive income for the period	-	-	-	-	-	103,733,494	103,733,494
Profit distribution for the year ended June 30, 2022 @ Rs.1.00/- per certificate	-	-	-	-	-	(201,600,000)	(201,600,000)
Balance as at September 30, 2022	1,008,000,000	378,000,000	-	1,284,362,639	740,000,000	459,290,306	3,869,652,945
Balance as at June 30, 2023 (Audited)	1,108,305,000	378,000,000	233,003,899	1,284,362,639	1,340,000,000	264,204,662	4,607,876,200
Total comprehensive income for the period	-	-	-	-	-	187,580,572	187,580,572
Profit distribution for the year ended June 30, 2023 @ Rs.1.00/- per certificate	-	-	-	-	-	(221,661,000)	(221,661,000)
Balance as at September 30, 2023	1,108,305,000	378,000,000	233,003,899	1,284,362,639	1,340,000,000	230,124,234	4,573,795,772

The annexed notes from 1 to 23 form an integral part of these condensed 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 Condensed Interim Financial Statements

FOR THE QUARTER ENDED SEPTEMBER 30, 2023

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 Statement of compliance

These condensed 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;
- Islamic Financial Accounting Standards (IFAS) issued by the Institute of Chartered Accountants of Pakistan as notified under the Companies Act 2017
- The requirements of Modaraba Companies and Modarabas (Floatation and Control) Ordinance, 1980, Modaraba Companies and Modaraba Rules, 1981 and Modaraba Regulations 2021; and
- Provisions of and directives issued by the Securities and Exchange Commission of Pakistan (SECP), under the Modaraba Companies and Modarabas (Floatation and Control) Ordinance, 1980 and the Companies Act, 2017.

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.

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 audited financial statements of the Modaraba as at and for the year ended June 30, 2023.

2.3 These condensed 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 followed for the preparation of these condensed interim financial statements are the same as those applied in preparing the annual audited financial statements for the year ended June 30, 2023 except for the following amended IFRS interpretations which became effective during the period as mentioned in note 3.2 below:

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

Notes To The Condensed Interim Financial Statements

FOR THE QUARTER ENDED SEPTEMBER 30, 2023

are mandatory for the Modaraba's accounting periods beginning on or after July 1, 2023 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.

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, 2023 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 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, 2023.
- 3.4** The financial risk management objectives and policies are consistent with those disclosed in the annual audited financial statements of the Modaraba for the year ended June 30, 2023.

	Note	(Un-audited)	(Audited)
		September 30, 2023	June 30, 2023
(Rupees)			
4. FIXED ASSETS IN OWN USE			
Assets in own use	4.1	45,900,033	30,874,598
Right of use assets	4.2	21,731,001	23,567,876
		67,631,034	54,442,474
4.1		30,874,598	32,724,232
Opening net book value			
Additions during the period / year	4.1.1	23,347,719	16,221,459
		54,222,317	48,945,691
Net book value of disposal during the period / year		(7,152,086)	(1,088,961)
Depreciation charged during the period / year		(1,170,198)	(16,982,132)
Closing net book value		45,900,033	30,874,598
4.1.1 Details of additions during the period are as follows:			
Office equipment		1,166,039	3,920,040
Furniture and fixture		351,680	1,067,836
Vehicles		21,830,000	6,883,200
Leasehold improvements		-	4,350,383
		23,347,719	16,221,459
4.2 Movement in right-of-use assets during the period is as follows:			
Opening		23,567,876	17,505,148
Additions		-	19,548,614
Depreciation expense		(1,836,875)	(5,876,087)
Terminated during the period / year		-	(7,609,799)
Closing		21,731,001	23,567,876

Notes To The Condensed Interim Financial Statements

FOR THE QUARTER ENDED SEPTEMBER 30, 2023

	Note	(Un-audited)	(Audited)
		September 30, 2023	June 30, 2023
----- (Rupees) -----			
5. DIMINISHING MUSHARAKA FINANCING			
Diminishing musharka financing		19,408,695,305	18,549,421,878
Less: Provision in respect of Diminishing Musharaka	5.1	(654,077,933)	(567,637,747)
		18,754,617,372	17,981,784,131
Less: Current portion		(6,288,572,586)	(5,879,239,824)
		12,466,044,786	12,102,544,307
5.1 Movement in provision in respect of diminishing musharaka			
Balance as at July 01		567,637,747	254,830,967
Charge for the period / year		86,440,186	316,331,392
Write off during the year		-	(3,524,612)
Balance as at September 30		654,077,933	567,637,747

5.2 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.

	Note	(Un-audited)	(Audited)
		September 30, 2023	June 30, 2023
----- (Rupees) -----			
6. INVESTMENTS			
At fair value through other comprehensive income			
Investment in shares		37,960,000	41,265,000
Investment in sukuk bonds		80,000,000	80,000,000
		117,960,000	121,265,000
At fair value through profit or loss			
Investment in MCB Arif Habib funds (Alhamra Islamic Money Market Fund)		108,365,041	103,871,927
At amortised cost			
Investment in Term Deposit Musharakas (TDMs)	6.1	127,395,442	359,940,477
Investment in GOP Ijarah sukuk bonds		273,780,160	273,780,160
		401,175,602	633,720,637
		627,500,643	858,857,564

6.1 These carry profit at rates ranging from 18% to 20% (June 30, 2023: 13% to 18%) per annum.

Notes To The Condensed Interim Financial Statements

FOR THE QUARTER ENDED SEPTEMBER 30, 2023

	(Un-audited)	(Audited)
	September 30, 2023	June 30, 2023
----- (Rupees) -----		
7. ADVANCES AND PREPAYMENTS		
Advances	87,922,930	4,917,458
Prepayments	8,147,084	4,557,743
Advance against diminishing musharaka financing	844,153,055	1,244,311,441
	940,223,069	1,253,786,642
8. CASH AND BANK BALANCES		
Stamps in hand	1,123,700	556,500
At banks in:		
Current accounts		
State Bank of Pakistan	441,259	964,282
With other banks	314,817,527	99,161,845
Profit bearing accounts		
Modaraba deposit account with Habib Metropolitan Bank Limited (Islamic branch) - a related party	350,674,419	87,425,790
	667,056,905	188,108,417

8.1 The balances held with banks in deposit account and investments in shariah compliant government securities have been kept in order to comply with the requirement of the Modaraba Regulations, 2021 issued by the SECP with respect to the maintenance of the prescribed liquidity against the Certificates of Musharaka issued by the Modaraba.

	Note	(Un-audited)	(Audited)
		September 30, 2023	June 30, 2023
----- (Rupees) -----			
9. LIABILITY AGAINST RIGHT OF USE ASSETS			
As at beginning of the period / year		22,424,627	10,264,700
Additions		-	19,548,614
Deletions		-	(2,828,582)
Finance cost for the period / year		980,836	2,640,899
Payments made during the period / year		(168,859)	(7,201,004)
As at end of the period / year		23,236,604	22,424,627
Less: Current maturity		(5,834,134)	(2,769,105)
As at end of the period / year		17,402,470	19,655,522
10. CERTIFICATES OF INVESTMENT (MUSHARAKA)			
Unsecured			
Certificates of investment (musharaka)	10.1	14,420,461,097	13,708,381,051

Notes To The Condensed Interim Financial Statements

FOR THE QUARTER ENDED SEPTEMBER 30, 2023

	Note	(Un-audited)	(Audited)
		September 30, 2023	June 30, 2023
----- (Rupees) -----			
10.1 Movement in Certificates of Investment (musharaka) is as follows:			
As at beginning of the period / year		13,708,381,051	11,262,599,835
Certificates issued during the period / year	10.1.1	15,838,819,740	54,192,510,001
		29,547,200,791	65,455,109,836
Encashment during the period / year		(15,126,739,694)	(51,746,728,785)
As at end of the period / year		14,420,461,097	13,708,381,051

10.1.1 The rollover amount of Rs. 6,928,239,694 (June 30, 2023: 26,838,661,035) has been excluded from the certificate issued during the period.

10.1.2 The share of profit paid / payable on the above unsecured certificates of investment (musharaka) ranges between 18.55% to 22.45% (June 30, 2023: 12.30% to 19.80%) per annum having maturity from 3 months to 1 year.

11. CONTINGENCIES AND COMMITMENTS

11.1 Contingencies

There are no significant changes in the status of contingencies as reported in note 26 to the annual audited financial statements of the Modaraba for the year ended June 30, 2023.

11.2 Commitments

Commitments in respect of financing transactions amounted to Rs. 982 (June 30, 2023: Rs. 615) million.

	(Un-audited)	(Un-audited)
	September 30, 2023	September 30, 2022
----- (Rupees) -----		
12. OTHER INCOME		
Gain on transfer of lease financing assets	-	559,370
Gain on sale of owned fixed assets - net	-	11,668
Profit on Modaraba's deposit accounts	21,239,446	18,179,592
Profit on Term Deposit Musharakas (TDMs)	8,377,685	3,875,390
Dividend from mutual funds	5,286,016	-
Profit on Ijarah GOP sukuk bonds	15,141,529	10,127,832
Profit on sukuk bonds	4,950,482	3,420,717
Miscellaneous income	14,248,180	3,862,201
	69,243,338	40,036,770
13. FINANCIAL CHARGES		
Profit paid on certificates of investment (musharaka)	765,921,932	432,951,596
Profit paid on Running Musharaka Financing	36,424,465	29,097,787
Financial charges on liability against right of use assets	980,836	346,489
Bank charges	759,807	166,158
	804,087,040	462,562,030

Notes To The Condensed Interim Financial Statements

FOR THE QUARTER ENDED SEPTEMBER 30, 2023

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

14.1 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, 2023 has been recognized at 10% (September 30, 2022: 10%) of profit for the period.

14.2 There is no change in the status of the Sindh Sales Tax levied by the Sindh Government at the rate of 13% (September 30, 2022: 13%) on the remuneration of the Modaraba Management Company, as reported in note 24.7 to the annual financial statements of the Modaraba for the year ended June 30, 2023.

	(Un-audited) September 30, 2023	(Un-audited) September 30, 2022
----- (Rupees) -----		
	102,220,942	49,945,169
	(19,432,832)	(15,056,105)
	82,788,110	34,889,064

15. TAXATION

Current
Deferred

16. EARNINGS PER CERTIFICATE - BASIC AND DILUTED

16.1 Basic

Basic earnings per certificate are calculated by dividing the net profit for the period by the weighted average number of certificates outstanding during the period as follows:

	(Un-audited) September 30, 2023	(Un-audited) September 30, 2022
----- (Rupees) -----		
Profit for the period - Rupees	187,580,572	103,733,494
Weighted average number of certificates of Rs. 5/- each	221,661,000	201,600,000
Earnings per certificate	0.85	0.51

16.2 Diluted

No figure for diluted earnings per certificate has been presented as the Modaraba has not issued any instruments which would have an impact on earnings per certificate when exercised.

	(Un-audited) September 30, 2023	(Audited) June 30, 2023
----- (Rupees) -----		
	667,056,905	188,108,417
	127,395,442	359,940,477
	(495,664,632)	(745,667,326)
	298,787,715	(197,618,432)

17. CASH AND CASH EQUIVALENTS

Cash and bank balance
Investment in Term Deposit Musharakas (TDMs)
Running musharakah

Notes To The Condensed Interim Financial Statements

FOR THE QUARTER ENDED SEPTEMBER 30, 2023

18. 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 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:

			(Un-audited)	(Audited)
			September 30, 2023	June 30, 2023
			(Rupees)	
Balances held				
Related party	Basis of relationship	Nature of balances		
Habib Metropolitan Bank Limited	Holding Company	Bank balances	563,291,200	160,387,545
		Investment in Term Deposit		
		Musharaka	124,733,354	-
		Certificates of investment (musharaka)	4,900,000,000	4,700,000,000
		Profit receivable	6,831,146	8,183,720
		Financial charges payable	253,635,342	85,712,740
		Utility charges payable	-	3,062,108
	Security deposit	130,000	130,000	
Habib Metropolitan Modaraba Management Company (Private) Limited	Management Company	Management fee payable	31,103,316	88,302,836
		Sale tax on management fee payable	48,005,040	43,961,609
			(Un-audited)	(Un-audited)
			September 30, 2023	September 30, 2022
			(Rupees)	
Transactions during the period				
Related party	Basis of relationship	Nature of transactions		
Habib Metropolitan Bank Limited	Holding Company	Profit on bank accounts	19,511,311	17,775,791
		Bank charges	193,610	126,655
		Utility charges	1,308,451	2,990,678
		Financial charges	345,733,698	172,466,507
Habib Metropolitan Modaraba Management Company (Private) Limited	Management Company	Management fee	31,103,316	15,947,192
		Sale tax on management fee	4,043,431	2,073,135
		Management fee paid	88,671,738	56,977,101
Staff Retirement Benefit Fund	Associate	Gratuity expense	930,627	900,000
Provident Fund	Associate	Contribution made	2,289,706	1,940,016

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

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

Notes To The Condensed Interim Financial Statements

FOR THE QUARTER ENDED SEPTEMBER 30, 2023

19. 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).

	September 30, 2023 (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	37,960,000	-	-	37,960,000	37,960,000	-	-	37,960,000
Sukuk	80,000,000	-	-	80,000,000	-	80,000,000	-	80,000,000
Investment in MCB Arif Habib funds (Alhamra Islamic Money Market Fund)	-	108,365,041	-	108,365,041	-	108,365,041	-	108,365,041
	117,960,000	108,365,041	-	226,325,041	37,960,000	188,365,041	-	226,325,041
Financial assets not measured at fair value (note 19.1)								
Investment in Term Deposit Musharaka (TDMs)	-	-	127,395,442	127,395,442				
Investment in GOP Ijarah Sukuk	-	-	273,780,160	273,780,160				
Diminishing musharaka financing	-	-	18,754,617,372	18,754,617,372				
Long term deposits	-	-	852,800	852,800				
Diminishing musharaka financing installments receivables	-	-	13,050,405	13,050,405				
Advances	-	-	87,922,930	87,922,930				
Other receivables	-	-	39,549,664	39,549,664				
Cash and bank balances	-	-	665,491,946	665,491,946				
	-	-	19,962,660,718	19,962,660,718				

During the period ended September 30, 2023, 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.

Notes To The Condensed Interim Financial Statements

FOR THE QUARTER ENDED SEPTEMBER 30, 2023

	June 30, 2023 (Audited)							
	Carrying amount				Fair value			
	At Fair value through OCI	At fair value through profit or loss		Total	Level 1	Level 2	Level 3	Total
		At amortised cost						
(Rupees)				(Rupees)				
Financial assets measured at fair value								
Shares of listed companies	41,265,000	-	-	41,265,000	41,265,000	-	-	41,265,000
Sukuk	80,000,000	-	-	80,000,000	-	80,000,000	-	80,000,000
Investment in MCB Arif Habib funds (Alhamra Islamic Money Market Fund)	-	103,871,927	-	103,871,927	-	103,871,927	-	103,871,927
	<u>121,265,000</u>	<u>103,871,927</u>	<u>-</u>	<u>225,136,927</u>	<u>41,265,000</u>	<u>183,871,927</u>	<u>-</u>	<u>225,136,927</u>
Financial assets not measured at fair value								
Investment in Term Deposit Musharaka (TDMs)	-	-	359,940,477	359,940,477				
Investment in GOP Ijarah Sukuk			273,780,160	273,780,160				
Diminishing musharaka financing	-	-	17,981,784,131	17,981,784,131				
Long term advances and deposits	-	-	852,800	852,800				
Diminishing musharaka financing installments receivables	-	-	7,590,286	7,590,286				
Advances	-	-	4,917,458	4,917,458				
Other receivables	-	-	24,375,360	24,375,360				
Cash and bank balances	-	-	186,587,635	186,587,635				
	<u>-</u>	<u>-</u>	<u>18,839,828,307</u>	<u>18,839,828,307</u>				

	September 30, 2023 (Un-audited)			June 30, 2023 (Audited)		
	At fair value	Other financial liabilities	Total	At fair value	Other financial liabilities	Total
	(Rupees)			(Rupees)		
Financial liabilities						
Certificates of investment (musharaka)	-	14,420,461,097	14,420,461,097	-	13,708,381,051	13,708,381,051
Unearned lease financing and diminishing musharaka installments	-	42,249,313	42,249,313	-	38,359,710	38,359,710
Advance lease financing and diminishing musharaka installments	-	13,506,703	13,506,703	-	15,572,861	15,572,861
Trade and other payables	-	931,371,567	931,371,567	-	853,693,091	853,693,091
Profit payable on certificates of investment (musharaka)	-	404,438,832	404,438,832	-	362,344,841	362,344,841
Unclaimed profit distributions	-	273,123,207	273,123,207	-	51,479,860	51,479,860
	<u>-</u>	<u>16,085,150,719</u>	<u>16,085,150,719</u>	<u>-</u>	<u>15,029,831,414</u>	<u>15,029,831,414</u>

19.1 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.

20. SEGMENT INFORMATION

As per IFRS 8, "Operating Segments", operating segments are reported in a manner consistent with the internal reporting used by the chief operating decision-maker. The Chief Executive Officer of the Management Company has been identified as the chief operating decision-maker, who is responsible for allocating resources and assessing performance of the operating segments.

The Chief Executive Officer is responsible for the Modaraba's entire product portfolio and considers the business to have a single operating segment. The Modaraba's asset allocation decisions are based on a single integrated investment strategy and the Modaraba's performance is evaluated on an overall basis.

Notes To The Condensed Interim Financial Statements

FOR THE QUARTER ENDED SEPTEMBER 30, 2023

The internal reporting provided to the Chief Executive Officer for the Modaraba's assets, liabilities and performance is prepared on a consistent basis with the measurement and recognition principles of the approved accounting standards as applicable in Pakistan.

The Modaraba is domiciled in Pakistan. All of the Modaraba's income is from investments in entities incorporated in Pakistan.

21. CORRESPONDING FIGURES

Corresponding figures have been rearranged or reclassified wherever necessary for the purpose of comparison and better presentation. No significant rearrangements or reclassifications have been made in these condensed interim financial statements during the period.

22. DATE OF AUTHORIZATION

These condensed interim financial statements were authorized for issue on October 24, 2023 by the Board of Directors of the Modaraba Management Company.

23. GENERAL

Figures have been rounded off to the nearest rupee.

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