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working world**

FIRST HABIB MODARABA

FINANCIAL STATEMENTS

FOR THE NINE MONTHS PERIOD ENDED 31 MARCH 2022

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AUDITORS' REPORT TO THE CERTIFICATE HOLDERS

We have audited the annexed balance sheet of **First Habib Modaraba** (the Modaraba) as at **31 March 2022** and the related profit and loss account, statement of comprehensive income, cash flow statement and statement of changes in equity together with the notes forming part thereof (hereinafter referred to as the financial statements), for the nine months period then ended and we state that we have obtained all the information and explanations which, to the best of our knowledge and belief, were necessary for the purposes of our audit.

These financial statements are the Modaraba Company's [Habib Metropolitan Modaraba Management Company (Private) Limited] responsibility who is also responsible to establish and maintain a system of internal control, and prepare and present the above said statements in conformity with the approved accounting standards as applicable in Pakistan and the requirements of the Modaraba Companies and Modaraba (Floatation and Control) Ordinance, 1980 (XXXI of 1980), and the Modaraba Companies and Modaraba Rules, 1981. Our responsibility is to express an opinion on these statements based on our audit.

We conducted our audit in accordance with the auditing standards as applicable in Pakistan. These standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of any material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting policies and significant estimates made by the Modaraba Company, as well as, evaluating the overall presentation of the financial statements. We believe that our audit provides a reasonable basis for our opinion and, after due verification, we report that:

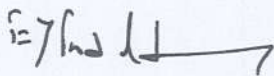
- (a) in our opinion, proper books of accounts have been kept by the Modaraba Company in respect of First Habib Modaraba as required by the Modaraba Companies and Modaraba (Floatation and Control) Ordinance, 1980, (XXXI of 1980) and the Modaraba Companies and Modaraba Rules, 1981;
- (b) in our opinion:
 - (i) the balance sheet and profit and loss account together with the notes thereon have been drawn up in conformity with the Modaraba Companies and Modaraba (Floatation and Control) Ordinance, 1980 (XXXI of 1980), and the Modaraba Companies and Modaraba Rules, 1981, and are in agreement with the books of account and are further in agreement with accounting policies consistently applied;
 - (ii) the expenditure incurred during the nine months period was for the purpose of the Modaraba's business; and

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- (iii) the business conducted, investments made and the expenditure incurred during the nine months period were in accordance with the objects, terms and conditions of the Modaraba.
- (c) in our opinion and to the best of our information and according to the explanations given to us, the balance sheet, profit and loss account, statement of comprehensive income, cash flow statement and statement of changes in equity together with the notes forming part thereof conform with approved accounting standards as applicable in Pakistan, and give the information required by the Modaraba Companies and Modaraba (Floatation and Control) Ordinance, 1980 (XXXI of 1980), and the Modaraba Companies and Modaraba Rules, 1981, in the manner so required and respectively give a true and fair view of the state of the Modaraba Company's affairs as at 31 March 2022 and of the profit, its comprehensive income, cash flows and changes in equity for the nine months period then ended; and
- (d) in our opinion, Zakat deductible at source under the Zakat and Ushr Ordinance, 1980, (XVIII of 1980) was deducted by the Modaraba Company and deposited in the Central Zakat Fund established under section 7 of that Ordinance.

Restriction on distribution and use

As stated in note 2.1.4 to the accompanying supplementary financial statements, these supplementary financial statements have been prepared in terms of the requirements of section 282(2)(e) of the Companies Act, 2017. Accordingly, it should not be used for any other purpose without our written consent.



Chartered Accountants

Audit Engagement Partner: Shaikh Ahmed Salman

Date: 31 May 2022

Karachi

**FIRST HABIB MODARABA
BALANCE SHEET
AS AT MARCH 31, 2022**

		March 31, 2022	June 30, 2021
	Note	----- (Rupees) -----	
ASSETS			
NON-CURRENT ASSETS			
Lease financing assets	5	351,493,090	861,522,931
Fixed assets in own use	6	54,523,177	54,298,927
Intangible assets	7	298,434	141,250
Diminishing musharaka financing	8	9,331,857,688	6,217,547,845
Long term deposits	9	1,147,800	1,147,800
		9,739,320,189	7,134,658,753
CURRENT ASSETS			
Investments	10	904,733,613	872,463,162
Current portion of diminishing musharaka financing	8	5,046,568,673	3,696,264,542
Lease financing installments receivable	11	-	385,597
Diminishing Musharaka financing installments receivable	12	10,145,498	155,806
Advances and prepayments	13	7,988,830	9,813,533
Other receivables	14	38,314,490	25,613,009
Income tax refundable	15	116,624,866	167,077,010
Cash and bank balances	16	189,839,268	216,102,298
		6,314,215,238	4,987,874,957
		16,053,535,427	12,122,533,710
TOTAL ASSETS			
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	17	1,008,000,000	1,008,000,000
Reserves	18	2,600,874,637	2,619,067,813
Certificate holders' equity		3,608,874,637	3,627,067,813
SURPLUS ON REVALUATION OF INVESTMENTS			
	19	257,870,039	201,278,830
NON-CURRENT LIABILITIES			
Security deposits against lease financing assets	20	70,827,995	130,913,803
Liability against right of use assets	21	8,546,287	10,133,260
Deferred tax Liability - net	22	755,869	-
		80,130,151	141,047,063
CURRENT LIABILITIES			
Certificates of investment (musharaka)	23	10,322,591,884	7,290,539,424
Security deposits - current portion	20	34,120,393	70,898,081
Current maturity of liability against right of use assets	21	15,385,880	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	24	696,000,560	546,546,836
Profit payable on certificates of investment (musharaka)		182,071,521	107,487,595
Running Musharaka	25	748,388,268	49,999,000
Unclaimed profit distributions		49,179,280	46,248,316
		12,106,660,600	8,153,140,004
		16,053,535,427	12,122,533,710
TOTAL EQUITY AND LIABILITIES			
CONTINGENCIES AND COMMITMENTS			
	26		

The annexed notes from 1 to 49 form an integral part of these financial statements.

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

Chief Executive Officer

Chief Financial Officer

Director


Director

**FIRST HABIB MODARABA
PROFIT AND LOSS ACCOUNT
FOR THE NINE MONTHS PERIOD ENDED MARCH 31, 2022**

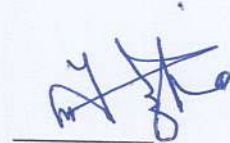
		For the Nine Months Period Ended March 31, 2022	June 30, 2021
	Note	----- (Rupees) -----	-----
Income from lease financing	27	111,995,409	129,761,238
Income from diminishing musharaka financing		897,842,139	796,465,070
Provision in respect of diminishing musharaka	28	(42,119,937)	(41,373,226)
Administrative expenses	29	(123,783,499)	(147,593,647)
		<u>843,934,112</u>	<u>737,259,435</u>
Other income	30	82,948,817	103,525,925
		<u>926,882,929</u>	<u>840,785,360</u>
Financial charges	31	(568,548,862)	(423,018,344)
Modaraba Management Company's remuneration	24.4	(35,833,407)	(41,776,705)
Sales tax on Modaraba Management Company's remuneration	24.5	(4,658,343)	(5,430,972)
Provision for Sindh Workers' Welfare Fund	24.3	(6,356,846)	(7,411,187)
Profit before taxation		<u>311,485,471</u>	<u>363,148,152</u>
Taxation	32	(46,440,998)	-
Profit for the period / year		<u><u>265,044,473</u></u>	<u><u>363,148,152</u></u>
Earning per certificate - basic and diluted	43	<u><u>1.31</u></u>	<u><u>1.80</u></u>

The annexed notes from 1 to 49 form an integral part of these financial statements.

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


Chief Executive Officer


Chief Financial Officer


Director


Director

**FIRST HABIB MODARABA
STATEMENT OF COMPREHENSIVE INCOME
FOR THE NINE MONTHS PERIOD ENDED MARCH 31, 2022**

Note	For the Nine Months Period Ended	
	March 31, 2022	June 30, 2021
	(Rupees)	
Profit for the period / year	265,044,473	363,148,152
Components of other comprehensive income reflected in equity		
Items that will not be reclassified subsequently to profit and loss account		
Actuarial loss on defined benefit plan - net of tax	24.7h(ii) (997,649)	(524,251)
Total comprehensive income for the year transferred to unappropriated profit	264,046,824	362,623,901
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 of tax	19 56,591,209	114,408,719
Total comprehensive income for the period / year	320,638,033	477,032,620

The annexed notes from 1 to 49 form an integral part of these financial statements.


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



Chief Executive Officer



Chief Financial Officer



Director



Director

FIRST HABIB MODARABA
CASH FLOW STATEMENT
FOR THE NINE MONTHS PERIOD ENDED MARCH 31, 2022

		For the Nine Months Period Ended	
		March 31, 2022	June 30, 2021
Note		----- (Rupees) -----	
CASH FLOW FROM OPERATING ACTIVITIES			
	Cash generated from operations	45 1,244,144,583	1,552,743,594
	Disbursement of lease financing assets	(57,982,023)	(98,383,329)
	Proceeds from transfer of lease financing assets	328,869,803	318,969,377
	Diminishing musharaka financing - net	(4,464,613,974)	(2,911,311,473)
	Long term deposits	-	71,050
	Security deposits against lease financing assets	(96,863,496)	(154,627,707)
	Financial charges paid	(460,290,711)	(447,259,812)
	Gratuity paid	-	(3,232,395)
	Tax paid	(15,250,317)	(19,238,871)
	Net cash (used in) / generated from operating activities	(3,521,986,135)	(1,762,269,566)
CASH FLOW FROM INVESTING ACTIVITIES			
	Purchase of fixed assets in own use	(13,870,174)	(6,185,057)
	Purchase of intangible assets	(182,531)	-
	Purchase of investments	(289,153,500)	-
	Proceeds from sale of fixed assets in own use	169,363	4,493,195
	Dividends received	15,961,688	21,884,171
	Net cash (used in) / generated from investing activities	(287,075,154)	20,192,309
CASH FLOW FROM FINANCING ACTIVITIES			
	Profit distribution paid	(279,309,032)	(279,215,967)
	Payments of lease rentals	(2,233,513)	(2,372,914)
	Certificates of investment (musharaka)	3,032,052,460	2,010,807,459
	Net cash generated from / (used in) from financing activities	2,750,509,915	1,729,218,578
	Net (decrease) / increase in cash and cash equivalents during the year	(1,058,551,374)	(12,858,679)
	Cash and cash equivalents at beginning of the year	655,751,071	668,609,750
	Cash and cash equivalents at end of the year	34 (402,800,303)	655,751,071

The annexed notes from 1 to 49 form an integral part of these financial statements.

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



Chief Executive Officer



Chief Financial Officer



Director



Director

FIRST HABIB MODARABA
STATEMENT OF CHANGES IN EQUITY
FOR THE NINE MONTHS PERIOD ENDED MARCH 31, 2022

	Capital reserves			Revenue reserves		Total equity
	Certificate capital	Certificate premium	Statutory reserves*	General reserves	Unappropriated profit	
(Rupees) -----						
Balance as at July 01, 2020	1,008,000,000	378,000,000	1,135,308,260	640,000,000	385,375,652	3,546,683,912
Profit distribution for the year ended June 30, 2020 at Rs.1.40 per certificate	-	-	-	-	(282,240,000)	(282,240,000)
Total comprehensive income for the year	-	-	-	-	362,623,901	362,623,901
Transfer to statutory reserve	-	-	72,629,630	-	(72,629,630)	-
Balance as at June 30, 2021	1,008,000,000	378,000,000	1,207,937,890	640,000,000	393,129,923	3,627,067,813
Balance as at July 01, 2021	1,008,000,000	378,000,000	1,207,937,890	640,000,000	393,129,923	3,627,067,813
Profit distribution for the year ended June 30, 2021 at Rs.1.40 per certificate	-	-	-	-	(282,240,000)	(282,240,000)
Total comprehensive income for the period	-	-	-	-	264,046,824	264,046,824
Balance as at March 31, 2022	1,008,000,000	378,000,000	1,207,937,890	640,000,000	374,936,747	3,608,874,637

* The statutory reserve represents profit set aside as required under the Modaraba Regulations 2021 for Modarabas as issued by the Securities and Exchange Commission of Pakistan.

The annexed notes from 1 to 49 form an integral part of these financial statements.



Chief Executive Officer

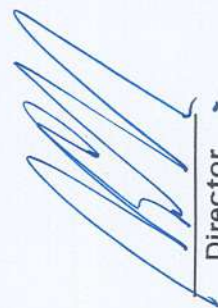
For Habib Metropolitan Modaraba Management Company (Private) Limited
(Modaraba Management Company)



Chief Financial Officer



Director



Director

FIRST HABIB MODARABA
NOTES TO THE FINANCIAL STATEMENTS
FOR THE NINE MONTHS PERIOD 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 (Ijarah), Musharaka, Murabaha financing and other related business. The affairs, activities and transactions, performed by the Modaraba during the year comply with the rules and principles of Islamic Shariah in light of the guidelines and directives given by the Shariah Advisor and guidelines issued by office of the Registrar Modaraba, Securities and Exchange Commission of Pakistan Limited (SECP). The registered office of the Modaraba is at 6th Floor HBZ Plaza, I.I. Chundrigar Road, Karachi.

Geographical location and addresses of business units of the modaraba are as under:

Location	Address	Purpose
Karachi	6th Floor, HBZ plaza, Hirani centre, I.I Chundrigar Road, Karachi	Head Office
Karachi	3rd Floor, Al-Manzoor Building, Dr. Ziauddin Ahmed Road, Karachi	Branch Office
Lahore	1st Floor, 5-Z Block, Phase III, Defence Housing Authority, Lahore	Branch Office
Islamabad	Office No. 508, 5th Floor, ISE tower, Jinnah Avenue, Blue Area, Islamabad	Branch Office
Multan	Mezzanine Floor, Abdali tower, Abdali road, Multan	Branch Office

2. BASIS OF PREPARATION

2.1 Statement of compliance

2.1.1 These financial statements have been prepared in accordance with the accounting and reporting standards as applicable in Pakistan. Such standards as applicable in Pakistan comprises of:

- International Financial Reporting Standards (IFRS Standards) issued by International Accounting Standards Board (IASB) as notified under 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).

2.1.2 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.

2.1.3 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.

2.1.4 Due to on-going merger negotiations between First Habib Modaraba and Habib Metro Modaraba, the special purpose financial statements for the nine months period ended March 31, 2022 have been prepared to comply with the requirements of Companies Act 2017 section 282(2)(e). Accordingly the comparative financial information in the profit and loss, statement of comprehensive income, cashflow statement and statement of changes in equity as well as their related disclosures are taken from the audited financial statements for the year ended June 30, 2021 and are not comparable with the current period financial information.

2.2 Basis of measurement

These financial statements have been prepared on the historical cost basis except for the measurement at fair value of certain financial instruments in accordance with the requirements of IFRS 9 'Financial Instrument', wherever applicable.

Permissible Islamic financial products including Murabaha (as a liability) and Musharaka have been used by the Modaraba, in line with similar industry practices. The accounting and presentation of the same are in line with the substance of the transaction and are limited to the extent of actual amount of facility utilized and mutually agreed mark-up / profit thereon. Accordingly, purchases, sales and Musharaka profits / reserves are not reflected in these financial statements except for Murabaha facility (as an asset) which has been accounted for in line with Islamic Financial Accounting Standard - 1.

These financial statements have been prepared following accrual basis of accounting except for cash flow information.

2.3 Functional and presentation currency

These financial statements have been presented in Pakistani Rupee, which is the functional and presentation currency of the Modaraba.

2.4 Significant accounting estimates and judgments

The preparation of financial statements in conformity with approved accounting standards requires the use of certain critical accounting estimates. It also requires management to exercise its judgment in the process of applying the Modaraba's accounting policies. Estimates and judgments are continually evaluated and are based on historic experience and other factors, including expectations of future events that are believed to be reasonable under the circumstances. Revisions to accounting estimates are recognized in the period in which the estimate is revised and in any future period effected. In the process of applying the Modaraba's accounting policies, management has made the following estimates and judgments which are significant to the financial statements:

a Useful lives, pattern of flow of economic benefits and impairment

Estimates with respect to residual values and depreciable lives and pattern of flow of economic benefits are based on the analysis by the management of the Modaraba. Further, the Modaraba reviews the value of the assets for possible impairment on an annual basis and any change in the estimates in the future might affect the carrying amount of respective item of property, plant and equipment, with a corresponding effect on the depreciation charge and impairment.

b Staff retirement benefits

Certain actuarial assumptions have been adopted as disclosed in note 23.7 to the financial statements for valuation of present value of defined benefit obligations and fair value of plan assets. Any changes in these assumptions in future years might effect unrecognized gains and losses in those years.

c Provisions against non-performing financing (Suspense income)

The Modaraba reviews its overdue lease financing and diminishing musharka installments at each reporting date to assess whether provision should be recorded in the profit and loss account, in addition to the mandatory provisions required in accordance with the Modaraba Regulations issued by the SECP. In particular, judgment by management is required in the estimation of the amount and timing of future cash flows when determining the level of provision required. Such estimates are based on assumptions regarding a number of factors and actual results may differ, resulting in future changes to the provisions.

d Lease term of contracts with renewal options

The Modaraba determines the lease term as the non-cancellable term of the lease, together with any periods covered by an option to extend the lease if it is reasonably certain to be exercised, or any periods covered by an option to terminate the lease, if it is reasonably certain not to be exercised.

The Modaraba has the option, under some of its leases to lease the asset for additional term based on mutual agreement with the lessor. The Modaraba applies judgement in evaluating whether it is reasonably certain to exercise the option to renew. That is, it considers all relevant factors that create an economic incentive for it to exercise the renewal. After the commencement date, the Modaraba reassesses the lease term if there is a significant event or change in circumstances that is within its control and affects its ability to exercise (or not to exercise) the option to renew (e.g., a change in business strategy).

The Modaraba included the renewal period as part of the lease term for leases of Modaraba's branch offices due to the significance of these assets to its operations.

e Current and deferred income taxes

In making the estimates for income taxes payable by the Company, management considers current income tax law and the decisions of appellate authorities on certain cases issued in the past. Where the final tax outcome is different from the amounts that were initially recorded, such differences will impact the income tax provision in the period in which such final outcome is determined. Deferred taxes are measured at the tax rates that are expected to apply to the period when the asset is realised or the liability is settled, based on the tax rates (and tax laws) that have been enacted or substantively enacted at the reporting date.

f. Contingencies

The assessment of contingencies inherently involves the exercise of significant judgement as the outcome of future events cannot be predicted with certainty. The Company, based on availability of latest information, estimates the value of contingent liabilities, which may differ on the occurrence / non-occurrence of uncertain future event(s).

3. NEW STANDARDS, INTERPRETATIONS AND AMENDMENTS TO PUBLISHED APPROVED ACCOUNTING STANDARDS

3.1 Standards, interpretations and amendments to approved accounting standards that are not yet effective

There are certain new and amended standards, issued by International Accounting Standards Board (IASB), interpretations and amendments that are mandatory for the Fund's accounting periods beginning on or after July 01, 2021 but are considered not to be relevant or do not have any significant effect on the Modaraba's operations and therefore not detailed in these condensed interim financial statements.

3.2 Standards, interpretations and amendments to the published accounting and reporting standards that are not yet effective

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 or Amendments	Effective date
Property, Plant and Equipment: Proceeds before Intended Use – Amendments to IAS 16	January 01, 2022
Reference to the Conceptual Framework – Amendments to IFRS 3	January 01, 2022
Onerous Contracts – Costs of Fulfilling a Contract – Amendments to IAS 37	January 01, 2022
Annual improvement process IFRS 1 First-time Adoption of International Financial Reporting Standards – Subsidiary as a first-time adopter	January 01, 2022
Annual improvement process IAS 41 Agriculture – Taxation in fair value measurements	January 01, 2022
Classification of liabilities as current or non-current - Amendment to IAS 1	January 01, 2023
Definition of Accounting Estimates - Amendments to IAS 8	January 01, 2023
Disclosure of Accounting Policies - Amendments to IAS 1 and IFRS Practice Statement 2	January 01, 2023
Deferred Tax related to Assets and Liabilities arising from a Single Transaction – Amendments to IAS 12	January 01, 2023
IFRS 3 - Reference to the Conceptual Framework (Amendments)	January 01, 2022
IFRS 9 Financial Instruments – Fees in the '10 per cent' test for derecognition of financial liabilities	January 01, 2022
Sale or Contribution of Assets between an Investor and its Associate or Joint Venture - Amendment to IFRS 10 and IAS 28	Not yet finalized
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.	

Standards	IASB Effective date (annual periods beginning on or after)
IFRS 1 - First-time Adoption of International Financial Reporting Standards	July 01, 2009
IFRS 17 - Insurance Contracts	January 01, 2023

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.

4. SIGNIFICANT ACCOUNTING POLICIES

The accounting policies adopted in the preparation of these financial statements are consistent with those of the previous financial years.

4.1 Revenue recognition

Lease financing installments are recognized on accrual basis.

Income from Murabaha is accounted for on consummation of Murabaha transaction. However, profit on that portion of revenue not due for payment (deferred Murabaha income) is deferred and recognized on a time proportionate basis.

Income on diminishing musharaka financing is recognized on accrual basis.

Income on Ijarah GOP Sukuk bond is recognized on accrual basis.

Dividend income is recognized when the right to receive the dividend is established.

Return on deposit accounts is recognized on accrual basis.

4.2 Fixed assets

(a) Lease financing assets

Lease financing assets are stated at cost less accumulated depreciation. Depreciation is charged to profit and loss account applying the straight line method whereby the cost of an asset less salvage value is written off over the Lease financing period, which is considered to be the estimated useful life of the asset. In respect of additions and disposals during the year, depreciation is charged proportionately from the date of delivery of assets to the date of its maturity / termination. At the end of the lease financing period, asset is transferred to the customer in accordance with the arrangement of Ijarah Mumtasia Bittamleek as per the Accounting and Auditing Organisation for Islamic Financial Institutions (AAOIFI) shariah standard.

(b) Assets in own use

These are stated at cost less accumulated depreciation. Depreciation is charged to profit and loss account applying the straight line method whereby the cost of an asset is written off over its estimated useful life. In respect of additions and disposals during the year, depreciation is charged proportionately for the period of use.

Maintenance and normal repairs are charged to income as and when incurred. Major renewals and improvements are capitalized if the recognition criteria are met.

The assets' residual values, useful lives and depreciation methods are reviewed, and adjusted if appropriate, at each year end.

(c) Gain or loss on disposal

Gain or loss on disposal of assets, if any, is recognized as and when incurred.

(d) Impairment

The Modaraba assesses at each balance sheet date whether there is any indication that assets excluding inventory may be impaired. If such indication exists, the carrying amounts of such assets are reviewed to assess whether they are recorded in excess of their recoverable amounts. Where the carrying value exceeds the recoverable amount, assets are written down to the recoverable amount and the difference is charged to the profit and loss account.

4.3 Intangible assets

These are stated at cost less accumulated amortization and impairment, if any.

Amortization is charged to profit and loss account applying the straight line method whereby the cost of an asset is written off over its estimated useful life. In respect of additions and disposals during the year, amortization is charged proportionately for the period of use.

Impairment

The Modaraba assesses at each balance sheet date whether there is any indication that intangible assets may be impaired. If such indication exists, the carrying amounts of such assets are reviewed to assess whether they are recorded in excess of their recoverable amounts. Where the carrying value exceeds the recoverable amount, intangible assets are written down to the recoverable amount and the difference is charged to the profit and loss account.

4.4 Financial instruments

Initial recognition and measurement

Financial assets and liabilities, with the exception of bank balances, loans and advances to employees / counterparties and due to counterparties, are initially recognised on the trade date, i.e., the date that the Modaraba becomes a party to the contractual provisions of the instrument. This includes regular way trades: purchases or sales of financial assets that require delivery of assets within the time frame generally established by regulation or convention in the market place.

Bank balances and loans and advances to employees / counterparties are recognised when funds are transferred to the banks / employees / counterparties. The Modaraba recognises due to counterparties when funds reach the Modaraba.

All financial instruments are measured initially at their fair value plus transaction costs, except in the case of financial assets and financial liabilities recorded at fair value through profit or loss.

Financial assets

Financial assets are classified, at initial recognition, as subsequently measured at amortised cost, fair value through other comprehensive income (OCI) and fair value through profit or loss.

The classification of financial assets at initial recognition depends on the financial asset's contractual cash flow characteristics and the Modarabas business model for managing them.

i) Financial assets measured at amortised cost

A debt instrument is measured at amortised cost if it is held within a business model whose objective is to hold financial assets in order to collect contractual cash flows and its contractual terms give rise on specified dates to cash flows that are solely payments of principal and profit on the principal amount outstanding. The Modaraba includes in this category short-term non-financing receivables, accrued income and other

ii) Financial assets measured at fair value through profit or loss (FVPL)

A financial asset is measured at FVPL if:

- (a) Its contractual terms do not give rise to cash flows on specified dates that are solely payments of principal and profit on the principal amount outstanding; or
- (b) It is not held within a business model whose objective is either to collect contractual cash flows, or to both collect contractual cash flows and sell; or
- (c) At initial recognition, it is irrevocably designated as measured at FVPL when doing so eliminates or significantly reduces a measurement or recognition inconsistency that would otherwise arise from measuring assets or liabilities or recognising the gains and losses on them on different bases.

iii) Financial assets measured at fair value through other comprehensive income (FVOCI)

Debt instrument

The Modaraba measures debt instruments at FVOCI if both of the following conditions are met:

- (a) The financial asset is held within a business model with the objective of both holding to collect contractual cash flows and selling; and
- (b) The contractual terms of the financial asset give rise on specified dates to cash flows that are solely payments of principal and profit on the principal amount outstanding.

For debt instruments at FVOCI, profit income, foreign exchange revaluation and impairment losses or reversals are recognised in the profit and loss account and computed in the same manner as for financial assets measured at amortised cost. The remaining fair value changes are recognised in Other Comprehensive Income. Upon derecognition, the cumulative fair value change recognised in Other Comprehensive Income is recycled to profit and loss account.

Equity instrument

Upon initial recognition, the Modaraba can elect to classify irrevocably its equity investments as equity instruments designated at FVOCI when they meet the definition of equity under IAS 32 - 'Financial Instruments: Presentation and are not held for trading'. The classification is determined on an instrument-by-instrument basis.

Gains and losses on these financial assets are never recycled to profit and loss account. Dividends are recognised as other income in the statement of profit and loss account when the right of payment has been established, except when the Modaraba benefits from such proceeds as a recovery of part of the cost of the financial asset, in which case, such gains are recorded in Other Comprehensive Income. Equity instruments designated at FVOCI are not subject to impairment assessment.

Impairment of financial assets

Provision for non-performing Islamic financing is made in accordance with the Modaraba Regulation 2021 for modarabas issued by SECP vide SRO 284 (I) / 2021 dated March 05, 2021 and subsequent amendments made therein, and is charged to profit and loss account.

The management also evaluates the Islamic financing receivable subjectively to further down-grade if required.

Furthermore, the management has made an assessment of impairment under expected credit loss model of IFRS 9 for financial assets other than financing assets i.e. balances with banks and other financial assets, and concluded that impact is not material to the financial statements.

Financial liabilities

Financial liabilities measured at amortised cost

This category includes all financial liabilities, other than those measured at fair value through profit or loss. The Modaraba includes in this category short-term payables.

Derecognition

A financial asset (or, where applicable, a part of a financial asset or a part of a group of similar financial assets) is derecognised where the rights to receive cash flows from the asset have expired, or the Modaraba has transferred its rights to receive cash flows from the asset, or has assumed an obligation to pay the received cash flows in full without material delay to a third party under a pass-through arrangement and the Modaraba has:

- (a) transferred substantially all of the risks and rewards of the asset; or
- (b) neither transferred nor retained substantially all the risks and rewards of the asset, but has transferred control of the asset.

When the Modaraba has transferred its right to receive cash flows from an asset (or has entered into a pass-through arrangement), and has neither transferred nor retained substantially all of the risks and rewards of the asset nor transferred control of the asset, the asset is recognised to the extent of the Modaraba's continuing involvement in the asset. In that case, the Modaraba also recognises an associated liability. The transferred asset and the associated liability are measured on a basis that reflects the rights and obligations that the Modaraba has retained. The Modaraba derecognises a financial liability when the obligation under the liability is discharged, cancelled or expired.

Any gain or loss on arising on derecognition is charged to Profit and Loss Account.

Offsetting of financial assets and financial liabilities

Financial assets and liabilities are offset and the net amount is reported in the balance sheet when there is a legally enforceable right to set-off the recognized amounts and the Modaraba intends to either settle on a net basis, or to recognize the asset and settle the liability simultaneously.

4.5 Trade date accounting

All 'regular way' purchases and sales of quoted equity securities are recognized on the trade date i.e. the date that the Modaraba commits to purchase / sell the asset. 'Regular way' purchases or sales of quoted investments require delivery within two working days after the transaction date as per stock exchange regulations.

4.6 Lease financing installments and Diminishing musharaka financing

Lease financing installments and Diminishing musharaka financing are stated net of provision and suspense income. Provision is recognized for Lease financing installments and Diminishing musharaka financing, in accordance with the Modaraba Regulations 2021 for Modarabas. Bad debts are written-off when identified.

4.7 Deposits, advances, prepayments and other receivables

Deposits, advances, prepayments and other receivables are stated initially at fair value and subsequently measured at amortised cost using the effective interest rate method.

4.8 Cash and cash equivalents

Cash and cash equivalents are carried at cost.

For the purpose of the statement of cash flows, cash and cash equivalents consist of cash in hand, stamp in hand, current and saving accounts, short term deposits with maturity of 3 months or less from date of acquisition and running musharaka.

4.9 Finance arrangements including Certificate of Investment (Musharaka)

These are measured at principal amount on balance sheet date. The amount received by the modaraba from Certificate of Investment holders is invested in the overall business activity of the modaraba on the basis of full participation in the profit and loss of the modaraba.

The profit shall be shared by Certificate of Investment holders and certificate holders in accordance with the agreed ratio. Profit on certificate of investment arrangement are recognized as financial expense in the period in which they incurred.

Profit on Musharaka finance is accounted for on the basis of the projected rate of profit. The effect of adjustments, if any, between actual rate and projected rate of profit is accounted for at the end of each quarter after determination of the actual rate.

4.10 Staff retirement benefits

(a) Gratuity scheme

The Modaraba operates an approved funded defined benefit gratuity scheme for all its permanent employees. The scheme is administrated by the trustees nominated under the trust deed. The Scheme provides for a graduated scale of benefits dependent on the length of service of the employee on terminal date, subject to the completion of minimum qualifying period of service. Gratuity is based on employees' last drawn salary. Provisions are made to cover the obligations under the scheme on the basis of actuarial recommendations. The actuarial valuations are carried out using the Projected Unit Credit Method. Actuarial gain or loss (remeasurements) are immediately recognised in 'Other Comprehensive Income' as they occur. The amount recognised in the statement of financial position represents the present value of defined benefit obligations as reduced by the fair value of the plan assets. Current service costs and any past service costs together with net interest cost are charged to profit or loss.

(b) Provident fund

The Modaraba also operates an approved funded contributory provident fund scheme for all its employees who are eligible under the scheme. Equal monthly contributions at the rate of 10 percent of basic salary are made by both Modaraba and its employees.

Compensated absences

The Modaraba accounts for these benefits in the period in which the absences are earned.

4.11 Taxation

Current

Provision for current taxation is based on the taxable income for the year determined in accordance with the prevailing law for taxation on income. The charge for current tax is calculated using prevailing tax rates. The charge for current tax also includes adjustments for prior years or otherwise considered necessary for such years. Current tax is charged to profit or loss except to the extent it relates to items recognised in other comprehensive income/(loss).

12

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.

4.12 Provisions

Provisions are recognized when the Modaraba has a present legal or constructive obligation as a result of past events and it is probable that an outflow of resources embodying economic benefits will be required to settle the obligation and a reliable estimate of the obligation can be made.

The amount recognised as provision is the best estimate of consideration required to settle the present obligation at end of reporting date, taking into account the risk and uncertainties surrounding the obligation.

4.13 Profit distribution and other appropriations of profit

Profit distribution and other appropriations of profit are recognized in the year in which these are approved. Transfer to statutory reserve and any of the mandatory appropriations as may be required by law are recognized in the period to which these relate.

4.14 Certificate capital and earning per certificate

The Modaraba presents basic and diluted earnings per certificate data for its ordinary certificates. Basic earning per certificate is calculated by dividing the profit or loss attributable to ordinary certificate holders of the Modaraba by the weighted average number of certificates outstanding during the year. Diluted earning per certificate is determined by adjusting the profit or loss attributable to ordinary certificate holders and the weighted average number of ordinary certificates outstanding for the effects of all dilutive potential ordinary certificates.

Ordinary certificates are classified as equity and are recorded at their face value. Incremental costs directly attributable to the issue of new certificates or options are shown in equity as a deduction, net of tax, from the proceeds.

4.15 Contingencies

Contingencies are disclosed when Modaraba has possible obligation that arises from past event and whose existence will be confirmed only by occurrence or non-occurrence of one or more uncertain future events not wholly within the control of entity, or a present obligation that arises from past event but is not recognised because it is not probable that an outflow of recourse embodying economic benefit will be required to settle the obligation or, when amount of obligation cannot be measured with sufficient reliability.

4.16 Segment reporting

Segment reporting is based on the operating (business) segments of the Modaraba. An operating segment is a component of the Modaraba that engages in business activities from which it may earn revenue and incur expenses. An operating segment's operating results are reviewed regularly by the Management Committee of the Modaraba to make decisions about resources to be allocated to the segment and assess its performance, and for which discrete financial information is available.

Segment results that are reported to the BoM includes items directly attributable to a segment as well as those that can be allocated on a reasonable basis. The business segments are engaged in providing products or services which are subject to risk and rewards which differ from the risk and rewards of other segments. Segments reported are Lease financing assets and diminishing musharaka financing.

4.17 Details of related parties of the Modaraba

Name of related party	Nature of relationship	Basis of relationship
Habib Metropolitan Bank Limited	Holding Company of Management Company	Common Management and Control
Habib Bank AG Zurich	Associate	Ultimate parent
Habib Metropolitan Modaraba Management Company (Private) Limited	Associate	Management Company of the Modaraba
Habib Metropolitan Financial Services Limited	Associate	Common Management and Control
First Habib Modaraba Employee Contributory Provident Fund	Associate	Common Management
First Habib Modaraba Employee Staff Gratuity Fund	Associate	Common Management
Habib Metro Modaraba	Associate	Common Management and Control

4.18 Leases

Right-of-use assets

The Modaraba recognises right-of-use assets at the commencement date of the lease (i.e., the date the underlying asset is available for use). Right-of-use assets are measured at cost, less any accumulated depreciation and impairment losses, and adjusted for any remeasurement of lease liabilities. The cost of right-of-use assets includes the amount of lease liabilities recognised, initial direct costs incurred, and lease payments made at or before the commencement date less any lease incentives received. Unless the Modaraba is reasonably certain to obtain ownership of the leased asset at the end of the lease term, the recognised right-of-use assets are depreciated on a straight-line basis over the shorter of its estimated useful life and the lease term. Right-of-use assets are subject to impairment. The right of use assets are included in fixed assets in own use.

Lease liabilities

At the commencement date of the lease, the Modaraba recognises lease liabilities measured at the present value of lease payments to be made over the lease term. The lease payments include fixed payments (including in-substance fixed payments) less any lease incentives receivable, variable lease payments that depend on an index or a rate, and amounts expected to be paid under residual value guarantees.

In calculating the present value of lease payments, the Modaraba uses the incremental borrowing rate at the lease commencement date if the interest rate implicit in the lease is not readily determinable. After the commencement date, the amount of lease liabilities is increased to reflect the accretion of interest and reduced for the lease payments made. In addition, the carrying amount of lease liabilities is remeasured if there is a modification, a change in the lease term, a change in the in-substance fixed lease payments or a change in the assessment to purchase the underlying asset.

Short-term leases and leases of low-value assets

The Modaraba applies the short-term lease recognition exemption to its short-term leases of property and equipment (i.e., those leases that have a lease term of 12 months or less from the commencement date and do not contain a purchase option). It also applies the lease of low-value assets recognition exemption to leases that are considered of low value. Lease payments on short-term leases and leases of low-value assets are recognised as expense on a straight-line basis over the lease term.

5. LEASE FINANCING ASSETS	Note	March 31, 2022	June 30, 2021
		----- (Rupees) -----	
Lease financing assets	5.1	351,493,090	861,522,931
Advance against lease financing assets	5.2	-	-
		<u>351,493,090</u>	<u>861,522,931</u>

6.1 Assets in own use

March 31, 2022

Particulars	COST		As at end of the period	ACCUMULATED DEPRECIATION			Written down value as at end of the period	Rate of depreciation %
	As at beginning of the period	Additions / (disposals) during the period		As at beginning of the period	Charge / (adjustments) for the period	As at end of the period		
				(Rupees)				
Office equipment	22,590,835	3,224,440	25,815,275	18,282,254	2,297,259	20,579,513	5,235,762	25 to 33.33
Furniture and fixture	12,078,486	496,615	12,575,101	8,788,495	1,272,399	10,060,894	2,514,207	20 to 25
Vehicles	25,592,680	9,191,000 (1,078,000)	33,705,680	9,119,870	3,469,515 (1,074,207)	11,515,178	22,190,502	16.67
Leasehold improvements	19,246,740	958,106	20,204,846	11,601,387	2,795,173	14,396,560	5,808,286	20
	79,508,741	13,870,161 (1,078,000)	92,300,902	47,792,006	9,834,346 (1,074,207)	56,552,145	35,748,768	

June 30, 2021

Particulars	COST		As at end of the year	ACCUMULATED DEPRECIATION			Written down value as at end of the year	Rate of depreciation %
	As at beginning of the year	Additions / (disposals) during the year		As at beginning of the year	Charge / (adjustments) for the year	As at end of the year		
				(Rupees)				
Office equipment	23,975,963	2,186,492 (3,571,620)	22,590,835	18,792,369	3,046,818 (3,556,933)	18,282,254	4,308,581	25 to 33.33
Furniture and fixture	12,168,786	541,800 (632,100)	12,078,486	7,602,267	1,733,399 (547,171)	8,788,495	3,289,991	20 to 25
Vehicles	28,466,181	2,834,999 (5,708,500)	25,592,680	7,262,262	4,280,844 (2,423,236)	9,119,870	16,472,810	16.67
Leasehold improvements	17,868,205	1,378,535	19,246,740	7,809,414	3,791,973	11,601,387	7,645,353	20
	82,479,135	6,941,826 (9,912,220)	79,508,741	41,466,312	12,853,034 (6,527,340)	47,792,006	31,716,735	

For the Nine Months

Period Ended

March 31, June 30,

2022 2021

Note

6.2 Capital work-in-progress

As at beginning of the period / year

Add: Addition to capital work-in-progress

Less: Transfers to assets in own use

As at end of the period / year

756,769

756,769

(756,769)

6.3 Right-of-use assets

As at beginning of the period / year

Depreciation Expense

As at end of the period / year

22,582,192

(3,807,783)

18,774,409

29

27,659,236

(5,077,044)

22,582,192

March 31, June 30,

2022 2021

----- (Rupees) -----

7. INTANGIBLE ASSETS

Intangible assets

Capital work-in-progress

7.1

7.2

157,153

141,250

298,403

-

141,250

141,250

7.1 INTANGIBLE ASSETS

Particulars	COST		AMORTIZATION			Written down value as at end of the period	Rate of Amortization %
	As at beginning of the period	Additions / (disposals) during the period	As at end of the period	As at beginning of the period (Rupees)	Charge for the period		
Computer software - March 31, 2022	3,807,214	182,500	3,989,714	3,807,214	25,347	3,832,561	33.33
Computer software - June 30, 2021	3,807,214	-	3,807,214	3,749,753	57,461	3,807,214	33.33

For the Nine Months

Period Ended

March 31, June 30,

2022 2021

Note

7.2 Capital work-in-progress

As at the beginning of the period / year

Add: Addition to capital work-in-progress

As at end of the period / year

141,250

-

141,250

-

141,250

141,250

8. DIMINISHING MUSHARAKA FINANCING	Note	March 31, 2022	June 30, 2021
		------(Rupees)-----	
Secured			
Diminishing musharaka financing	8.1 & 8.3	11,742,374,406	8,601,350,789
Less: Provision in respect of diminishing musharaka	8.2	(193,158,379)	(151,038,442)
	8.3	11,549,216,027	8,450,312,347
Less: Current portion shown in current assets		(5,046,568,673)	(3,696,264,542)
		6,502,647,354	4,754,047,805
Add: Advance against diminishing musharaka financing		2,829,210,334	1,463,500,040
		<u>9,331,857,688</u>	<u>6,217,547,845</u>

8.1 This represents diminishing musharaka financing for a term of 1 to 10 years.

8.2 Movement of provision in respect of diminishing musharaka	Note	For the Nine Months Period Ended	
		March 31, 2022	June 30, 2021
		------(Rupees)-----	
As at the beginning of the period / year		151,038,442	109,665,216
Charge for the period / year		109,689,163	126,566,096
Reversal for the period / year		(67,569,226)	(85,192,870)
Write off for the period / year		-	-
	28	42,119,937	41,373,226
As at end of the period / year		<u>193,158,379</u>	<u>151,038,442</u>

8.3 Aging of diminishing musharaka financing	Note	March 31, 2022	June 30, 2021
		------(Rupees)-----	
Classification			
Considered good		11,549,216,027	8,248,691,100
Portfolio classified as non-performing			
Other asset especially mentioned (OAEM)		61,422,460	60,197,893
Substandard		230,361	194,434,221
Loss		131,505,558	98,027,575
	8.3.1	193,158,379	352,659,689
		<u>11,742,374,406</u>	<u>8,601,350,789</u>

8.3.1 This includes classification into various categories based on subjective evaluation of borrowers.

9. LONG TERM DEPOSITS	March 31, 2022	June 30, 2021
	------(Rupees)-----	
Security deposit to Central Depository Company of Pakistan Limited	150,000	150,000
Security deposit of branch offices	786,800	786,800
Security deposit to Habib Metropolitan Bank for locker	130,000	130,000
Miscellaneous deposits	81,000	81,000
	<u>1,147,800</u>	<u>1,147,800</u>

10. INVESTMENTS

At fair value through other comprehensive income

Investment in shares

Investment in sukuk

At amortized cost

Investment in Term Deposit Musharakas (TDMs)

Investment in sukuk

Note	March 31, 2022	June 30, 2021
	------(Rupees)-----	
10.1	395,309,916	302,815,389
10.2	80,000,000	80,000,000
	475,309,916	382,815,389
10.3	155,748,697	489,647,773
	273,675,000	-
	429,423,697	489,647,773
	904,733,613	872,463,162

10.1 Investment in shares

Shares of listed companies

Number of shares

March 31, 2022 June 30, 2021

Name of Investee Company	March 31, 2022		June 30, 2021	
	Average Cost	Market Value	Average Cost	Market Value
	------(Rupees)-----			
Banks				
Meezan Bank Limited	35,209,591	302,594,208	35,209,591	231,882,345
Sugar and Allied Industries				
Habib Sugar Mills Limited	47,301,563	46,830,708	47,301,563	49,852,044
Fertilizer				
Engro Fertilizer Limited	34,503,905	45,885,000	19,025,405	21,081,000
	117,015,059	395,309,916	101,536,559	302,815,389

10.2 This includes perpetual, unsecured, subordinated, non-cumulative, and contingent convertible sukuk having following characteristics:

	Rating	Face value	Rate
Meezan Bank Limited	AA+	1,000,000	3MK + 1.75%
BankIslami Pakistan Limited	A-	5,000	3MK + 2.75%

10.3 These carry profit at rates ranging from 5.50% to 9.15% (2021: 5.50% to 6.75%) per annum having maturity from 3 months to 6 months.

		March 31, 2022	June 30, 2021
	Note	------(Rupees)-----	
11. LEASE FINANCING INSTALLMENTS RECEIVABLE			
Secured - considered good			
Lease financing installments due	11.1	246,459	514,033
Less: Provision against lease financing installments receivable		(246,459)	(128,436)
		<u>-</u>	<u>385,597</u>
11.1 Aging of lease financing installments receivable			
Classification			
Considered good		-	385,597
Portfolio classified as non-performing:			
Other asset especially mentioned (OAEM)			
Substandard		246,459	128,436
Doubtful		-	-
Loss		-	-
	11.1.1	246,459	128,436
		<u>246,459</u>	<u>514,033</u>
11.1.1 This also includes provision on subjective basis.			
12. DIMINISHING MUSHARAKA FINANCING INSTALLMENTS RECEIVABLE			
Secured - considered good			
Diminishing Musharaka financing installments receivable	12.1	16,503,198	8,141,824
Less: Provision against Diminishing Musharaka financing installments receivable		(6,357,700)	(7,986,018)
		<u>10,145,498</u>	<u>155,806</u>
12.1 Aging of Diminishing Musharaka financing installments receivable			
Classification			
Considered good		10,145,498	155,806
Portfolio classified as non-performing:			
Other asset especially mentioned (OAEM)			
Substandard		1,809,612	2,627,036
Doubtful		726,738	2,074,392
Loss		479,508	888,771
	12.1.1	3,341,842	2,395,819
		6,357,700	7,986,018
		<u>16,503,198</u>	<u>8,141,824</u>
12.1.1 This also includes provision on subjective basis.			
13. ADVANCES AND PREPAYMENTS			
Advances		6,460,492	6,062,804
Prepayments		1,528,338	3,750,729
		<u>7,988,830</u>	<u>9,813,533</u>
		<u>12</u>	

14. OTHER RECEIVABLES

Unsecured - considered good

Profit receivable on modaraba deposit accounts
Stamp in hands receivable
Profit receivable on sukuk
Advance tax
Other receivables

Note

March 31,
2022June 30,
2021

----- (Rupees) -----

2,951,262	4,134,042
161,400	124,000
7,029,134	608,342
18,501,373	19,698,872
9,671,321	1,047,753
<u>38,314,490</u>	<u>25,613,009</u>

15. INCOME TAX REFUNDABLE

Income tax refund

15.1

<u>116,624,866</u>	<u>167,077,010</u>
--------------------	--------------------

- 15.1 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, since the management is confident that the same shall be refunded.

16. CASH AND BANK BALANCES

Note

March 31,
2022June 30,
2021

----- (Rupees) -----

Stamps in hand

109,600	152,200
---------	---------

At banks

Current accounts

State Bank of Pakistan
With other banks

227,149	232,047
<u>74,754,315</u>	<u>8,115,580</u>

Profit bearing accounts

Modaraba deposit account with Habib Metropolitan Bank
Limited (Islamic branch) - a related party
Modaraba deposit account with other financial institutions

16.1

16.2

114,748,204	207,602,471
-	-
<u>114,748,204</u>	<u>207,602,471</u>
<u>189,839,268</u>	<u>216,102,298</u>

- 16.1 The profit on the above modaraba deposit accounts ranges between 5.5% to 9.00% (2021: 5.5%) per annum.
- 16.2 The profit on the above modaraba deposit accounts ranges between 2.75% to 4.00% (2021: 2.75% to 2.80%) per annum.

17. ISSUED, SUBSCRIBED AND PAID-UP
CERTIFICATE CAPITAL

March 31,
2022
----- (Number of certificates) -----

June 30,
2021March 31,
2022June 30,
2021

----- (Rupees) -----

193,900,000	193,900,000	Certificates of Rs.5/- each issued for cash
7,700,000	7,700,000	Certificates of Rs.5/- each issued as bonus certificates
<u>201,600,000</u>	<u>201,600,000</u>	

969,500,000	969,500,000
38,500,000	38,500,000
<u>1,008,000,000</u>	<u>1,008,000,000</u>

18. RESERVES

Capital reserves

Premium on issuance of certificates
Statutory reserves

March 31,
2022June 30,
2021

----- (Rupees) -----

378,000,000	378,000,000
<u>1,207,937,890</u>	<u>1,207,937,890</u>
1,585,937,890	1,585,937,890

Revenue reserves

General
Unappropriated profit

640,000,000	640,000,000
<u>374,936,747</u>	<u>393,129,923</u>
1,014,936,747	1,033,129,923
<u>2,600,874,637</u>	<u>2,619,067,813</u>

		For the Nine Months Period Ended	
		March 31, 2022	June 30, 2021
19.	SURPLUS ON REVALUATION OF INVESTMENTS	------(Rupees)-----	
	Market value of investments	475,309,916	382,815,389
	Less: Cost of investments	(197,015,059)	(181,536,559)
	Less: Deferred tax	(20,424,818)	-
		<u>257,870,039</u>	<u>201,278,830</u>
	Surplus on revaluation at beginning of the period / year - net of tax	201,278,830	86,870,111
	Surplus transferred to unappropriated profit during the period / year - net of tax	-	-
	Surplus on revaluation during the period / year - net of tax	<u>56,591,209</u>	<u>114,408,719</u>
		<u>56,591,209</u>	<u>114,408,719</u>
		<u>257,870,039</u>	<u>201,278,830</u>

19.1 Surplus on revaluation of investments is presented under a separate head below equity as 'surplus on revaluation of investments' in accordance with the requirements of Circular No. SC/M/PRDD/PRs/2017-259 dated December 11, 2017.

		For the Nine Months Period Ended	
		March 31, 2022	June 30, 2021
20.	SECURITY DEPOSITS AGAINST LEASE FINANCING ASSETS	------(Rupees)-----	
	Lease security deposits	104,948,388	201,811,884
	Less: Current portion shown under current liabilities	(34,120,393)	(70,898,081)
		<u>70,827,995</u>	<u>130,913,803</u>

20.1 These represent deposits from lease without any remuneration.

		For the Nine Months Period Ended	
		March 31, 2022	June 30, 2021
21.	LIABILITY AGAINST RIGHT OF USE ASSETS	------(Rupees)-----	
	As at beginning of the period / year	23,695,845	22,866,700
	Finance cost for the period / year	2,469,835	3,202,059
	Payments made during the period / year	(2,233,513)	(2,372,914)
	As at end of the period / year	23,932,167	23,695,845
	Less: Current maturity	(15,385,880)	(13,562,585)
		<u>8,546,287</u>	<u>10,133,260</u>

22. **DEFERRED TAX LIABILITY - net**

	As at June 30, 2021	For the Nine Months Period		As at March 31, 2022
		Profit or loss	OCI	
Deductible temporary differences in respect of:				
- Depreciation on fixed assets	-	4,935,201	-	4,935,201
- Provision in respect of diminishing musharaka	-	12,214,782	-	12,214,782
- Post retirement employee benefits	-	615,725	407,490	1,023,216
- Other deductible temporary differences	-	1,495,750	-	1,495,750
	-	19,261,458	407,490	19,668,949
Taxable Temporary Differences on:				
- Surplus on revaluation of investments	-	-	(20,424,818)	(20,424,818)
	-	-	(20,424,818)	(20,424,818)
	-	<u>19,261,458</u>	<u>(20,017,328)</u>	<u>(755,869)</u>

		For the Nine Months Period Ended	
		March 31, 2022	June 30, 2021
23.	CERTIFICATES OF INVESTMENT (MUSHARAKA)	------(Rupees)-----	
	Unsecured		
	Certificates of Investment (musharaka)	10,322,591,884	7,290,539,424

		For the Nine Months Period Ended	
		March 31, 2022	June 30, 2021
		(Rupees)	
23.1 Movement in Certificates of Investment (musharaka)	Note		
As at beginning of the period / year		7,290,539,424	5,279,731,965
Add: Certificates issued during the period / year	23.1.1	16,228,825,726	11,109,139,559
		<u>23,519,365,150</u>	<u>16,388,871,524</u>
Less: Encashment during the period / year	23.1.1	(13,196,773,266)	(9,098,332,100)
As at end of the period / year		<u>10,322,591,884</u>	<u>7,290,539,424</u>
23.1.1 The rollover amount of Rs.6,366,085,069 (2021: Rs. 9,721,123,246) has been excluded from certificates issued and encashed during the year.			
23.2 The estimated share of profit paid / payable on the above unsecured certificates of investments (musharaka) ranges between 5.50% to 11.75% (2021: 5.55% to 7.30%) per annum having maturity from 3 months to 1 year.			

		March 31, 2022	June 30, 2021
		(Rupees)	
24. TRADE AND OTHER PAYABLES	Note		
Accrued liabilities	24.1	227,539,416	137,531,666
Adjustable against lease financing contracts	24.2	213,962,949	215,160,449
Advance against sale of diminishing musharaka units		92,347,221	49,623,345
Diminishing musharaka customer contribution		24,238,765	11,939,350
Workers' Welfare Fund	24.3	32,107,559	28,730,751
Management fee payable	24.4	35,833,407	41,776,705
Sales tax on management fee payable	24.5	28,492,234	23,833,891
Sales tax on management fee payable to previous management company	24.6	37,950,679	37,950,679
Gratuity payable	24.7	3,528,330	-
		<u>696,000,560</u>	<u>546,546,836</u>

24.1 This includes charity payable amounting to Rs.5.008 (2021: Rs. 5.688) million. The reconciliation is as follows:

		For the Nine Months Period Ended	
		March 31, 2022	June 30, 2021
		(Rupees)	
Balance as at beginning of the period / year		5,688,378	4,050,297
Addition during the period / year		2,854,739	3,985,231
Less: Paid to recognized charitable organizations		(3,535,000)	(2,347,150)
Balance as at end of the period / year		<u>5,008,117</u>	<u>5,688,378</u>

24.2 This relates to withholding tax deposited pertaining to lease financing vehicles. The amounts are adjustable against lease financing contracts upon receipt of refunds from tax authorities.

24.3 The Modaraba received a notice vide letter no. SRB /AC-37/2019-20/63, wherein, the Sindh Revenue Board (SRB) has advised the Modaraba to pay off all its liabilities falling due under the Sindh Workers' Welfare Fund Act, 2014 (SWWF Act). As per SWWF Act, Workers' Welfare Fund (WWF) levy is required to be paid on total income accruing after December 31, 2013. As the Modaraba has its operations all across Pakistan therefore total income declared in its tax return is a cumulative sum of income for all provinces but the management understands that the SWWF Act is limited only to the province of Sindh and till the time there is any mechanism available for apportionment of total income relevant to the province of Sindh, no SWWF liability to SRB can be paid out. On these grounds and foreseeing the expected SWWF demand along with penal actions from SRB, the Modaraba filed an appeal with the Honorable Sindh High Court (SHC). The Honorable SHC has restrained the SRB from levy of SWWF under the SWWF Act. However, the management has recognized the provision in respect of SWWF on daily basis with effect from the date of enactment of the SWWF Act, 2014 (i.e. starting from May 21, 2015) considering it as prudent.

During the year ended June 30, 2020, the Honorable Sindh High Court has issued the order dated March 16, 2020 of the above case requiring the Modaraba to pay the entire SWWF levy amount to 'Nadir'. However, the Modaraba has made an estimated payment of Rs.2,980,038 (2021: Rs.2,491,456) to SRB based on proportionate income of Sindh and have retained the remaining provision on the basis of the advice of its legal advisor.

24.4 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 up to a maximum of 10% per annum of the net annual profits of the Modaraba. The fee for the nine months period ended March 31, 2022 has been recognized at 10% of the profit for the period. (June 30, 2021: 10%).

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- 24.5 Sindh sales tax levied by Sindh Government on remuneration of Modaraba Management Company has been charged at the rate of 13% (June 30, 2021: 13%).
- 24.6 Pursuant to Order of Sindh Revenue Board (SRB), the Modaraba has recorded a provision in respect of Sindh sales tax on Management Company's remuneration at the rate of 13% per annum.

A show cause notice was issued wherein sales tax was demanded under the provision of Sindh Sales Tax on Service Act, 2011. This notice was challenged by the Appellant before Assistant Commissioner in which Assistant Commissioner maintained that the Appellant was liable to pay Sales Tax. Management is of the view that the management fee is a profit sharing rather than a fixed fee against rendering of management services by the management company up to 10% of Modarabas profit as provided in the Modaraba Ordinance, in case of loss in modaraba venture the management company is not entitled to claim any remuneration. So therefore, Habib Management (Pvt.) Ltd. has filed a reference appeal before High Court of Sindh in which stay has been granted against the order of Appellate Tribunal of Sindh Revenue Board. As the case is still pending, therefore the final outcome cannot be determined.

24.7 Staff retirement benefits - Defined benefit plan

a. General description

As mentioned in note 4.10(a), the Modaraba operates an approved funded gratuity scheme for all of its permanent employees. Actuarial valuation of the scheme is carried out every year and the latest actuarial valuation was carried out as at March 31, 2022 using the Projected Unit Credit Method.

b. Number of Employees under the scheme

The number of employees covered under the following defined benefit schemes are:

	March 31, 2022	June 30, 2021
	----- (Number) -----	
Gratuity fund	71	74

c. Principal actuarial assumptions

The actuarial valuations were carried out as at March 31, 2022 using the following significant assumptions:

	March 31, 2022	June 30, 2021
	----- Per annum -----	
Discount rate	12.25%	10.25%
Expected rate of return on plan assets	0.55%	4.42%
Expected rate of salary increase	12.25%	10.25%

d. Reconciliation of payable to defined benefit plan

	March 31, 2022	June 30, 2021
	----- (Rupees) -----	
Present value of defined benefit obligation	32,872,236	29,607,030
Fair value of plan assets	(29,343,906)	(29,607,030)
Net defined liability / (assets)	<u>3,528,330</u>	<u>-</u>

For the Nine Months Period Ended

e. Movement in defined benefit obligations

	March 31, 2022	June 30, 2021
	----- (Rupees) -----	
Obligations at the beginning of the period / year	29,607,030	28,796,625
Current service cost	2,123,191	2,708,144
Interest cost	2,339,066	2,736,275
Benefits paid by the Modaraba	(597,463)	(3,987,895)
Re-measurement (gain)	(599,588)	(646,119)
Obligations at the end of the period / year	<u>32,872,236</u>	<u>29,607,030</u>

f. Movement in fair value of plan assets

	March 31, 2022	June 30, 2021
Fair value at the beginning of the period / year	29,607,030	28,796,625
Interest income on plan assets	2,339,066	2,736,275
Contribution by the Modaraba - net	-	3,232,395
Actual benefits paid by the Fund during the year	(597,463)	(3,987,895)
Re-measurements: Net return on plan assets over interest income (loss)	(2,004,727)	(1,170,370)
Fair value at the end of the period / year	<u>29,343,906</u>	<u>29,607,030</u>

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		For the Nine Months Period Ended	
		March 31, 2022	June 30, 2021
		------(Rupees)-----	
g.	Movement in payable under defined benefit scheme	Note	
	As at beginning of the period / year	-	-
	Charge for the period / year	2,123,191	2,708,144
	Contribution by the Modaraba - net	-	(3,232,395)
	Re-measurement loss recognized in OCI during the period / year	1,405,139	524,251
	As at end of the period / year	<u>3,528,330</u>	<u>-</u>
h.	Charge for defined benefit plan		
	(i) Cost recognized in profit and loss		
	Current service cost	29.1 2,123,191	2,708,144
	Net interest on defined benefit asset / liability	-	-
		<u>2,123,191</u>	<u>2,708,144</u>
	(ii) Re-measurements recognized in OCI during the period / year		
	Financial assumptions	(599,588)	(646,119)
	Return on plan assets over interest income	2,004,727	1,170,370
	Less: Deferred tax	(407,490)	-
	Total re-measurements recognized in OCI	<u>997,649</u>	<u>524,251</u>
		March 31, 2022	June 30, 2021
		------(Rupees)-----	
i.	Components of plan assets		
	Cash and cash equivalents - net	7,948,692	7,714,403
	Non-Government Debt Securities	21,395,214	21,892,627
		<u>29,343,906</u>	<u>29,607,030</u>
j.	Equity securities and units of mutual funds are subject to price risk whereas non-Government debt securities are subject to credit risk and interest rate risk. These risks are regularly monitored by Trustees of the employee funds.		
k.	Sensitivity analysis		
	0.5% increase in discount rate		31,249,057
	0.5% decrease in discount rate		34,615,448
	0.5% increase in expected rate of salary increase		34,645,911
	0.5% decrease in expected rate of salary increase		31,207,200
l.	Expected charge for the next financial year		<u>3,635,712</u>
m.	Maturity profile		
	The weighted average duration of the obligation (in years)		<u>10.22</u>
n.	Funding Policy		
	The Modaraba endeavours to ensure that liability under employee benefit scheme is covered by the Fund on any valuation date having regards to the various actuarial assumptions such as projected future salary increase, expected future contributions to the Fund, projected increase in liability associated with future service and the projected investment income of the Fund.		
o.	Following are the significant risks associated with the staff retirement benefit schemes. These may include:		

Asset volatility	The risk that the actual mortality experience is different. The effect depends on the beneficiaries' service / age distribution and the benefit.
Changes in bond yields	The risk of investment underperforming and being not sufficient to meet the liabilities.
Life expectancy / Withdrawal rate	The risk of higher or lower withdrawal experience than assumed. The final effect could go either way depending on the beneficiaries' service/age distribution and the benefit.
Final salary risk	The risk that the final salary at the time of cessation of service is greater than what we assumed. Since the benefit is calculated on the final salary, the benefit amount increases similarly.

24.8 Provident Fund related disclosures

The following information is based on the latest un-audited financial statements of the fund:

	Note	March 31, 2022	June 30, 2021
		(Rupees)	
Size of the fund - total assets		<u>54,177,466</u>	<u>54,509,439</u>
Cost of investments made		<u>33,099,978</u>	<u>38,312,539</u>
Fair value of investments	24.8.1 & 24.8.2	<u>33,099,979</u>	<u>35,697,203</u>
Percentage of investments made		<u>61%</u>	<u>65%</u>

24.8.1 The break-up of fair value of investments is as follows:

	March 31, 2022		June 30, 2021	
	Percentage of the size of the fund	Rupees	Percentage of the size of the fund	Rupees
Investment in listed debt securities	0.00%	-	0.00%	-
Investment in unlisted debt securities	0.00%	-	0.05%	25,000
Investment in listed equity securities	1.22%	662,750	4.67%	2,548,012
Bank balances	<u>59.87%</u>	<u>32,437,229</u>	<u>60.77%</u>	<u>33,124,191</u>
	<u>61%</u>	<u>33,099,979</u>	<u>65%</u>	<u>35,697,203</u>

24.8.2 Investments out of the funds of provident fund have been made in accordance with the provisions of section 218 of the Companies Act, 2017 and the rules formulated for this purpose.

25. RUNNING MUSHARAKA

25.1. 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.

25.2. Facility for Running Musharaka is obtained from Habib Bank Limited up to 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 & Equipment) for Rs.715 million.

26. CONTINGENCIES AND COMMITMENTS**26.1 Contingencies**

The Modaraba received a letter from Sindh Revenue Board (SRB) dated August 09, 2018, wherein, it is mentioned that the Assistant Commissioner (Unit-12) of the SRB came to know through scrutiny of the financial statements of the Modaraba for the fiscal year years 2012-2017 that the Modaraba is engaged in providing / rendering taxable services which falls under the Second Schedule of Sindh Sales Tax on Services Act, 2011 (the Act), and the sales tax on such services, i.e. on lease rentals / lease financing transactions aggregates to Rs.916.393 million which is outstanding. In view of this, the Modaraba was advised to submit certain financial records to SRB to ascertain the actual tax liability. Such letters were also received by some other Modarabas and collectively, a petition against the same was filed through a common legal counsel in the Honorable High Court of Sindh (HCS) challenging levy of Services Sales Tax on lease financing transactions including the vires of various headings of the Second Schedule of the Act. A stay order in this regard has been granted by the HCS stating that no adverse order in respect of the proposed treatment shall be made against the Petitioners.

The management of the Modaraba based on its discussions with its legal counsel is of the view that in light of the stay order of the HCS and the merits of the matter involved, no provision for any sales tax liability on rentals of lease financing is required to be maintained in the financial statements for the nine months period ended March 31, 2022.

26.2 Commitments

Commitments in respect of financing transactions amounted to Rs. 1,083 (2021: Rs.1,005) million.

	Note	For the Nine Months Period Ended	
		March 31, 2022	June 30, 2021
		(Rupees)	
27. INCOME FROM LEASE FINANCING			
Lease financing installments	27.1	<u>362,739,289</u>	<u>790,061,532</u>
Less: Depreciation on lease financing assets	45	<u>(250,743,880)</u>	<u>(660,300,294)</u>
		<u>111,995,409</u>	<u>129,761,238</u>
27.1 This comprises of principal and profit components.			

		For the Nine Months Period Ended	
		March 31, 2022	June 30, 2021
		(Rupees)	
Note			
28.	PROVISION IN RESPECT OF DIMINISHING MUSHARAKA		
	Provision during the period / year	8.2	42,119,937
29.	ADMINISTRATIVE EXPENSES		41,373,226
	Salaries, allowances and other benefits	29.1	73,892,806
	Printing, stationery and advertising		88,634,128
	Travelling and conveyance		2,885,334
	Insurance / takaful charges		660,122
	Utilities		811,712
	Postage		3,062,722
	Newspapers and periodicals		610,995
	Repairs and maintenance		12,050
	Telecommunication		1,887,909
	Fees and subscriptions		734,820
	Legal and professional charges		6,045,854
	Donations		5,838,815
	Depreciation on fixed assets in own use	29.2	-
	Depreciation expense on lease assets	6.1 & 45	9,834,346
	Amortization on intangible assets	6.3 & 45	3,807,783
	Auditors' remuneration	7.1 & 45	25,347
	Certificate registrar expenses	29.3	2,783,322
	Vehicle running expenses		1,196,297
	Office expense		2,199,569
	Staff training and workshop		2,691,293
	Staff hajj expenses		214,353
	Rent expense		-
	Information technology expenses		146,072
	Commission expense - HMB		3,394,068
	Miscellaneous		-
			1,047,910
			123,783,499
			147,593,647

29.1 Salaries, allowances and other benefits

The aggregate amount charged in the financial statements for remuneration to officers and other employees of the Modaraba is as follows:

		For the Nine Months Period Ended					
		March 31, 2022			June 30, 2021		
		Officers*	Other employees	Total	Officers	Other employees	Total
		(Rupees)			(Rupees)		
Note							
	Salaries	7,693,013	29,157,542	36,850,555	11,182,848	29,962,027	41,144,875
	House rent	850,500	4,722,871	5,573,371	1,306,800	4,644,823	5,951,623
	Other allowances	5,870,546	19,234,378	25,104,924	8,265,559	24,911,891	33,177,450
	Insurance	317,931	1,356,309	1,674,240	537,458	2,093,155	2,630,613
	Gratuity fund	809,821	1,313,370	2,123,191	597,822	2,110,322	2,708,144
	Provident fund	635,625	1,930,900	2,566,525	894,637	2,126,786	3,021,423
		16,177,436	57,715,370	73,892,806	22,785,124	65,849,004	88,634,128
	Number of employees	3	86	89	4	88	87

29.1.1 Certain officers are also provided with self maintained cars by the Modaraba.

29.1.2 No remuneration paid to the directors of the Modaraba Management Company during the period (2021: Nil)

29.1.3 This includes contribution to staff provident fund amounting to Rs.2.553 million (2021: Rs.3.021 million).

29.2 The Directors of the Modaraba Management Company do not have any interest in any donees' fund to which donations were made.

* These represent officers as prescribed under the Companies Act, 2017.

For the Nine Months
Period Ended

		March 31, 2022	June 30, 2021		
	Note	(Rupees)			
29.3 Auditors' remuneration:					
Audit fee		544,500	660,000		
Special audit		1,175,000	550,000		
Fee for half yearly review and code of corporate governance		267,625	260,000		
Taxation and other services		253,875	798,182		
Out of pocket expenses		336,150	374,890		
		2,577,150	2,643,072		
Sales tax		206,172	181,455		
		2,783,322	2,824,527		
30. OTHER INCOME					
Dividend on shares	30.1	21,927,566	21,884,171		
Gain on transfer of lease financing assets	45	11,601,819	22,758,280		
Gain on sale of owned fixed assets - net	45	165,569	1,108,318		
Profit on modaraba's deposit accounts		17,643,546	19,749,640		
Profit on Term Deposit Musharakas (TDMs)		10,448,663	18,183,527		
Profit on Ijarah GOP sukuk bonds		6,203,218	-		
Profit on sukuk		6,203,723	7,361,138		
Loss on termination of lease contract		-	31,180		
Premature income on termination of diminishing musharaka		-	9,281,777		
Miscellaneous income		8,754,713	3,167,894		
		82,948,817	103,525,925		
30.1 Dividend on shares					
Meezan Bank Limited		9,945,562	14,064,436		
Habib Sugar Mills Limited		4,532,004	4,154,337		
Engro Fertilizers Limited		7,450,000	3,900,000		
		21,927,566	22,118,773		
Less: Charity expense		-	(234,602)		
		21,927,566	21,884,171		
31. FINANCIAL CHARGES					
Profit on certificates of investment (musharaka)	45	534,874,637	419,166,539		
Profit Paid on Running Musharaka Financing		30,681,337	-		
Financial charges on liability against right of use assets	21 & 45	2,469,835	3,202,059		
Bank charges		523,053	649,746		
		568,548,862	423,018,344		
32. TAXATION					
Current					
- for the year		65,702,456	-		
- for prior years		-	-		
		65,702,456	-		
Deferred Asset		(19,261,458)	-		
		46,440,998	-		
32.1	The tax reconciliation has not been provided as this is the first year of applicability of taxation and thus the deferred tax booked is based on timing differences as at March 31, 2022 and accordingly can not be reconciled to tax on accounting profit for the year.				
33. CONTRACTUAL LEASE FINANCING INSTALLMENTS RECEIVABLE - LEASE CONTRACTS					
		March 31, 2022	June 30, 2021		
		Not later than one year	Later than one year but not later than five years	Later than five years	Total
		Not later than one year	Later than one year but not later than five years	Later than five years	Total
		(Rupees)			
Total future lease payments receivable		206,383,675	158,675,416	-	365,059,091
		541,817,550	376,301,159	-	918,118,709
34. CASH AND CASH EQUIVALENT		March 31, 2022	June 30, 2021		
		(Rupees)			
Cash and bank balances		189,839,268	216,102,298		
Investment in Term Deposit Musharakas (TDMs)		155,748,697	489,647,773		
Running Musharaka		(748,388,268)	(49,999,000)		
		(402,800,303)	655,751,071		

35. 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:

			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	188,667,141	215,230,843
		Investment in HMB	-	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	35,833,407	41,776,705
		Sale tax on management fee payable	28,492,234	23,833,891
Staff Retirement Benefit Fund	Associate	Gratuity fund	3,528,330	-
			For the Nine Months Period Ended	
			March 31, 2022	June 30, 2021
			------(Rupees)-----	
Transactions during the period / year				
Related party	Related party relationship	Nature of transactions		
Habib Metropolitan Bank Limited	Holding Company	Profit on bank accounts	25,800,273	17,030,486
		Bank charges	510,888	625,833
		Utility charges	2,990,678	1,691,076
		Rent expense	344,556	-
		Financial charges	187,647,148	128,145,993
Habib Metropolitan Modaraba Management Company (Private) Limited	Management Company	Management fee	35,833,407	41,776,705
		Sale tax on management fee	4,658,343	5,430,972
		Management fee paid	41,776,705	36,431,341
		Dividend paid	28,224,000	28,224,000
Habib Metropolitan Financial Services Limited Services Limited	Associate	Brokerage commission	24,000	-
		Purchase of securities	15,478,500	-
Staff Retirement Benefit Fund	Associate	Gratuity fund	2,123,191	2,708,144
		Contribution made	-	3,232,395
Provident Fund	Associate	Contribution made	2,566,525	3,021,423

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

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

36. CAPITAL MANAGEMENT

The Board's policy is to maintain a sound capital base so as to maintain investor, creditor and market confidence and to sustain future development of the business. The Board of Directors of management company monitors the return on capital, which the Modaraba defines as net profit after taxation divided by total Certificate holders' equity. The Board of Directors also monitors the level of dividend to ordinary Certificate holders. There were no changes to the Modaraba's approach to capital management during the year and the Modaraba is not subject to externally imposed capital requirements.

Sum

37. FINANCIAL INSTRUMENTS

37.1 Risk management policies

The Modaraba's objective in managing risks is the creation and protection of Certificate holders' value. Risk is inherent in the Modaraba's activities, but it is managed through a process of ongoing identification, measurement and monitoring, subject to risk limits and other controls. The process of risk management is critical to the Modaraba's continuing profitability. The Modaraba is exposed to market risk (which includes profit rate risk and price risk), credit risk and liquidity risk arising from the financial instruments it holds.

The Modaraba primarily invests in lease financing assets, diminishing musharaka, diversified portfolio of listed securities, Ijarah GOP Sukuk bonds and Islamic investments instruments. Such investments are subject to varying degrees of risk, which emanate from various factors that include but are not limited to:

- Credit Risk
- Liquidity Risk
- Market Risk.

37.2 Credit Risk

Credit risk is the risk that the counter party to a financial instrument will cause a financial loss for the Modaraba by failing to discharge an obligation. The Modaraba's policy is to enter into financial contracts with reputable counter parties in accordance with the internal guidelines and regulator requirements. The modaraba has reassessed it's portfolio as at March 31, 2022 and none of it's customers require further downgrading on subjective basis.

Exposure to Credit Risk

The maximum exposure to credit risk before any credit enhancements at March 31, 2022 is the carrying amount of the financial assets as set out below:

	March 31, 2022	June 30, 2021
	(Rupees)	
Diminishing musharaka financing	14,378,426,361	9,913,812,387
Lease financing installments receivable	-	385,597
Diminishing musharaka financing installments receivable	10,145,498	155,806
Investment in sukuk and Term Deposit Musharakas (TDMs)	509,423,697	569,647,773
Long term deposits	1,147,800	1,147,800
Other receivables	19,813,117	5,914,137
Bank balances	189,386,365	215,718,051
	<u>15,108,342,838</u>	<u>10,706,781,551</u>

Credit risk ratings

Credit risk rating of the banks and their respective balances are given below:

Banks	Rating		Agency		
	Short term	Long term			
Habib Metropolitan Bank Limited	A1+	AA+	PACRA	188,667,141	215,230,643
Al Baraka (Pakistan) Limited	A1	A	PACRA	110,306	110,185
BankIslami Pakistan Limited	A1	A+	PACRA	244,632	244,632
Meezan Bank Limited	A1+	AAA	JCR-VIS	290,942	59,882
Bank Al-Habib Limited	A1+	AAA	PACRA	62,994	62,359
Dubai Islamic Bank Pakistan Limited	A1+	AA	JCR-VIS	10,350	10,350
				<u>189,386,365</u>	<u>215,718,051</u>

Concentration of Credit Risk

Concentration is the relative sensitivity of the Modaraba's performance to developments affecting a particular industry or geographical location.

Concentration of risks arise when a number of financial instruments or contracts are entered into with the same counterparty, or where a number of counterparties are engaged in similar business activities, or activities in the same geographic region, or have similar economic features that would cause their ability to meet contractual obligations to be similarly affected by changes in economic, political or other conditions.

The Modaraba's portfolio of financial assets is broadly diversified and transactions are entered into with diverse credit worthy counterparties thereby mitigating any significant concentration of credit risk. Details of Modaraba's concentration of credit risk by industrial distribution are detailed in note 44 to the financial statements.

Impaired Assets

Refer note 4.2(d) and 5.1 to the financial statements for details on impairment of assets.

37.3 Liquidity risk

Liquidity risk is the risk that the Modaraba will not be able to generate sufficient cash resources to settle its obligations in full as they fall due or can only do so on terms that are materially disadvantageous.

In the case of Modaraba, the liquidity level of Modaraba remained on satisfactory level during the year and Modaraba did not face any difficulty or problem for generation of liquidity.

Note 39 to the financial statements summarizes the maturity profile of the Modaraba's financial instruments.

Mitigating / managing the risk

Modaraba's policy is to invest the majority of its assets in investments that includes Term Deposit Musharakas that are having short-term maturities. Only a limited proportion of its investments are of long-term in nature.

37.4 Market Risk

a Market Price Risk

The risk that fair value or future cash flows of a financial instrument will fluctuate because of changes in market prices of securities due to a change in credit rating of the issuer or the instrument, change in market sentiments, speculative activities, supply and demand of securities and liquidity in the market.

Exposure

The Modaraba is exposed to unfavorable changes in the fair values of investments as a result of changes in prices of securities.

As at March 31, 2022, the fair value of equity and debt securities exposed to price risk was as follows:

Particulars	Average Cost March 31, 2022	Fair Value March 31, 2022	Average Cost June 30, 2021	Fair Value June 30, 2021
	(Rupees)			
Shares of listed companies	117,015,059	395,309,916	101,536,559	302,815,389
Sukuk	353,675,000	353,675,000	80,000,000	80,000,000
	<u>470,690,059</u>	<u>748,984,916</u>	<u>181,536,559</u>	<u>382,815,389</u>

Risk Management

The Modaraba's policy is to manage price risk through diversification and selection of securities and other financial instruments within specified limits set by Investment Committee.

The majority of the Modaraba's investments are publicly traded and are valued at the rates provided by stock exchange which is set as per the trading trend and volumes in the security.

b Profit rate risk

Profit rate risk arises from the effects of fluctuations in the prevailing levels of market profit rates on the fair value of financial assets and liabilities and future cash flows.

Risk exposure

The Modaraba has lease financing portfolio. The majority of lease financing portfolio is linked with KIBOR rate as a bench mark. The Modaraba reviews KIBOR on lease financing portfolio on quarterly / six monthly basis.

As at March 31, 2022, the profile of the Modaraba's variable value financial instruments were as follows:

	March 31, 2022	June 30, 2021
	<u>------(Rupees)-----</u>	
Variable rate instruments		
Assets		
Sukuk		
Diminishing musharaka financing	80,000,000	80,000,000
Bank deposits	11,742,374,406	8,601,350,789
	114,748,204	207,602,471
Liabilities		
Certificate of Investment (Musharaka)	(10,322,591,884)	(7,290,539,424)
Running Musharaka	(748,388,268)	(49,999,000)
	<u>866,142,458</u>	<u>1,548,414,836</u>

Fair value sensitivity analysis for variable rate instruments

An increase of 100 basis points in interest rates would have increased / decreased the profit and loss by the amounts shown below. Reduction in interest rates by 100 basis points would have a vice versa impact. This analysis assumes that all variables remain constant. The analysis is performed on the same basis for the comparative period.

Asset / liability class (Having variable interest rates)	(Increase / Decrease) (+/-)	Changes in profit / (loss) <u>------(Rupees)-----</u>	
Assets			
Sukuk	100 basis points	800,000	800,000
Diminishing musharaka financing	100 basis points	117,423,744	86,013,508
Bank deposits	100 basis points	1,147,482	2,076,025
Liability			
Certificate of Investment (Musharaka)	100 basis points	(103,225,919)	(72,905,394)
Running Musharaka	100 basis points	(7,483,883)	(499,990)

Above sensitivities are calculated on the assumption that all factors remain constant except interest rates and resulting variation in fair values of the subjugated investments and impact on the profit and loss.

Risk Management / Mitigation

The Modaraba monitors the interest rate environment on a regular basis and alters the portfolio mix of fixed and floating rate securities.

The Modaraba's policy requires the Modaraba management to manage this risk by measuring the mismatch of the interest rate sensitivity gap of financial assets and liabilities and calculating the average duration of the portfolio of fixed interest securities.

The average effective duration of the Modaraba's portfolio is a measure of the sensitivity of the fair value of the Modaraba's variable interest securities to changes in market interest rates.

The Modaraba's policy refrains from holding interest bearing instruments that induce the average effective duration of the variable interest portfolio to pass the benchmark of the average duration.

37.5 Operational risks

Operational risk is the risk of direct or indirect loss arising from a wide variety of causes associated with the processes, technology and infrastructure supporting the Modaraba's operations either internally within the Modaraba or externally at the Modaraba's service providers, and from external factors other than credit, market and liquidity risks such as those arising from legal and regulatory requirements and generally accepted standards of investment management behavior. Operational risks arise from all of the Modaraba's activities.

The Modaraba's objective is to manage operational risk so as to balance limiting of financial losses and damage to its reputation with achieving its objective of generating returns for certificate holders. The primary responsibility for the development and implementation of controls over operational risk rests with the Board of Directors of the Management Company. This responsibility encompasses the controls in the following areas:

- requirements for appropriate segregation of duties between various functions, roles and responsibilities;
- requirements for the reconciliation and monitoring of transactions;
- compliance with regulatory and other legal requirements;
- documentation of controls and procedures;
- requirements for the periodic assessment of operational risks faced, and the adequacy of controls and procedures to address the risks identified;
- ethical and business standards;
- risk mitigation, including insurance where this is effective.

38. FAIR VALUE OF FINANCIAL AND NON-FINANCIAL ASSETS

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 recognized at fair value, analyzed 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						
	Carrying amount		Fair value				
	At fair value through OCI	At fair value through profit or loss	At amortized cost	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
Sukuk (note 38.1)	80,000,000	-	-	80,000,000	80,000,000	-	80,000,000
	475,309,916	-	-	395,309,916	80,000,000	-	475,309,916
Financial assets not measured at fair value (note 38.2)							
Investment in Term Deposit Musharaka (TDMs)	-	-	155,748,697				155,748,697
Investment in GOP Ijarah sukuk	-	-	273,675,000				273,675,000
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	-	-	1,528,338				1,528,338
Other receivables	-	-	19,813,117				19,813,117
Cash and bank balances	-	-	189,386,365				189,386,365
	-	-	15,029,871,176				15,029,871,176

During the nine months period ended March 31, 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.

	March 31, 2022		
	At fair value	Other financial liabilities	Total
		(Rupees)	
Financial liabilities			
Security deposits against lease financing assets	-	104,948,388	104,948,388
Certificates of investment (musharaka)	-	10,322,591,884	10,322,591,884
Unearned lease financing and diminishing musharaka installments	-	48,587,457	48,587,457
Advance lease financing and diminishing musharaka installments	-	10,335,357	10,335,357
Trade and other payables	-	597,450,088	597,450,088
Profit payable on certificates of investment (musharaka)	-	182,071,521	182,071,521
Unclaimed profit distributions	-	49,179,280	49,179,280
	<u>-</u>	<u>11,315,163,975</u>	<u>11,315,163,975</u>

		June 30, 2021					
		Carrying amount		Fair value			
		At fair value					
		through profit					
		or loss					
		At amortized cost					
		(Rupees)		(Rupees)			
		Total		Total			

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 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	-	-	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>				

During the year ended June 30, 2021, 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, 2021	
	At fair value	Other financial liabilities
	(Rupees)	
Financial liabilities		
Security deposits against lease financing assets	-	201,811,884
Certificates of investment (musharaka)	-	7,290,539,424
Unearned lease financing and diminishing musharaka installments	-	17,850,254
Advance lease financing and diminishing musharaka installments	-	10,007,913
Trade and other payables	-	456,031,515
Profit payable on certificates of investment (musharaka)	-	107,487,595
Unclaimed profit distributions	-	46,248,316
	<u>-</u>	<u>8,129,976,901</u>
	<u>-</u>	<u>8,129,976,901</u>

38.1 Valuation techniques used in determination of fair values within level 2:

Investment in sukuk, issued by Meezan Bank Limited, for the purpose of raising funds in the form of redeemable capital, are valued on the basis of the rates announced by the Mutual Funds Association of Pakistan (MUFAP) in accordance with the methodology prescribed by the Securities and Exchange Commission of Pakistan (SECP).

38.2 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.

39. MATURITIES OF ASSETS AND LIABILITIES

Liquidity risk is the risk that the Modaraba will be unable to meet its net funding requirements. To guard against this risk, the Modaraba has adequate funding sources and assets are managed with liquidity in mind, maintaining a healthy balance of working capital.

		March 31, 2022							
		Up to 1 month	Over 1 month to 3 month	Over 3 months to 6 months	Over 6 months to 1 year	Over 1 year to 2 year	Over 2 year to 3 year	Over 3 year to 5 year	Over 5 year to 10 year
		(Rupees)							
Total									
Assets									
Lease financing assets	351,493,090	19,881,255	34,955,517	47,140,209	79,339,107	102,559,988	36,816,738	30,800,276	-
Fixed assets in own use	54,523,177	1,601,680	3,128,744	4,613,943	8,913,240	14,266,581	10,836,545	9,479,758	1,265,983
Intangible assets	298,434	5,069	10,138	15,208	50,035	107,916	110,068	-	-
Diminishing musharaka financing investments	14,378,426,361	560,878,222	847,998,407	1,235,690,136	2,415,118,002	4,120,837,052	2,925,837,662	2,272,066,880	21,097,485
Lease financing installments receivable	904,733,613	-	-	155,748,697	748,984,916	-	-	-	-
Diminishing musharaka financing receivable	10,145,498	-	-	-	-	-	-	-	-
Advances, deposits and prepayments	9,136,630	-	6,460,492	1,528,338	-	1,147,800	-	-	-
Income tax refundable	116,624,866	-	-	-	116,624,866	-	-	-	-
Other receivables	38,314,490	19,813,117	-	-	18,501,373	-	-	-	-
Cash and bank balances	189,839,268	189,839,268	-	-	-	-	-	-	-
	16,063,535,427	802,164,109	892,553,298	1,444,736,531	3,387,531,539	4,238,919,337	2,973,601,013	2,312,346,914	22,363,468
Liabilities									
Security deposits against lease financing assets	104,948,388	8,707,730	7,905,200	5,160,890	12,346,573	31,809,310	5,790,685	33,228,000	-
Liability against right of use assets	23,932,167	423,087	846,174	1,269,261	2,538,524	5,077,043	4,411,046	3,906,086	5,460,946
Certificates of investment (musharaka)	10,322,591,884	4,572,582,907	5,448,354,245	227,983,482	72,671,250	-	-	-	-
Unearned lease financing and diminishing musharaka installments	48,587,457	-	-	-	48,587,457	-	-	-	-
Advance lease financing and diminishing musharaka installments	10,335,357	-	-	-	10,335,357	-	-	-	-
Trade and other payables	696,000,560	379,761,291	-	35,833,407	280,405,862	-	-	-	-
Profit payable on certificates of investment (musharaka)	182,071,521	80,651,946	96,116,579	4,021,208	1,281,788	-	-	-	-
Running Musharaka	748,388,268	748,388,268	-	-	-	-	-	-	-
Unclaimed profit distributions	49,179,280	49,179,280	-	-	-	-	-	-	-
	12,186,034,882	5,839,694,509	5,554,222,198	274,268,248	428,166,811	35,886,353	10,201,731	37,134,086	5,460,946
Difference	3,867,500,545								
Represented by:									
Issued, subscribed and paid-up certificate capital	1,008,000,000								
Reserves	2,600,874,637								
Total Equity	3,608,874,637								
Surplus on revaluation of investments	257,870,039								
	3,866,744,676								

40. FINANCIAL ASSETS AND LIABILITIES

March 31, 2022

	Profit bearing		Non-profit bearing	
	Maturity up to one year	Maturity after one year up to five years	Maturity up to one year	Maturity after one year up to five years
	Sub-total	Sub-total	Sub-total	Sub-total
	(Rupees)			
				Total
Financial assets				
Cash and bank balances	114,748,204	-	114,748,204	189,729,668
Other receivables	-	-	-	19,813,117
Investments	509,423,697	-	509,423,697	904,733,613
Lease financing installments receivable	-	-	-	-
Diminishing musharaka financing installments	10,145,498	-	10,145,498	10,145,498
Long term deposits	-	-	-	1,147,800
Advances	-	-	1,528,338	1,528,338
Diminishing musharaka financing	5,046,568,673	9,331,857,688	14,378,426,361	14,378,426,361
	5,680,886,072	9,331,857,688	15,012,743,760	15,505,524,395
Financial liabilities				
Security deposits against lease financing assets	-	-	-	-
Certificates of investment (musharaka)	10,322,591,884	-	10,322,591,884	104,948,388
Unearned lease financing and diminishing musharaka installments	48,587,457	-	48,587,457	10,322,591,884
Advance lease financing and diminishing musharaka installments	10,335,357	-	10,335,357	48,587,457
Trade and other payables	-	-	-	10,335,357
Profit payable on certificates of investment (musharaka)	-	-	-	597,450,088
Running Musharaka	748,388,268	-	748,388,268	182,071,521
Unclaimed profit distribution	-	-	-	748,388,268
	11,129,902,966	-	11,129,902,966	49,179,280
	(5,449,016,894)	9,331,857,688	862,821,282	182,071,521
On balance sheet gap	181,316,087	170,177,003	(371,188,447)	748,388,268
Lease financing assets*			351,493,090	49,179,280
				12,063,552,243
				3,441,972,152
				351,493,090

June 30, 2021

	Profit bearing			Non-profit bearing		
	Maturity up to one year	Maturity after one year up to five years	Sub-total	Maturity up to one year	Maturity after one year and up to five years	Total
	(Rupees)					
Financial assets						
Cash and bank balances	207,602,471	-	207,602,471	8,499,827	-	216,102,298
Other receivables	-	-	-	5,914,137	-	5,914,137
Investments	569,647,773	-	569,647,773	302,815,389	-	872,463,162
Lease financing installments receivable	385,597	-	385,597	-	-	385,597
Diminishing musharaka financing installments receivable	155,806	-	155,806	-	-	155,806
Long term deposits	-	-	-	-	1,147,800	1,147,800
Advances	-	-	-	6,062,804	-	6,062,804
Diminishing musharaka financing	3,696,264,542	6,217,547,845	9,913,812,387	-	-	9,913,812,387
	4,474,056,189	6,217,547,845	10,691,604,034	323,292,157	1,147,800	11,016,043,991
Financial liabilities						
Security deposits against lease financing assets	-	-	-	70,898,081	130,913,803	201,811,884
Certificates of investment (musharaka)	7,290,539,424	-	7,290,539,424	-	-	7,290,539,424
Unearned lease financing and diminishing musharaka installments	17,850,254	-	17,850,254	-	-	17,850,254
Advance lease financing and diminishing musharaka installments	10,007,913	-	10,007,913	-	-	10,007,913
Trade and other payables	-	-	-	456,031,515	-	456,031,515
Profit payable on certificates of investment (musharaka)	-	-	-	107,487,595	-	107,487,595
Running Musharaka	49,999,000	-	49,999,000	-	-	49,999,000
Unclaimed profit distribution	-	-	-	46,248,316	-	46,248,316
	7,368,396,591	-	7,368,396,591	680,665,507	130,913,803	8,179,975,901
On balance sheet gap	(2,894,340,402)	6,217,547,845	3,323,207,443	(357,373,350)	(129,766,003)	2,836,068,090
Lease financing assets*	473,785,855	387,737,076	861,522,931	-	-	861,522,931

*Lease financing assets has been included above in order to depict a true picture of the gap between the assets and liabilities of the Modaraba.

The expected rates of profit for financial assets and liabilities are mentioned in the respective notes to the financial statements.

(i) Yield / profit rate risk

Yield / profit rate risk arises from the possibility that changes in yield / profit rates will affect the value of financial instruments. All financial instruments of the Modaraba are on a profit and loss sharing basis, or on variable profit rate.

(ii) Market risk

Modaraba recognizes market risk as the exposure created by potential changes in the market prices and rates.

(iii) Fair values of financial assets and liabilities

The fair values of traded instruments is based on quoted market prices. Fair value of future lease financing installments receivable against lease financing assets, other assets, other liabilities and other items cannot be calculated with sufficient reliability due to absence of current active market for such assets and liabilities.

41. SEGMENT BY CLASS OF BUSINESS OF FINANCING ASSETS

	March 31, 2022		June 30, 2021	
	Rupees	%	Rupees	%
Auto and allied	590,885,855	4.01	479,814,588	4.45
Cable and electric goods	540,321,547	3.67	341,337,842	3.17
Cargo, courier and logistic services	529,586,371	3.60	426,247,363	3.96
Cement	143,513,599	0.97	94,169,544	0.87
Chemical	1,137,577,495	7.72	678,211,872	6.29
Construction	69,895,710	0.47	62,144,744	0.58
Education	169,482,214	1.15	97,161,276	0.90
Fertilizer	160,305,572	1.09	142,111,575	1.32
Financial institutions	178,236,516	1.21	164,865,365	1.53
Food and allied	2,193,607,956	14.89	1,429,489,727	13.27
Fuel, power and energy	109,055,885	0.74	36,832,772	0.34
Glass and ceramics	73,118,950	0.50	67,202,777	0.62
Health care	230,453,881	1.56	172,816,810	1.60
Individuals	1,228,261,845	8.34	730,163,876	6.78
Information technology	730,740,852	4.96	939,432,697	8.72
Leather and tanneries	9,284,086	0.06	6,340,302	0.06
Oil and gas exploration	48,553,925	0.33	32,098,740	0.30
Paper and board	180,861,965	1.23	95,871,285	0.89
Pharmaceutical	2,185,193,702	14.84	1,765,515,431	16.38
Refinery, lubricant, oil and gas marketing	122,114,376	0.83	204,107,248	1.89
Services	2,099,409,272	14.25	1,496,240,686	13.89
Steel and engineering	361,606,847	2.45	357,806,846	3.32
Sugar and allied	444,612,956	3.02	239,971,447	2.23
Textile	1,108,271,538	7.52	691,113,391	6.41
Others	84,966,536	0.58	24,267,114	0.23
	<u>14,729,919,451</u>	<u>100.00</u>	<u>10,775,335,318</u>	<u>100.00</u>

41.1 Modaraba's operations are restricted to Pakistan only.

42. CREDIT RISK AND CONCENTRATION OF CREDIT RISK

Credit risk is the risk that one party to a financial instrument will fail to discharge an obligation and cause the other party to incur a financial loss.

The Modaraba has established procedures to manage credit exposure including credit approvals, credit limits and obtaining collaterals.

Concentration of credit risk arises when a number of counterparties are engaged in similar business activities or have similar economic features that would cause their ability to meet contractual obligations to be similarly affected by changes in economic, political or other considerations. Concentration of credit risk indicates the relative sensitivity of the Modaraba's performance to developments affecting a particular industry.

The Modaraba manages concentration of credit risk exposure through diversification of portfolio of its customers to avoid undue concentration of risk with specific industry, sector, or group as follows:

Segment by class of business	March 31, 2022				June 30, 2021			
	Advances, deposits, prepayments	Diminishing musharaka financing	Diminishing musharaka financing installment receivables	Lease financing installments receivables	Advances, deposits, prepayments	Diminishing musharaka financing	Diminishing musharaka financing installment receivables	Lease financing installments receivables
	(Rupees)				(Rupees)			
Auto and allied	-	465,095,221	1,513,029	-	5,717,100	388,143,433	333,478	-
Cable and electric goods	-	540,321,547	442,852	-	-	339,588,579	45,030	23,127
Cargo, courier and logistic services	-	515,975,918	1,612,833	-	-	401,880,341	5,629,692	-
Cement	-	143,513,539	190,261	-	-	94,169,544	69,060	-
Chemical	-	1,130,124,160	1,476,554	264	-	550,237,499	277,525	37,052
Construction	-	69,895,710	348,087	-	-	62,144,744	394,444	-
Education	-	169,482,214	148,347	-	-	96,766,826	25,557	-
Fertilizer	-	159,189,916	-	-	-	131,231,411	-	-
Financial institutions	4,689,424	159,427,290	-	-	1,546,209	137,409,276	-	-
Food and allied	-	2,191,598,186	1,821,006	-	-	1,426,188,607	173,598	-
Fuel, power and energy	-	109,055,885	3,832	-	1,691,076	36,832,772	-	-
Glass and ceramics	-	73,118,950	98,100	-	-	67,202,908	107,095	-
Health care	-	230,452,881	476,559	100,964	-	172,815,810	2,502	-
Individuals	796,898	1,228,261,845	3,052,506	-	-	729,371,046	491,885	-
Information technology	445,492	726,416,807	550,777	34,324	304,490	725,513,637	53,582	9,073
Leather and tanneries	-	9,284,086	33,570	-	-	5,860,402	-	7,160
Oil and gas exploration	-	48,553,925	29,999	-	-	32,098,740	2,667	-
Paper and board	-	175,817,661	211,884	-	-	86,472,548	5,697	-
Pharmaceutical	-	2,062,388,478	467,052	109,671	-	1,598,396,960	82,597	430,123
Refinery, lubricant, oil and gas marketing	-	105,819,645	1,552,411	-	-	176,696,040	-	-
Services	-	2,078,017,570	993,099	-	657,063	1,367,225,865	243,972	-
Steel and engineering	-	361,606,847	96,002	-	-	357,806,846	36,490	-
Sugar and allied	-	436,687,771	65,288	-	-	223,402,533	10,874	-
Textile	-	1,103,570,503	1,272,718	778	-	682,966,741	122,592	7,051
Others	3,204,816	84,749,746	46,432	458	1,045,395	23,389,279	33,487	447
	9,136,630	14,378,426,361	16,503,198	246,459	10,961,333	9,913,812,387	8,141,824	514,033

43. EARNINGS PER CERTIFICATE

43.1 Basic

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

	March 31, 2022	June 30, 2021
	(Rupees)	
Profit for the period / year	265,044,473	363,148,152
Weighted average number of certificates of Rs. 5/- each	201,600,000	201,600,000
Earnings per certificate	1.31	1.80

43.2 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.

44. 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 Modaraba's entire product portfolio and consider business to have a two operating segments. The Modaraba's assets allocation decisions are based on a single integrated investment strategy and the Modaraba's performance is evaluated on basis of two operating segments.

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 approved accounting standards as applicable in Pakistan.

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

Details of segment revenues, costs, profit, assets and liabilities are as follows:

	Lease financing assets		Diminishing musharaka financing		Total	
	March 31, 2022	June 30, 2021	March 31, 2022	June 30, 2021	March 31, 2022	June 30, 2021
	(Rupees)					
Segment revenues and (losses) / profits						
Revenue - net of depreciation, where applicable	111,995,409	129,761,238	897,842,139	796,465,070	1,009,837,548	926,226,308
Costs	(7,289,091)	(13,827,965)	(561,259,771)	(409,190,379)	(568,548,862)	(423,018,344)
Reportable segment (loss) / profit	104,706,318	115,933,273	336,582,368	387,274,691	441,288,686	503,207,964
Segment assets and liabilities						
Reportable segment assets						
Lease financing asset	351,493,090	861,522,931	-	-	351,493,090	861,522,931
Diminishing musharaka financing	-	-	9,331,857,688	6,217,547,845	9,331,857,688	6,217,547,845
Current portion of diminishing musharaka financing	-	-	5,046,568,673	3,696,264,542	5,046,568,673	3,696,264,542
Lease financing installments receivable	-	385,597	-	-	-	385,597
Diminishing musharaka financing installments receivable	-	-	10,145,498	155,806	10,145,498	155,806
	351,493,090	861,908,528	14,388,571,859	9,913,968,193	14,740,064,949	10,775,876,721
Reportable segment liabilities						
Security deposits against lease financing assets	70,827,995	130,913,803	-	-	70,827,995	130,913,803
Certificates of investment (musharaka)	132,340,974	238,319,028	10,190,260,910	7,052,220,396	10,322,591,884	7,290,539,424
Security deposits - current portion	34,120,393	70,898,081	-	-	34,120,393	70,898,081
Unearned lease financing and diminishing musharaka installments	-	247,969	48,587,457	17,602,285	48,587,457	17,850,254
Advance lease financing and diminishing musharaka installments	5,046,650	8,688,396	5,288,707	1,319,517	10,335,357	10,007,913
Adjustable against lease financing contracts	213,962,949	215,160,449	-	-	213,962,949	215,160,449
Advance against sale of diminishing musharaka	-	-	92,347,221	49,623,345	92,347,221	49,623,345
Diminishing musharaka customer contribution	-	-	24,238,765	11,939,350	24,238,765	11,939,350
	456,298,961	664,227,726	10,360,713,060	7,132,704,893	10,817,012,021	7,796,932,619
Reconciliation of reportable segment revenues, profit or loss, assets and liabilities, is as follow:						
Revenues						
Revenue classified in segment reported					1,009,837,548	926,226,308
Profit						
Profit classified in segment reported					441,288,686	503,207,964
Provision in respect of diminishing musharaka					-	-
Administrative expenses					(123,783,499)	(147,593,647)
Other income					82,948,817	103,525,925
Impairment loss on investment in equity security classified as 'available-for-sale'					-	-
Modaraba Management Company's remuneration					(35,833,407)	(41,776,705)
Sales tax on Modaraba Management Company's remuneration					(4,658,343)	(5,430,972)
Provision for Sindh Workers' Welfare Fund					(6,356,846)	(7,411,187)
Taxation					-	-
					353,605,408	404,521,378
Assets						
Assets classified in segment reported					14,740,064,949	10,775,876,721
Assets in own use					54,523,177	54,298,927
Intangible assets					298,434	141,250
Long term deposits					1,147,800	1,147,800
Investments					904,733,613	872,463,162
Advances and prepayments					7,988,830	9,813,533
Other receivables					38,314,490	25,613,009
Income tax refundable					116,624,866	167,077,010
Cash and bank balances					189,839,268	216,102,298
					16,053,535,427	12,122,533,710
Liabilities						
Liability classified in segment reported					10,817,012,021	7,796,932,619
Trade and other payables					365,451,625	269,823,692
Profit payable on certificates of investment (musharaka)					182,071,521	107,487,595
Unclaimed profit distribution					49,179,280	46,248,316
					11,413,714,447	8,220,492,222

		For the Nine Months Period Ended	
		March 31, 2022	June 30, 2021
		----- (Rupees) -----	
45.	CASH GENERATED FROM OPERATIONS	Note	
	Profit for the period / year		311,485,471
	Adjustment for:		363,148,152
	Gain on disposal of assets:		
	Lease financing assets	30	(11,601,819)
	Assets in own use	30	(165,569)
	Depreciation on fixed assets:		
	Lease financing assets	27	250,743,880
	Assets in own use	29	9,834,346
	Right of use Assets	29	3,807,783
	Amortization of intangible assets	29	25,347
	Provision in respect of diminishing musharaka		42,119,937
	Provision for gratuity	24.7h(i)	2,123,191
	Dividend income	30.1	(21,927,566)
	Financial charges	31	537,344,472
	Movement in working capital	45.1	120,355,110
			<u>1,244,144,583</u>
			<u>1,552,743,594</u>
45.1	Movement in working capital		
	(Decrease) / Increase in current assets:		
	Lease financing installments receivable		385,597
	Diminishing Musharaka financing installments receivable		(52,109,629)
	Advances and prepayments		1,824,703
	Income tax refundable		-
	Other receivables		(6,735,602)
			<u>(56,634,931)</u>
	(Decrease) / increase in current liabilities:		
	Advance lease financing and diminishing musharaka installments		327,444
	Unearned lease financing and diminishing musharaka installments		30,737,203
	Trade and other payables		145,925,394
			<u>176,990,041</u>
			<u>120,355,110</u>
			<u>90,608,410</u>
			March 31, 2022
			June 30, 2021
			----- (Number) -----
46.	NUMBER OF EMPLOYEES		
	Total number of employees at end of the period / year		72
	Average number of employees for the period / year		73
			74
			70

47. CORRESPONDING FIGURES

Corresponding figures have been rearranged and reclassified, wherever necessary, for the purpose of comparison. However, no significant rearrangement or reclassification has been made in these financial statements during the current period.

48. DATE OF AUTHORIZATION FOR ISSUE

These financial statements were authorized for issue on 24-05-2022 by the Board of Directors of the Modaraba Management Company.

49. GENERAL

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