

# First Habib Modaraba

(An Islamic Financial Institution)



## Half yearly Accounts

For the period ended December 31, 2022

(Unaudited)

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# CORPORATE INFORMATION

## MODARABA MANAGEMENT COMPANY

Habib Metropolitan Modaraba Management Company (Private) Limited

### BOARD OF DIRECTORS

Syed Rasheed Akhtar	- Chairman (Non-Executive Independent Director)
Mr. Muhammad Shoaib Ibrahim	- Chief Executive Officer
Mr. Usman Nurul Abedin	- Non-Executive Director
Mr. Saeed Uddin Khan	- Non-Executive Independent Director
Mr. Mohammad Shams Izhar	- Non-Executive Director
Dr. Irum Saba	- Non-Executive Director

### LEGAL ADVISOR

Mohsin Tayebaly & Company  
Ahmed & Qazi Advocates & Legal Consultants

### AUDIT COMMITTEE

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

### HUMAN RESOURCE COMMITTEE

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

### SHARES REGISTRAR

CDC Share Registrar Services Limited  
Share Registrar Department  
CDC House, 99-B, Block "B",  
S.M.C.H.S  
Main Shahrah-e-Faisal,  
Karachi,  
Pakistan. Tel: 111-111-500

### AUDITORS

EY Ford Rhodes  
Chartered Accountants

### COMPANY SECRETARY

Ms. Aeraj Abeer

### SHARIAH ADVISOR

Mufti Faisal Ahmed

### BANKERS

Habib Metropolitan Bank Limited (Islamic Banking)  
Meezan Bank Limited  
Al Baraka Bank Pakistan Limited  
Bankislami Pakistan Limited  
Dubai Islamic Bank Pakistan Limited  
Soneri Bank Limited (Islamic Banking)  
Habib Bank Limited (Islamic Banking)

### REGISTERED OFFICE

6th Floor, HBZ Plaza (Hirani Centre)  
I.I. Chundrigar Road, Karachi.  
Tel : 021-32635949-51  
UAN : 111-346-346  
Web : [www.habibmodaraba.com](http://www.habibmodaraba.com)  
Email : [fhm@habibmodaraba.com](mailto:fhm@habibmodaraba.com)

### GEOGRAPHICAL PRESENCE

#### - BRANCH OFFICES

#### Karachi Branch:

3rd Floor, Al-Manzoor Building,  
Dr. Ziauddin Ahmed Road. Karachi.  
Tel : 021-32635949-51

#### Lahore Branch:

1st Floor, 5-Z Block, Phase III, Defence Housing  
Authority, Lahore.  
Tel : 042-35693074-76

#### Islamabad Branch:

Office No. 513, 5th Floor, ISE Towers, Jinnah  
Avenue Blue Area, Islamabad.  
Tel : 051-28994571-73

#### Multan Branch:

Mezzanine Floor, Abdali Tower,  
Abdali Road, Multan.  
Tel : 061-4500121-3

# DIRECTORS' REPORT

On behalf of the Board of Directors, it is our great pleasure to present the un-audited accounts of the First Habib Modaraba for the six months ended Dec 31, 2022.

## **Business Operation**

Performance of first half of current financial year remained under pressure. Business targets of disbursements and enhancement of financing book was not achieved as per budgeted targets due to economic distress and other business challenges. Disbursement of Rs.5.341 billion was made as compared to Rs.5.065 billion of last corresponding periods. Balance sheet size and profitability also increased with good margins.

## **Economic Outlook**

Currently, Pakistan's economic outlook presents a depressing picture. The first six months of 2022-23 have witnessed considerable uncertainty about country's economic prospects. The large negative impact of the 2022 floods with higher international commodity prices, devaluation of the rupee, decreasing foreign exchange reserve and restrictions on imports have led towards stagflation. The inflation rate has risen to historical peak levels of around 27% in January, 2023, especially of food prices.

The impact of the floods on output of the agricultural sector has been very large. Few major crops have shown declining trends particularly cotton crops. A number of major industries have reduced their output including Textile, Steel, Chemical, Automobile and others. A major factor contributing to the fall in these industries is the shortage of imported intermediate inputs and raw materials due to the restriction and controls imposed on the LCs for import. Continuous upward rise in policy rate of State Bank of Pakistan has also intensified difficulties in businesses. In January, 2023, rate further increase by 1% to 17% and there is expectation of further rise in policy rate due to increasing inflation trends.

The country's current account deficit declined during the first half of this fiscal year (FY23) mainly due to lower import bill. Government's measures to curtail the rising import have put a positive impact on the country's external account. However, due to restriction on LCs for import of raw materials, the crisis has further intensified in industries across the country and severely disrupted supply chain of production.

Recently, government has brought "Mini Budget" and levied new taxes of Rs.170 billion. The new taxes will further increase inflation and cost of doing business which ultimately impact on viability of trade and businesses. The new taxes are imposed in order to meet condition of International Monetary Fund. However, discussion and negotiation is still going on with Fund to revive bailout package of \$6.5 billion. Both the sides agreed on a set of measures that can still help to finalize the deal to avoid a looming default. Government is hopeful that they would convince the IMF about its good intentions regarding implementation of all outstanding conditions in a gradual manner.

## **Current status of merger of Habib Metro Modaraba**

Recently, the Honorable High Court has allowed our merger petition of Habib Metro Modaraba (HMM) with and into First Habib Modaraba. Now relevant department of both Modarabas are in process to complete remaining formalities of merger such as closing of Certificate Holders book of HMM for issuance new Certificate of FHM as per Swapping ratio, delisting of HMM from PSX and amalgamation of books of HMM with FHM. The accounts as merged entity will be published at close quarter of 31st March, 2023.

## **Conclusion**

Due to economic stress and slowdown in businesses our disbursements have also affected. Major issues of non-availability auto booking, drastic increase in auto prices including increasing trend of lending rates have badly affected assets procurement and further leveraging capacities. Keeping in view prevailing economic challenges, we expect further slow moving business activities in current year which again impact on our businesses, financing assets portfolio and growth momentum. This situation is also impacting timely repayment of borrowed facilities by the businesses. Re-pricing risks under rising lending rate scenario and high cost of doing business would be major issues of current financial year. Keeping in view of present business circumstances we will cautiously move forward and will be more careful in our existing and new business engagements for new assets financing.

**Acknowledgment**

I would like to express our sincere thanks and gratitude for the continued support and guidance provided by Securities & Exchange Commission of Pakistan and Registrar Modaraba, customers of the Modaraba for their patronage and Certificate holders, investors who have remained committed to FHM. I also appreciate dedication, high level of professionalism and hard work of employees of FHM for smooth operations and achieving satisfactory results in extremely difficult business environment.

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

**Syed Rasheed Akhtar**  
Director

**Muhammad Shoaib Ibrahim**  
Chief Executive Officer

**Karachi: 22<sup>nd</sup> February, 2023**

## ڈائریکٹرز رپورٹ

یہ ہمارے لئے باعث مسرت ہیکہ بورڈ آف ڈائریکٹرز کی جانب سے ۳۱ دسمبر، ۲۰۲۲ کو ختم ہونے والی ششماہی مدت اختتام پر فرسٹ حبیب مضرابہ کی غیر محتسب شدہ کھاتے پیش کریں۔

### کاروباری سرگرمیاں:

رواں مالی سال کی پہلی ششماہی کارکردگی کافی دباؤ کا شکار رہی۔ معاشی بد حالی اور دیگر کاروباری چیلنجز کی وجہ سے تقسیم کے کاروباری اہداف اور فنانشنگ بک میں اضافہ بجٹ کے اہداف کے مطابق نہیں ہو سکا۔ گزشتہ سال اسی مدت میں ۵.۰۶۵ بلین روپے کے مقابلے میں ۵.۳۳۱ بلین روپے کی ادائیگیاں کی گئی۔ بیلنس شیٹ کے سائز اور منافع میں بھی اچھے مارجن کے ساتھ اضافہ ہوا۔

### معاشی جائزہ:

اس وقت پاکستان کا معاشی منظر نامہ مایوس کن تصویر پیش کر رہا ہے۔ ۲۰۲۲-۲۳ کے پہلے چھ مہینوں میں ملک کے معاشی بحالی کے امکانات کے بارے میں کافی غیر یقینی صورتحال دیکھی گئی ہے۔ ۲۰۲۲ کے سیلاب کے بڑے منفی اثرات، اشیاء کی بین الاقوامی قیمتوں میں اضافہ، روپے کی قدر میں کمی، غیر ملکی زرمبادلہ کے ذخائر میں کمی اور دآ مدت پر پابندیاں معیشت جمود کی طرف لے گئی ہیں۔ مہنگائی کی شرح جنوری ۲۰۲۳ میں خاص طور پر خوراک / کھانے پینے کی قیمتوں میں تقریباً ۲ فیصد کی تاریخی بلند ترین سطح پر پہنچ گئی ہے۔

زرعی شعبے کی پیداوار پر سیلاب کے اثرات بہت زیادہ رہے ہیں۔ چند بڑی فصلوں خاص طور پر کپاس کی فصل میں کمی کا رجحان دیکھا گیا ہے۔ ٹیکسٹائل، اسٹیل، کیمیکل، آٹو موٹائل اور دیگر سمیت متعدد بڑی صنعتوں نے اپنی پیداوار میں کمی کی ہے۔ ان صنعتوں میں زوال کا ایک بڑا عنصر امپورٹڈ انٹرمیڈیٹ ان پٹ اور خام مال کی کمی ہے جس کی وجہ سے دآ مدت کے لیے ایل سی پر عائد پابندی اور کنٹرول ہیں۔ اسٹیٹ بینک آف پاکستان کی پالیسی ریٹ میں مسلسل اضافے نے کاروبار میں بھی مشکلات بڑھادی ہیں۔ جنوری ۲۰۲۳ میں، شرح مزید ۱٪ سے ۱٪ تک بڑھ جاتی ہے اور افراط زر کے بڑھتے ہوئے رجحانات کی وجہ سے پالیسی ریٹ میں مزید اضافے کی توقع ہے۔

رواں مالی سال (FY23) کی پہلی ششماہی کے دوران ملک کے کرنٹ اکاؤنٹ خسارے میں کمی آئی جس کی بنیادی وجہ دآ مدی بلوں میں کمی ہے۔ بڑھتی ہوئی دآ مدت کو کم کرنے کے حکومتی اقدامات نے ملک کے بیرونی کھاتے پر مثبت اثر ڈالا ہے۔ تاہم، خام مال کی دآ مدت کے لیے ایل سی پر پابندیوں کی وجہ سے ملک بھر کی صنعتوں میں بحران مزید شدت اختیار کر گیا ہے اور پیداوار کی سپلائی چین کو بری طرح متاثر کر دیا ہے۔

حال ہی میں حکومت نے "منی بجٹ" پیش کیا ہے اور اس میں ۱۷۰ ارب روپے کے نئے ٹیکسز لگائے ہیں۔ نئے ٹیکس مہنگائی اور کاروبار کرنے کی لاگت میں مزید اضافہ کریں گے جو بالآخر تجارت اور کاروبار کی عملداری پر اثر انداز ہوں گے۔ نئے ٹیکس انٹرنیشنل مانیٹرنگ فنڈ (IMF) کی شرط کو پورا کرنے کے لیے لگائے گئے ہیں۔ تاہم، ۶.۵ بلین ڈالر کے بیل آؤٹ پیکیج کو بحال کرنے کے لیے فنڈ کے ساتھ بات چیت اور مذاکرات جاری ہیں۔ دونوں فریقوں نے ایسے اقدامات پر اتفاق کیا جو اب بھی ڈیفالٹ کو ختم کرنے سے بچنے کے لیے معاہدے کو حتمی شکل دینے میں مدد کر سکتے ہیں۔ حکومت پر امید ہے کہ وہ آئی ایم ایف کو تمام بقایا شرائط کو بتدریج نافذ کرنے کے بارے میں اپنے اچھے ارادوں کے بارے میں قائل کرے گی۔

### حبیب میٹرو مضرابہ کے انضمام کی حالیہ صورتحال:

حال ہی میں، معزز عدالت نے ہماری حبیب میٹرو مضرابہ (HMM) کے فرسٹ حبیب مضرابہ کے ساتھ انضمام کی درخواست کی اجازت دی ہے۔ اب دونوں اداروں کا متعلقہ محکمہ انضمام کی تقریبی رسمی کارروائیوں جیسے کہ HMM کے سرٹیفکیٹ ہولڈرز کی کتاب کو بند کر کے تبدیل کرنے کے تناسب کے مطابق FHM کا نیاسرٹیفکیٹ جاری کرنے کے عمل میں ہے۔ پاکستان اسٹاک ایکسچینج (PSX) سے HMM کی ڈی لسٹنگ اور HMM کی کتابوں کو FHM کے ساتھ ملانا۔ ضم شدہ ادارے کے طور پر اکاؤنٹس ۳۱ مارچ ۲۰۲۳ کی قریبی سہ ماہی میں شائع کیے جائیں گے۔

### خلاصہ:

معاشی دباؤ اور کاروبار میں سست روی کی وجہ سے ہماری ادائیگیاں بھی متاثر ہوئی ہیں۔ اہم مسائل میں آٹو بکنگ کی عدم دستیابی، آٹو کی قیمتوں میں زبردست اضافہ بشمول قرضے کی شرح میں اضافے کے رجحان نے اثاثوں کی خریداری اور مزید فائدہ اٹھانے کی صلاحیتوں کو بری طرح متاثر کیا ہے۔ موجودہ اقتصادی چیلنجز کو مد نظر رکھتے ہوئے ہم توقع کرتے ہیں کہ رواں سال میں مزید سست رفتاری سے چلنے والی کاروباری سرگرمیاں دوبارہ ہمارے کاروبار، مالیاتی اثاثوں کے پورٹ فولیو اور ان کی ترقی کی رفتار پر اثر انداز ہوں گی۔ یہ صورتحال کاروباری اداروں کی طرف سے ادھار لی گئی سہولیات کی بروقت ادائیگی پر بھی اثر انداز ہو رہی ہے۔ قرضے کی شرح کے بڑھتے ہوئے منظر نامے کے تحت دوبارہ قیمتوں کے تعین کے خطرات اور کاروبار کرنے کی زیادہ لاگت موجودہ مالی سال کے اہم مسائل ہوں گے۔ موجودہ کاروباری حالات کو مد نظر رکھتے ہوئے ہم احتیاط سے آگے بڑھیں گے اور نئے اثاثوں کی مالی اعانت کے لیے اپنی موجودہ اور نئی کاروباری مصروفیات میں زیادہ محتاط رہیں گے۔

### اظہارِ تشکر:

بورڈ آف ڈائریکٹرز کی طرف سے ہم سیکورٹیز اینڈ ایکسچینج کمیشن آف پاکستان کا، رجسٹرار مضاربہ کے بہت ہی مشکور ہیں جنہوں نے ہماری مسلسل رہنمائی اور سرپرستی کی، اپنے قابل قدر کسٹمرز کا، اپنے سرٹیفیکیٹ ہولڈرز کا کہ انہوں نے ہم پر بھروسہ کیا اور فرسٹ حبیب مضاربہ کے ساتھ بنے رہے۔ اور ہم فرسٹ حبیب مضاربہ ملازمین کی اعلیٰ پائے کی پیشہ ورانہ مہارت اور مسلسل بے انتہا محنت کا جس کی وجہ سے ہم نے انتہائی مشکل ترین حالات میں بھی اطمینان بخش نتائج حاصل کئے۔

سید رشید اختر  
ڈائریکٹر

محمد شعیب ابراہیم  
چیف ایگزیکٹو آفیسر

تاریخ: ۲۲ فروری ۲۰۲۳

# INDEPENDENT AUDITORS' REVIEW REPORT

**To the Certificate Holders of First Habib Modaraba (the Modaraba)**

**Report on review of Interim Financial Statements.**

## **Introduction**

We have reviewed the accompanying condensed interim balance sheet of First Habib Modaraba (the Modaraba) as at 31 December 2022, the related condensed interim profit and loss account, condensed interim statement of comprehensive income, condensed interim cash flow statement, condensed interim statement of changes in equity, and notes to the interim financial statements for the six month period then ended (here-in-after referred to as "interim financial statements"). Modaraba is responsible for the preparation and presentation of these interim financial statements in accordance with approved accounting standards as applicable in Pakistan for interim financial reporting. Our responsibility is to express a conclusion on these interim financial statements based on our review.

The figures of the condensed interim profit and loss account and condensed interim statement of comprehensive income for the quarters ended 31 December 2022 and 31 December 2021 have not been subject to limited scope review by the external auditors as we are only required to review the cumulative figures for the six month period ended 31 December 2022.

## **Scope of Review**

We conducted our review in accordance with the International Standard on Review Engagements 2410, "Review of Interim Financial Statements Performed by the Independent Auditor of the Entity". A review of interim financial statements consists of making inquiries, primarily of persons responsible for financial and accounting matters, and applying analytical and other review procedures. A review is substantially less in scope than an audit conducted in accordance with International Standards on Auditing and consequently does not enable us to obtain assurance that we would become aware of all significant matters that might be identified in an audit. Accordingly, we do not express an audit opinion.

## **Conclusion**

Based on our review, nothing has come to our attention that causes us to believe that the accompanying interim financial statements are not prepared, in all material respects, in accordance with approved accounting standards as applicable in Pakistan for interim financial reporting.

The engagement partner on the audit resulting in this independent auditors' report is Omer Chughtai.

## **Chartered Accountants**

**Place:** Karachi

**Dated:** 28<sup>th</sup> February 2023

**UDIN Number:** RR202210120gAINOW1ys



# CONDENSED INTERIM BALANCE SHEET

AS AT DECEMBER 31, 2022

	Note	(Unaudited)	(Audited)
		December 31, 2022	June 30, 2022
<b>ASSETS</b>			
<b>NON-CURRENT ASSETS</b>			
Lease financing assets	6	-	185,055,850
Assets in own use	7	37,849,171	50,229,380
Intangible assets		111,558	141,975
Diminishing musharaka financing	8	11,699,319,368	11,172,262,516
Long term prepayments and deposits		1,147,800	1,172,800
Investments	9	392,225,160	446,441,534
Deferred tax Assets - net		85,793,587	34,358,016
		<b>12,216,446,644</b>	11,889,662,071
<b>CURRENT ASSETS</b>			
Short term Investments	9	605,351,226	281,873,210
Current portion of diminishing musharaka financing	8	6,145,380,655	4,723,078,394
Diminishing musharaka financing installments receivables		1,034,602	2,338,076
Advances and prepayments		8,370,767	13,755,955
Other receivables		17,630,734	25,597,501
Income tax refundable	10	13,750,007	89,470,329
Cash and bank balances		367,608,384	137,042,312
		<b>7,159,126,375</b>	5,273,155,777
<b>TOTAL ASSETS</b>		<b>19,375,573,019</b>	17,162,817,848
<b>EQUITY AND LIABILITIES</b>			
<b>CAPITAL AND RESERVES</b>			
Authorized certificate capital 220,000,000 (June 30, 2022: 220,000,000) certificates of Rs.5 each		1,100,000,000	1,100,000,000
Issued, subscribed and paid-up certificate capital		1,008,000,000	1,008,000,000
Reserves		2,992,712,492	2,959,519,451
Certificate holders' equity		4,000,712,492	3,967,519,451
<b>SURPLUS ON REVALUATION OF INVESTMENTS</b>		2,515,968	9,495,741
<b>NON-CURRENT LIABILITIES</b>			
Security deposits against lease financing assets		-	26,320,785
Liability against right of use assets (property lease)	13	5,030,239	8,284,058
		5,030,239	34,604,843
<b>CURRENT LIABILITIES</b>			
Certificates of investment (musharaka)	12	13,669,698,996	11,262,599,835
Security deposits - current portion		-	33,661,163
Current maturity of liability against right of use assets (property lease)	13	1,936,493	1,980,642
Unearned lease financing and diminishing musharaka installments		70,080,119	79,964,659
Advance lease financing and diminishing musharaka installments		8,284,918	11,111,098
Trade and other payables		846,017,547	741,298,141
Profit payable on certificates of investment (musharaka)		288,103,714	223,420,415
Running musharaka		430,940,498	748,281,800
Unclaimed profit distributions		52,252,035	48,880,060
		<b>15,367,314,320</b>	13,151,197,813
<b>TOTAL EQUITY AND LIABILITIES</b>		<b>19,375,573,019</b>	17,162,817,848
<b>CONTINGENCIES AND COMMITMENTS</b>			
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The annexed notes from 1 to 23 form an integral part of these interim financial statements.

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

Chief Executive Officer

Chief Financial Officer

Director

Director

## CONDENSED INTERIM PROFIT AND LOSS ACCOUNT (UN-AUDITED) FOR THE HALF YEAR ENDED DECEMBER 31, 2022

	Note	Half Year Ended		Quarter Ended	
		December 31, 2022	December 31, 2021	December 31, 2022	December 31, 2021
		Rupees		Rupees	
Income from lease financing		<b>38,523,599</b>	83,856,478	<b>16,588,876</b>	49,359,727
Income from diminishing musharaka financing		<b>1,421,579,302</b>	505,964,797	<b>778,884,040</b>	267,644,011
Provision in respect of diminishing musharaka		<b>(145,557,232)</b>	(21,890,112)	<b>(111,662,305)</b>	(14,072,230)
Administrative expenses		<b>(100,934,346)</b>	(82,095,098)	<b>(52,196,466)</b>	(41,573,205)
		<b>1,213,611,323</b>	485,836,065	<b>631,614,145</b>	261,358,303
Other income	15	<b>122,029,960</b>	50,901,852	<b>81,993,190</b>	27,614,518
		<b>1,335,641,283</b>	536,737,917	<b>713,607,335</b>	288,972,821
Financial charges		<b>(988,246,912)</b>	(310,167,224)	<b>(525,684,882)</b>	(172,734,675)
Modaraba Management Company's remuneration	16	<b>(34,739,437)</b>	(22,657,069)	<b>(18,792,245)</b>	(11,623,814)
Sales tax on Modaraba Management Company's remuneration	16.2	<b>(4,516,127)</b>	(2,945,419)	<b>(2,442,992)</b>	(1,511,096)
Provision for Sindh Workers' Welfare Fund		<b>(6,162,777)</b>	(4,019,364)	<b>(3,333,744)</b>	(2,062,065)
<b>Profit before taxation</b>		<b>301,976,030</b>	196,948,841	<b>163,353,472</b>	101,041,171
Taxation	17	<b>(71,182,899)</b>	(17,730,740)	<b>(36,293,835)</b>	10,082,485
<b>Profit after taxation</b>		<b>230,793,131</b>	179,218,101	<b>127,059,637</b>	111,123,656
<b>Earning per certificate - basic and diluted</b>	18	<b>1.14</b>	0.89	<b>0.63</b>	0.55

The annexed notes from 1 to 23 form an integral part of these interim financial statements.

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

Chief Executive Officer

Chief Financial Officer

Director

Director

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

FOR THE HALF YEAR ENDED DECEMBER 31, 2022

	Half Year Ended		Quarter Ended	
	December 31, 2022	December 31, 2021	December 31, 2022	December 31, 2021
	-----Rupees-----		-----Rupees-----	
<b>Profit after taxation</b>	<b>230,793,131</b>	179,218,101	<b>127,059,637</b>	111,123,656
<b>Items that will not be reclassified subsequently to profit and loss account</b>				
(Deficit) / surplus on revaluation of investments classified as 'at fair value through other comprehensive income'- net *	<b>(6,914,810)</b>	58,587,123	<b>(1,030,756)</b>	(26,294,916)
<b>Total comprehensive income for the period</b>	<b>223,878,321</b>	237,805,224	<b>126,028,881</b>	84,828,740

\* Surplus on revaluation of "investment" is presented under the separate head below equity as "surplus on revaluation of investment" in accordance with Modaraba Regulation, 2021.

The annexed notes from 1 to 23 form an integral part of these interim financial statements.

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

Chief Executive Officer

Chief Financial Officer

Director

Director

## CONDENSED INTERIM CASH FLOW STATEMENT (UN-AUDITED)

FOR THE HALF YEAR ENDED DECEMBER 31, 2022

	Note	December 31, 2022	December 31, 2021
Rupees			
<b>CASH FLOW FROM OPERATING ACTIVITIES</b>			
Profit for the period		301,976,030	196,948,841
Adjustment for:			
Depreciation and amortization		56,051,756	215,069,718
Financial charges		934,491,734	299,024,822
Gain on transfer of lease financing assets - net		(37,835,303)	(10,665,858)
Gain on disposal of assets in own use - net		(11,668)	(165,569)
Provision in respect of diminishing musharaka		145,557,232	21,890,112
Gain on termination of lease contract		(2,547,681)	-
Dividend income	15	(1,500,000)	(11,429,684)
		1,094,206,070	513,723,541
<b>Changes in working capital</b>			
<b>Decrease / (increase) in current assets</b>			
Lease financing installments receivables		-	385,597
Diminishing musharaka financing installments receivables		(144,253,758)	(22,167,630)
Advances and prepayments		5,385,188	3,816,243
Income tax refundable		(21,256,259)	(26,451,143)
Other receivables		13,066,767	25,973,029
		(147,058,062)	(18,443,904)
<b>(Decrease) / increase in current liabilities</b>			
Unearned lease financing and diminishing musharaka installments		(9,884,540)	14,802,705
Advance lease financing and diminishing musharaka installments		(2,826,180)	(2,213,157)
Trade and other payables		97,024,534	72,605,009
		84,313,814	85,194,557
<b>Cash generated from operations</b>		1,333,437,852	777,423,035
Purchase of lease financing assets		-	(57,982,023)
Proceeds from transfer of lease financing assets		175,913,407	319,132,477
Diminishing musharaka financing - net		(1,949,359,113)	(2,821,028,821)
Long term advances, deposits and prepayments		25,000	-
Security deposits against lease financing assets		(59,981,948)	(91,832,212)
Financial charges paid		(869,121,773)	(284,427,346)
Tax paid		(15,776,979)	(8,619,353)
		(2,718,301,406)	(2,944,757,278)
<b>Net cash used in operating activities</b>		(1,384,863,554)	(2,167,334,243)
<b>CASH FLOW FROM INVESTING ACTIVITIES</b>			
Purchase of assets in own use		(4,351,018)	(9,272,188)
Purchase of Intangible assets		-	(182,500)
Purchase of investments		-	(289,153,500)
Proceeds from sale / maturity of investments		51,301,475	-
Payments of lease rentals		(1,156,707)	(1,037,814)
Proceeds from sale of assets in own use		88,858	169,363
Dividends received		1,500,000	11,429,684
<b>Net cash generated from/(used in) investing activities</b>		47,382,608	(288,046,955)
<b>CASH FLOW FROM FINANCING ACTIVITIES</b>			
Dividends paid		(198,232,825)	(278,700,744)
Certificates of investment (musharaka)		2,407,099,161	1,673,437,430
<b>Net cash inflow from financing activities</b>		2,208,866,336	1,394,736,686
Net increase / (decrease) in cash and cash equivalents during the period		871,385,390	(1,060,644,512)
Cash and cash equivalents at the beginning of the period		(329,366,278)	655,751,071
<b>Cash and cash equivalents at the end of the period</b>	11	542,019,112	(404,893,441)

The annexed notes from 1 to 23 form an integral part of these interim financial statements.

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

Chief Executive Officer

Chief Financial Officer

Director

Director

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

FOR THE HALF YEAR ENDED DECEMBER 31, 2022

	Certificate capital	Capital reserves		Revenue reserves		Total equity
		Certificate premium	Statutory reserves	General reserves	Unappropriated profit	
----- (Rupees) -----						
Balance as at July 01, 2021	1,008,000,000	378,000,000	1,207,937,890	640,000,000	393,129,923	3,627,067,813
Profit distribution for the year ended June 30, 2021 @ Rs.1.40 per certificate	-	-	-	-	(282,240,000)	(282,240,000)
Total comprehensive income for the period	-	-	-	-	179,218,101	179,218,101
<b>Balance as at December 31, 2021</b>	<b>1,008,000,000</b>	<b>378,000,000</b>	<b>1,207,937,890</b>	<b>640,000,000</b>	<b>290,108,024</b>	<b>3,524,045,914</b>
Balance as at July 01, 2022	1,008,000,000	378,000,000	1,284,362,639	740,000,000	557,156,812	3,967,519,451
Profit distribution for the year ended June 30, 2022 @ Rs.1.00 per certificate	-	-	-	-	(201,600,000)	(201,600,000)
Total comprehensive income for the period	-	-	-	-	230,793,131	230,793,131
Surplus transferred to unappropriated profit during the period	-	-	-	-	3,999,910	3,999,910
<b>Balance as at December 31, 2022</b>	<b>1,008,000,000</b>	<b>378,000,000</b>	<b>1,284,362,639</b>	<b>740,000,000</b>	<b>590,349,853</b>	<b>4,000,712,492</b>

The annexed notes from 1 to 23 form an integral part of these interim financial statements.

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

Chief Executive Officer

Chief Financial Officer

Director

Director

# NOTES TO THE INTERIM FINANCIAL STATEMENTS

## FOR THE HALF YEAR ENDED DECEMBER 31, 2022

### 1. STATUS AND NATURE OF BUSINESS

First Habib Modaraba (the Modaraba) is a perpetual, multi-purpose modaraba floated and managed by Habib Metropolitan Modaraba Management Company (Private) Limited (the Modaraba Management Company) The Modaraba is listed on Pakistan Stock Exchange Limited. The Modaraba is engaged in the business of leasing, Musharaka, Murabaha financing and other related business. The affairs, activities and transactions, performed by the Modaraba during the period comply with the rules and principles of Islamic Shariah in light of the guidelines and directives given by the Shariah Advisor and guidelines issued by office of the Registrar Modaraba, Securities and Exchange Commission of Pakistan Limited (SECP). The registered office of the Modaraba is at 6th Floor at HBZ Plaza, Hirani Centre, I.I. Chundrigar Road, Karachi.

- 1.1** The Board of Directors of Habib Metropolitan Modaraba Management Company (Private) Limited (the Modaraba Management Company), being the modaraba management company of First Habib Modaraba (the Modaraba), in their meeting held on June 06, 2022 principally approved the draft Scheme of Arrangement under Sections 279 to 282 and 285(8), read with Section 505, of the Companies Act, 2017, to be entered into between the Modaraba Management Company, Habib Metro Modaraba (another Modaraba managed by the Modaraba Management Company) and the Modaraba subject to necessary approvals along with any such changes, modifications as may be required or advised by legal counsel and / or accounting consultants.

SECP has given approval on July 22, 2022 to the Modaraba Management Company to proceed further with the proposed merger subject to approval of draft Scheme of Merger from the High Court of Sindh. As a consequence of the scheme of merger, First Habib Modaraba shall take over the business, functions, contracts, policies, proceedings, undertakings, assets, liabilities, etc. of Habib Metro Modaraba at a specific date subject to approval of Registrar of Modaraba and since there will be no change in nature of financial assets in hold after scheme of merger arrangement, no adjustments are expected to the carrying amounts of assets and liabilities of the Modaraba. During the year Modaraba Management Company has filed the petition in the honourable High Court of Sindh along with the draft scheme of arrangement. Legal and other formalities to effect the proposed merger are in process.

Subsequent to the period ended December 31, 2022, the Honourable Court has approved the merger petition vide its order dated February 07, 2023 without any amendments in the petition filed.

### 2. BASIS OF PREPARATION

#### 2.1 Statement of Compliance

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

- International Accounting Standard (IAS) 34, Interim Financial Reporting, issued by the International Accounting Standards Board (IASB) as notified under the Companies Act, 2017;
- Provisions of and directives issued under the Companies Act, 2017; and
- The requirements of Modaraba Companies and Modarabas (Floatation and Control) Ordinance, 1980, Modaraba Companies and Modaraba Rules, 1981 and Prudential Regulations for Modarabas (hereinafter referred to as the relevant laws).

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

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

- 2.2** The interim financial statements do not include all the information and disclosures required for full annual financial statements and should be read in conjunction with the annual financial statements of the Modaraba as at and for the year ended June 30, 2022.

# NOTES TO THE INTERIM FINANCIAL STATEMENTS

## FOR THE HALF YEAR ENDED DECEMBER 31, 2022

**2.3** These interim financial statements are unaudited but subject to limited scope review by the external auditors as required by the Code of Corporate Governance and are being submitted to the certificate holders as required under Rule 10 of the Modaraba Companies and Modaraba Rules, 1981.

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

### 3. SIGNIFICANT ACCOUNTING POLICIES

The accounting policies and methods of computation adopted for the preparation of these condensed interim financial statements are the same as those applied in the preparation of the annual financial statements for the year ended June 30, 2022, except for the adoption of amendments and improvements to approved accounting standards which became effective for the current period as disclosed in note 4 to these condensed interim financial statements.

### 4. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

**4.1** The accounting policies applied and the methods of computation of balances used in the preparation of these condensed interim financial statements are the same as those applied in the preparation of the audited financial statements of the Fund for the year ended June 30, 2022.

The preparation of these condensed interim financial statements in conformity with approved accounting standards requires management to make estimates, assumptions and use judgements that affect the application of accounting policies and reported amounts of assets, liabilities, income and expenses. Estimates, assumptions and judgments are continually evaluated and are based on historical experience and other factors, including reasonable expectations of future events. Revisions to accounting estimates are recognised prospectively commencing from the period of revision.

#### 4.2 New / Revised Standards, Interpretations and Amendments

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 Fund's operations and therefore not detailed in these condensed interim financial statements.

**4.3** 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:

<b>Standards, interpretations and amendments</b>	<b>Effective date (annual periods beginning on or after)</b>
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
Classification of liabilities as current or non-current - Amendment to IAS 1	January 01, 2023
Lease Liability in a Sale and Leaseback - Amendments to IFRS 16	January 01, 2024
Sale or Contribution of Assets between an Investor and its Associate or Joint Venture - Amendment to IFRS 10 and IAS 28	Not yet finalized

## NOTES TO THE INTERIM FINANCIAL STATEMENTS FOR THE HALF YEAR ENDED DECEMBER 31, 2022

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

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

### 5. ACCOUNTING ESTIMATES, ASSUMPTIONS AND JUDGMENTS

The preparation of these condensed interim financial statements in conformity with approved accounting standards, as applicable in Pakistan requires the management to make estimates, assumptions and use judgments that affect the application of policies and the reported amount of assets and liabilities and income and expenses.

The assumptions, judgements and estimates used by the management in the preparation of these condensed interim financial statements are same as those applied in the Modaraba annual financial statements for the year ended June 30, 2022.

	Note	(Unaudited)	(Audited)
		December 31, 2022	June 30, 2022
-----Rupees-----			
<b>6. LEASE FINANCING ASSETS</b>			
Lease financing assets	6.1	-	185,055,850
		-	185,055,850
		(Unaudited)	(Unaudited)
		December 31, 2022	December 31, 2021
-----Rupees-----			
<b>6.1 Additions, disposals and transfers lease financing asset</b>			
<b>Additions during the period</b>			
Plant, machinery and equipment		-	57,982,023
Vehicles		-	-
		-	57,982,023
<b>Disposal/transfer during the period</b>			
Plant, machinery and equipment		44,968,911	2,859,292
Vehicles		93,308,993	305,678,710
		<b>138,277,904</b>	<b>308,538,002</b>

**6.1.1** This includes transferred from lease financing assets of net book value Rs.113 million having cost of Rs. 495 million accumulated depreciation of Rs.382 million to Diminishing Musharaka during the period resulting in a gain of Rs.30.9 million.



# NOTES TO THE INTERIM FINANCIAL STATEMENTS

FOR THE HALF YEAR ENDED DECEMBER 31, 2022

	Note	(Unaudited) December 31, 2022	(Audited) June 30, 2022
-----Rupees-----			
<b>7. ASSETS IN OWN USE</b>			
Assets in own use		30,492,373	32,724,232
Right of use assets (Property Lease)	7.2	7,356,798	17,505,148
		<b>37,849,171</b>	<b>50,229,380</b>
-----Rupees-----			
		(Unaudited) December 31, 2022	(Unaudited) December 31, 2021
-----Rupees-----			
<b>7.1 Additions and disposals in assets in own use</b>			
<b>Additions during the period</b>			
Office equipment		1,418,178	1,912,967
Furniture and fixture		132,000	462,115
Vehicles		2,538,000	5,939,000
Leasehold improvements		262,840	958,106
		<b>4,351,018</b>	<b>9,272,188</b>
<b>Disposal (at book value) during the period / year</b>			
Office equipment		1	-
Furniture and fixture		1	-
Vehicles		77,188	3,793
		<b>77,190</b>	<b>3,793</b>
-----Rupees-----			
		(Unaudited) December 31, 2022	(Audited) June 30, 2022
-----Rupees-----			
<b>7.2 Right of use assets</b>			
Balance at beginning of the period / year		17,505,148	22,582,192
Depreciation expense		(2,538,552)	(5,077,044)
Terminated during the period		(7,609,798)	-
Balance at the end of the period / year		<b>7,356,798</b>	<b>17,505,148</b>
-----Rupees-----			
<b>8. DIMINISHING MUSHARAKA FINANCING - SECURED</b>			
Diminishing musharka financing		16,283,668,989	13,438,064,734
Less: Provision in respect of Diminishing Musharaka		(400,388,199)	(254,830,967)
		<b>15,883,280,790</b>	<b>13,183,233,767</b>
Less: Current portion		(6,145,380,655)	(4,723,078,394)
		<b>9,737,900,135</b>	<b>8,460,155,373</b>
Advance against diminishing musharaka financing		1,961,419,233	2,712,107,143
		<b>11,699,319,368</b>	<b>11,172,262,516</b>

## NOTES TO THE INTERIM FINANCIAL STATEMENTS

FOR THE HALF YEAR ENDED DECEMBER 31, 2022

	Note	(Unaudited)	(Audited)
		December 31, 2022	June 30, 2022
-----Rupees-----			
<b>9. INVESTMENTS</b>			
At fair value through other comprehensive income			
Investment in shares		38,445,000	92,661,374
Investment in sukuk certificate	9.1	80,000,000	80,000,000
		<b>118,445,000</b>	172,661,374
At amortised cost			
Investment in Term Deposit Musharakas (TDMs)	9.2	605,351,226	281,873,210
Investment in Ijarah GOP sukuk	9.3	273,780,160	273,780,160
		<b>879,131,386</b>	555,653,370
		<b>997,576,386</b>	728,314,744

**9.1** These sukuks carry profit at rates ranging from 10.11% to 18.46% (2022: 9.05% to 10.53%) per annum having perpetual maturity.

**9.2** These term deposit musharaka carry profit at rates ranging from 12.75% to 14.70% (June 30, 2022: 6.40% to 13.00%) per annum.

**9.3** These GOP ijarah Sukuks carry profit at rates ranging from 8.77% to 8.22% (2022: 5.50% to 8.50%) per annum with maturity latest by October 2026.

	Note	(Unaudited)	(Audited)
		December 31, 2022	June 30, 2022
-----Rupees-----			
<b>9.4 Surplus on revaluation of investments</b>			
Market value of investments		118,445,000	172,661,374
Less: Cost of investments		(115,929,032)	(163,165,633)
		<b>2,515,968</b>	9,495,741
Surplus on revaluation at the beginning of the period / year		9,495,741	201,278,830
Surplus / (deficit) transferred to unappropriated profit during the period / year		3,999,910	(272,279,238)
(Deficit) / surplus on revaluation during the period / year		(10,979,683)	80,496,149
		<b>(6,979,773)</b>	(191,783,089)
		<b>2,515,968</b>	9,495,741
<b>10. INCOME TAX REFUNDABLE</b>			
Income tax	10.1	13,750,007	89,470,329

**10.1** 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 2022, as the management is confident that the same shall be refunded.

	Note	(Unaudited)	(Unaudited)
		December 31, 2022	December 31, 2021
-----Rupees-----			
<b>11. CASH AND CASH EQUIVALENTS</b>			
Cash and bank balance		367,608,384	144,766,192
Term Deposit Musharakas (TDMs)		605,351,226	199,006,290
Running musharakah	11.1.1	(430,940,498)	(748,665,923)
		<b>542,019,112</b>	(404,893,441)

# NOTES TO THE INTERIM FINANCIAL STATEMENTS

## FOR THE HALF YEAR ENDED DECEMBER 31, 2022

### 11.1 RUNNING MUSHARAKA

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

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

	Note	(Unaudited)	(Audited)
		December 31, 2022	June 30, 2022
-----Rupees-----			
<b>12. CERTIFICATES OF INVESTMENT (MUSHARAKA) - UNSECURED</b>			
Certificates of investment (musharaka)	12.1	<b>13,669,698,996</b>	11,262,599,835

**12.1** These certificates have different denominations and are repayable within three months to one year. The estimated share of profit paid / payable on these certificates ranges between 12.30% to 16.60% (June 30, 2022: 5.50% to 15.85%) per annum.

	(Unaudited)	(Audited)
	December 31, 2022	June 30, 2022
-----Rupees-----		
<b>13. LIABILITY AGAINST RIGHT OF USE ASSETS (PROPERTY LEASE)</b>		
Balance at beginning of the period / year	<b>10,264,700</b>	23,695,845
Finance cost for the period / year	<b>687,321</b>	2,797,640
Payments made during the period / year	<b>(1,156,707)</b>	(16,228,785)
Terminated during the period	<b>(2,828,582)</b>	-
Balance at the end of the period / year	<b>6,966,732</b>	10,264,700
Less: Current maturity	<b>(1,936,493)</b>	(1,980,642)
	<b>5,030,239</b>	8,284,058

### 14. CONTINGENCIES AND COMMITMENTS

#### 14.1 Contingencies

There is no change in the status of the case related to letter received by the Modaraba last year from Sindh Revenue Board (SRB) dated August 09, 2018, related to sales tax on lease rentals / lease financing transactions as mentioned in note 26.1 to annual financial statement of the Modaraba for the year ended June 30, 2022.

#### 14.2 Commitments

Commitments in respect of financing transactions amounted to Rs.912 million (June 30, 2022: Rs.839 million).

## NOTES TO THE INTERIM FINANCIAL STATEMENTS

FOR THE HALF YEAR ENDED DECEMBER 31, 2022

	(Un-audited)			
	Half Year Ended		Quarter Ended	
	December 31, 2022	December 31, 2021	December 31, 2022	December 31, 2021
	-----Rupees-----		-----Rupees-----	
<b>15. OTHER INCOME</b>				
Dividend on shares	1,500,000	11,429,684	1,500,000	8,229,684
Gain on transfer of lease financing assets	37,835,303	10,665,858	37,275,933	4,695,464
Gain on sale of owned fixed assets	11,668	165,569	-	165,569
Profit on Modaraba's deposit accounts	35,414,116	11,853,090	17,234,524	5,602,374
Profit on Term Deposit Musharakas (TDMs)	4,708,345	6,939,538	832,955	3,198,426
Profit on Ijarah GOP sukuk bonds	20,712,908	303,904	10,585,076	303,904
Profit on sukuk	6,862,387	3,858,430	3,441,670	1,978,441
Miscellaneous income	14,985,233	5,685,779	11,123,032	3,440,656
	<b>122,029,960</b>	<b>50,901,852</b>	<b>81,993,190</b>	<b>27,614,518</b>

### 16. MODARABA MANAGEMENT COMPANY'S FEE INCLUSIVE OF SALES TAX

**16.1** The Modaraba Management Company is entitled to a remuneration for services rendered to the Modaraba under the provisions of the Modaraba Companies and Modarabas (Floatation and Control) Ordinance, 1980 upto a maximum of 10% per annum of the net annual profits of the Modaraba. The fee for the period ended December 31, 2022 has been recognized at 10% (December 31, 2021: 10%) of profit for the period.

**16.2** There is no change in the status of the Sindh Sales Tax levied by the Sindh Government at the rate of 13% (December 31, 2021: 13%) on the remuneration of the Modaraba Management Company, as reported in note 24.5 to the annual financial statements of the Modaraba for the year ended June 30, 2022.

	(Unaudited)	(Unaudited)
	December 31, 2022	December 31, 2021
	-----Rupees-----	
<b>17. TAXATION</b>		
Current	122,683,432	36,525,914
Deferred	(51,500,533)	(18,795,174)
	<b>71,182,899</b>	<b>17,730,740</b>

### 18. EARNINGS PER CERTIFICATE - BASIC AND DILUTED

There is no dilutive effect on earnings per certificate which is based on:

	(Un-audited)			
	Half Year Ended		Quarter Ended	
	December 31, 2022	December 31, 2021	December 31, 2022	December 31, 2021
	-----Rupees-----		-----Rupees-----	
Net profit for the period	230,793,131	179,218,101	127,059,637	111,123,656
Weighted average number of ordinary certificates	201,600,000	201,600,000	201,600,000	201,600,000
Basic earnings per certificate	1.14	0.89	0.63	0.55

# NOTES TO THE INTERIM FINANCIAL STATEMENTS

## FOR THE HALF YEAR ENDED DECEMBER 31, 2022

### 19. TRANSACTIONS WITH RELATED PARTIES

The related parties and associated undertakings comprise the Management Company (Habib Metropolitan Modaraba Management Company (Private) Limited), Habib Metropolitan Bank Limited, Habib Bank AG Zurich, Habib Metro Modaraba, Habib Metropolitan Financial Services Limited, First Habib Modaraba Employees' Provident Fund, First Habib Modaraba Employees' Gratuity Fund and key management personnel. Transactions and balances outstanding with related parties and associated undertakings are as follows:

			(Unaudited)	(Audited)
			December 31, 2022	June 30, 2022
			Rupees	
Balances held	Related party relationship	Nature of balances		
<b>Related party</b>	<b>Related party relationship</b>	<b>Nature of balances</b>		
Habib Metropolitan Bank Limited	Holding Company	Bank Balances	360,586,528	134,830,365
		Investment in Term Deposit Musharaka	200,000,000	-
		Certificates of investment (musharaka)	4,050,000,000	4,550,000,000
		Profit receivable	5,069,247	5,137,584
		Financial Charges Payable	54,346,918	71,446,986
		Utility charges Payable	-	2,354,333
		Security deposit	130,000	130,000
Habib Metropolitan Modaraba Management Company (Private) Limited	Management Company	Management fee payable	34,739,437	56,977,101
		Sale tax on management fee payable	35,757,041	31,240,914
Staff Retirement Benefit Funds	Associate	Payable to staff Gratuity Fund	1,800,000	-
			(Unaudited)	(Unaudited)
			December 31, 2022	December 31, 2021
			Rupees	
<b>Transactions during the period</b>	<b>Related party relationship</b>	<b>Nature of transactions</b>		
Habib Metropolitan Bank Limited	Holding Company	Profit on bank accounts	34,662,479	20,042,168
		Bank charges	434,465	348,451
		Utility charges	2,040,738	2,990,678
		Rent expense	-	344,556
		Financial charges	335,692,884	104,563,596
Habib Metropolitan Modaraba Management Company (Private) Limited	Management Company	Management fee	34,739,437	22,657,069
		Sale tax on management fee	4,516,127	2,945,419
		Management fee paid	56,977,101	41,776,705
		Dividend paid	20,160,000	28,224,000
Habib Metropolitan Financial Services Limited	Associate	Brokerage commission	54,375	24,000
		Purchase of securities	-	15,478,500
		Sale of securities	50,826,842	-
Staff Retirement Benefit Fund	Associate	Gratuity expense	1,800,000	1,650,000
Provident Fund	Associate	Contribution made	1,940,016	1,751,731

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

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

# NOTES TO THE INTERIM FINANCIAL STATEMENTS

## FOR THE HALF YEAR ENDED DECEMBER 31, 2022

### 20. SEGMENT INFORMATION

As per IFRS 8 - 'Operating Segments', operating segments are reported in a manner consistent with the internal reporting used by the chief operating decision maker. The chief executive officer of the management company has been identified as the chief operating decision maker, who is responsible for allocating resources and assessing performance of the operating segments.

The Chief Executive Officer is responsible for 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	
	2022	2021	2022	2021	2022	2021
----- (Rupees) -----						
<b>Segment revenues and (losses) / profits</b>						
Revenue - net of depreciation, where applicable	38,523,599	83,856,478	1,421,579,302	505,964,797	1,460,102,901	589,821,275
Costs	-	-	(988,246,912)	(310,167,224)	(988,246,912)	(310,167,224)
Reportable segment profit	38,523,599	83,856,478	433,332,390	195,797,573	471,855,989	279,654,051
<b>Segment assets and liabilities</b>						
<b>Reportable segment assets</b>						
Lease financing asset	-	185,055,850	-	-	-	185,055,850
Diminishing musharaka financing	-	-	11,699,319,368	11,172,262,516	11,699,319,368	11,172,262,516
Current portion of diminishing musharaka financing	-	-	6,145,380,655	4,723,078,394	6,145,380,655	4,723,078,394
Diminishing musharaka financing installments receivable	-	-	1,034,602	2,338,076	1,034,602	2,338,076
	-	185,055,850	17,845,734,625	15,897,678,986	17,845,734,625	16,082,734,836
<b>Reportable segment liabilities</b>						
Security deposits against lease financing assets	-	26,320,785	-	-	-	26,320,785
Certificates of investment (musharaka)	-	-	13,669,698,996	11,262,599,835	13,669,698,996	11,262,599,835
Security deposits - current portion	-	33,661,163	-	-	-	33,661,163
Unearned lease financing and diminishing musharaka installments	-	247,969	70,080,119	32,404,990	70,080,119	32,652,959
Advance lease financing and diminishing musharaka installments	-	5,017,812	8,284,918	2,776,944	8,284,918	7,794,756
Adjustable against lease financing contracts	238,967,949	213,962,949	-	-	238,967,949	213,962,949
Lease financing payable	-	-	-	-	-	-
Advance against sale of diminishing musharaka units	-	-	199,528,168	92,977,100	199,528,168	92,977,100
Diminishing musharaka financing payable	-	-	-	-	-	-
Diminishing musharaka customer contribution	-	-	3,303,440	8,648,937	3,303,440	8,648,937
	238,967,949	279,210,678	13,950,895,641	11,399,407,806	14,189,863,590	11,678,618,484

# NOTES TO THE INTERIM FINANCIAL STATEMENTS

## FOR THE HALF YEAR ENDED DECEMBER 31, 2022

Reconciliation of reportable segment revenues, profit or loss, assets and liabilities, is as follow:

### Revenues

#### Revenue classified in segment reported

	1,460,102,901	589,821,275
<b>Profit</b>		
<b>Profit classified in segment reported</b>	<b>471,855,989</b>	279,654,051
Provision in respect of diminishing musharaka	(145,557,232)	-
Administrative expenses	(100,934,346)	(82,095,098)
Other income	122,029,960	50,901,852
Modaraba Management Company's remuneration	(34,739,437)	(22,657,069)
Sales tax on Modaraba Management Company's remuneration	(4,516,127)	(2,945,419)
Provision for Sindh Workers' Welfare Fund	(6,162,777)	(4,019,364)
Taxation	(71,182,899)	(17,730,740)
	<b>230,793,131</b>	179,218,101
<b>Assets</b>		
<b>Assets classified in segment reported</b>	<b>17,845,734,625</b>	16,082,734,836
Assets in own use	37,849,171	50,229,380
Intangible assets	111,558	141,975
Long term deposits	1,147,800	1,172,800
Investments	997,576,386	728,314,744
Advances and prepayments	8,370,767	13,755,955
Other receivables	17,630,734	25,597,501
Income tax refundable	13,750,007	89,470,329
Cash and bank balances	367,608,384	137,042,312
Deferred tax assets - net	85,793,587	34,358,016
	<b>19,375,573,019</b>	17,162,817,848
<b>Liabilities</b>		
<b>Liability classified in segment reported</b>	<b>13,669,698,996</b>	11,262,599,835
Certificate of Investments	-	59,981,948
Security Deposit	-	59,981,948
Trade and other payables	924,382,584	832,373,898
Profit payable on certificates of investment (musharaka)	288,103,714	223,420,415
Unclaimed profit distribution	52,252,035	48,880,060
Liability against right of use assets (Property Lease)	6,966,732	10,264,700
Running Musharaka	430,940,498	748,281,800
	<b>15,372,344,559</b>	13,185,802,656

### Profit

#### Profit classified in segment reported

Provision in respect of diminishing musharaka	(145,557,232)	-
Administrative expenses	(100,934,346)	(82,095,098)
Other income	122,029,960	50,901,852
Modaraba Management Company's remuneration	(34,739,437)	(22,657,069)
Sales tax on Modaraba Management Company's remuneration	(4,516,127)	(2,945,419)
Provision for Sindh Workers' Welfare Fund	(6,162,777)	(4,019,364)
Taxation	(71,182,899)	(17,730,740)

### Assets

#### Assets classified in segment reported

Assets in own use	37,849,171	50,229,380
Intangible assets	111,558	141,975
Long term deposits	1,147,800	1,172,800
Investments	997,576,386	728,314,744
Advances and prepayments	8,370,767	13,755,955
Other receivables	17,630,734	25,597,501
Income tax refundable	13,750,007	89,470,329
Cash and bank balances	367,608,384	137,042,312
Deferred tax assets - net	85,793,587	34,358,016

### Liabilities

#### Liability classified in segment reported

Certificate of Investments	-	59,981,948
Security Deposit	-	59,981,948
Trade and other payables	924,382,584	832,373,898
Profit payable on certificates of investment (musharaka)	288,103,714	223,420,415
Unclaimed profit distribution	52,252,035	48,880,060
Liability against right of use assets (Property Lease)	6,966,732	10,264,700
Running Musharaka	430,940,498	748,281,800

## 21. FAIR VALUE OF FINANCIAL INSTRUMENTS

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

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

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

- Level 1: quoted prices in active markets for identical assets or liabilities;
- Level 2: those involving inputs other than quoted prices included in Level 1 that are observable for the asset or liability, either directly (as prices) or indirectly (derived from prices); and
- Level 3: those with inputs for the asset or liability that are not based on observable market data (unobservable inputs).

# NOTES TO THE INTERIM FINANCIAL STATEMENTS

## FOR THE HALF YEAR ENDED DECEMBER 31, 2022

	December 31, 2022 (Un-audited)				Fair value			
	Carrying amount				Fair value			
	At Fair value through OCI	At fair value through profit or loss	At amortised cost	Total	Level 1	Level 2	Level 3	Total
(Rupees)				(Rupees)				
<b>Financial assets measured at fair value</b>								
Shares of listed companies	38,445,000	-	-	38,445,000	38,445,000	-	-	38,445,000
Sukuk	80,000,000	-	605,351,226	685,351,226	-	-	-	-
	<b>118,445,000</b>	<b>-</b>	<b>605,351,226</b>	<b>723,796,226</b>	<b>38,445,000</b>	<b>-</b>	<b>-</b>	<b>38,445,000</b>
<b>Financial assets not measured at fair value (note 21.1)</b>								
Investment in GOP Ijarah Sukuk	-	-	273,780,160	273,780,160				
Diminishing musharaka financing	-	-	17,844,700,023	17,844,700,023				
Long term deposits	-	-	1,147,800	1,147,800				
installments receivables	-	-	1,034,602	1,034,602				
Assets in own use	-	-	37,849,171	37,849,171				
Intangible assets	-	-	111,558	111,558				
Income tax refundable	-	-	13,750,007	13,750,007				
Advances and prepayments	-	-	8,370,767	8,370,767				
Other receivables	-	-	17,630,734	17,630,734				
Cash and bank balances	-	-	367,608,384	367,608,384				
Deferred tax Assets - net	-	-	85,793,587	85,793,587				
	<b>-</b>	<b>-</b>	<b>18,651,776,793</b>	<b>18,651,776,793</b>				

During the period ended December 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.

	June 30, 2022 (Audited)				Fair value			
	Carrying amount				Fair value			
	At Fair value through OCI	At fair value through profit or loss	At amortised cost	Total	Level 1	Level 2	Level 3	Total
(Rupees)				(Rupees)				
<b>Financial assets measured at fair value</b>								
Shares of listed companies	92,661,374	-	-	92,661,374	92,661,374	-	-	92,661,374
Sukuk	80,000,000	-	281,873,210	361,873,210	-	-	-	-
	<b>172,661,374</b>	<b>-</b>	<b>281,873,210</b>	<b>454,534,584</b>	<b>92,661,374</b>	<b>-</b>	<b>-</b>	<b>92,661,374</b>
<b>Financial assets not measured at fair value</b>								
Investment in GOP Ijarah Sukuk	-	-	273,780,160	273,780,160				
Lease financing assets	-	-	185,055,850	185,055,850				
Diminishing musharaka financing	-	-	15,895,340,910	15,895,340,910				
Long term advances and deposits	-	-	1,172,800	1,172,800				
installments receivables	-	-	2,338,076	2,338,076				
Assets in own use	-	-	50,229,380	50,229,380				
Intangible assets	-	-	141,975	141,975				
Income tax refundable	-	-	89,470,329	89,470,329				
Advances, deposits and prepayments	-	-	13,755,955	13,755,955				
Other receivables	-	-	25,597,501	25,597,501				
Cash and bank balances	-	-	137,042,312	137,042,312				
Deferred tax Assets - net	-	-	34,358,016	34,358,016				
	<b>-</b>	<b>-</b>	<b>16,708,283,264</b>	<b>16,708,283,264</b>				

	December 31, 2022 (Un-audited)			June 30, 2022 (Audited)		
	At fair value	Other financial liabilities	Total	At fair value	Other financial liabilities	Total
	(Rupees)			(Rupees)		
<b>Financial liabilities</b>						
Security deposits against lease financing assets	-	-	-	-	59,981,948	59,981,948
Liability against right of use assets (property lease)	-	6,966,732	6,966,732	-	10,264,700	10,264,700
Certificates of investment (musharaka)	-	13,669,698,996	13,669,698,996	-	11,262,599,835	11,262,599,835
Unearned lease financing and diminishing musharaka installments	-	70,080,119	70,080,119	-	79,964,659	79,964,659
Advance lease financing and diminishing musharaka installments	-	8,284,918	8,284,918	-	11,111,098	11,111,098
Trade and other payables	-	846,017,547	846,017,547	-	741,298,141	741,298,141
Profit payable on certificates of investment (musharaka)	-	288,103,714	288,103,714	-	223,420,415	223,420,415
Running musharaka	-	430,940,498	430,940,498	-	748,281,800	748,281,800
Unclaimed profit distributions	-	52,252,035	52,252,035	-	48,880,060	48,880,060
	<b>-</b>	<b>15,372,344,559</b>	<b>15,372,344,559</b>	<b>-</b>	<b>13,185,802,656</b>	<b>13,185,802,656</b>

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



# NOTES TO THE INTERIM FINANCIAL STATEMENTS

## FOR THE HALF YEAR ENDED DECEMBER 31, 2022

### 22. DATE OF AUTHORIZATION FOR ISSUE

These condensed interim financial statements were authorized for issue on February 22, 2023 by the Board of Directors of the Modaraba Management Company.

### 23. GENERAL

- 23.1** Corresponding figures have been reclassified / re-arranged wherever necessary to facilitate comparison in the presentation in the current period. However, there are no material reclassification / re-arrangement to report.
- 23.2** Figures for the quarter ended December 31, 2022 and December 31, 2021 as reported in these condensed interim financial statements have not been subject to limited scope review by the external auditors.
- 23.3** 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