

First Habib Modaraba

(An Islamic Financial Institution)

(Managed by: HabibMetro Modaraba Management)



**Half Yearly Accounts
For the period ended
December 31, 2019
(UNAUDITED)**

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CORPORATE INFORMATION

BOARD OF DIRECTORS

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

LEGAL ADVISOR

Mohsin Tayebaly & Company
Ahmed & Qazi Advocates & Legal Consultants

AUDIT COMMITTEE

Mr. Saeed Uddin Khan	- Chairman
Mr. Syed Rasheed Akhtar	- Member
Mr. Mohammad Shams Izhar	- Member
Mr. Shakeel Ahmed	- Secretary

HUMAN RESOURCE COMMITTEE

Mr. Syed Rasheed Akhtar	- Chairman
Mr. Saeed Uddin Khan	- Member
Mr. Mohammad Shams Izhar	- Member
Mr. Tehsin Abbas	- Secretary

REGISTRAR

Central Depository Company of Pakistan 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

AUDITOR

EY Ford Rhodes
Chartered Accountants

COMPANY SECRETARY

Mr. Tehsin Abbas (Officiating Company Secretary)

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)

REGISTERED OFFICE

6th Floor, HBZ Plaza (Hirani Centre)
I.I. Chundrigar Road, Karachi.

Tel : 021-32635949-51
Fax : 021-32627373
UAN : 111-346-346
Web : www.habibmodaraba.com
Email : fhm@habibmodaraba.com

GEOGRAPHICAL PRESENCE - BRANCH OFFICES

Karachi Branch:

3rd Floor, Al-Manzoor Building,
Dr. Ziauddin Ahmed Road, Karachi.
Tel: 021-32635949-51, Fax: 021-32627373

Lahore Branch:

1st Floor, 5-Z Block, Phase III, Defence Housing
Authority, Lahore.
Tel: 042-35693074-76, Fax: 042-35693077

Islamabad Branch:

Office No. 508, 5th Floor, ISE Towers, Jinnah Avenue
Blue Area, Islamabad.
Tel: 051-28994571-73, Fax: 051-2894574

Multan Branch:

Mezzanine Floor, Abdali Tower,
Abdali Road, Multan.
Tel : 061-4500121-3, Fax : 061-4588810

DIRECTORS' REPORT

On behalf of the Board of Directors, it is our great pleasure to present the un-audited accounts of the Modaraba for the six months ended December 31, 2019.

Review of Operations

We have completed our first half of current financial year. During the half year, we made disbursement of Rs.2.044 billion as compared to disbursement of Rs.2.808 billion of corresponding periods of last year. Overall size of balance sheet also marginally reduced. However, our net financing portfolios remain slightly above to corresponding period of last year. However, we made handsome increase in profitability from 149.137 million to 174.075 million. The low disbursement was due to slow demand of financing assets within our existing customers' network. The reasons of low demand are high cost of lending rates and slowdown in businesses. Moreover, we had also moved carefully in new business engagement due to cautious approach keeping in view of prevailing economic challenges. Our priority remains on collection of monthly instalments from our existing financing portfolio and carefully building of assets portfolio within diversified and performing segment of the economy.

Credit Rating

In September, last year the Pakistan Credit Rating Agency Limited (PACRA) has updated credit rating and assigned rating scale of AA+ for long term and A1+ short term. Allhamdulillah, FHM is maintaining "AA+" credit rating since last consecutive 12 years.

Economic Outlook

On economic front the economy is showing slight improvement. However, businesses are still facing pressures of high cost doing business. Macroeconomic fundamentals are also unstable due to tight monetary policy, fiscal and regulatory adjustment which have squeezed national output, increased pressure on cost and slowed down the GDP growth. In Monetary Policy Statement (MPS) of last month, the SBP has maintained policy rate at same level. According to MPS, the outlook of inflation has broadly remained unchanged.

The recent inflation numbers have shown on higher side mainly from food prices and potential increase in utility cost. However, substantial reduction in current account deficit, slight improvement in business sentiments and fiscal development are showing positive sign. The present government faces tough economic challenges towards reviving of current state of economic affairs. Still structural transformations are needed in Pakistan's production system in all three main segments i.e., agriculture, manufacturing and services in order to support for enhancement of productivity and export competitiveness.

Future Prospects

In conclusion, keeping in view of present business circumstances, we shall continue to cautiously move forward for booking of new assets financing. According to the results of first half, it is expected that we may end up with slightly reduced balance sheet size due to low financing of assets. However, we are confident that we will able to maintain or slightly increase our profits and distribute good dividends to our Certificate Holders.

Acknowledgement

On behalf of the Board of Directors, we would like to express our sincere thanks and gratitude for the continued support and guidance provided by Securities & Exchange Commission of Pakistan and Registrar Modaraba, customers of the Modaraba for their patronage and Certificate holders who have remained committed to FHM. We also appreciate dedication, high level of professionalism and hard work of employees of FHM for smooth operations and achieving satisfactory results

For and on behalf of Board of Directors

Syed Rasheed Akhtar
Chairman

Muhammad Shoab Ibrahim
Chief Executive Officer

Karachi: February 26, 2019

HABIBMETRO
Modaraba Management

ڈائریکٹرز کی رپورٹ

یہ ہمارے لئے باعث، مسرت ہیکہ بورڈ آف ڈائریکٹرز کی جانب سے، ۳۱ دسمبر، ۲۰۱۹ کو ختم ہونے والی ششماہی مدت اختتام پر مضاربہ کی غیر محتسب شدہ کھاتے پیش کریں۔

آپریشن کا جائزہ

ہم نے مالی سال کا پہلا نصف حصہ مکمل کر لیا ہے۔ اس نصف سال میں ہم نے ۲.۰۴۴ بلین روپے کی ادائیگیاں کی جو کہ پچھلے سال کے اسی عرصے میں ۲.۸۰۸ بلین روپے تھیں۔ مجموعی طور پر بیلنس شیٹ کا سائز بھی معمولی طور پر کم ہوا ہے۔ تاہم، ہمارے خالص فنانسنگ پورٹ فولیوز گذشتہ سال کے اسی عرصے کے مقابلے قدرے زیادہ ہیں۔ تاہم، ہم نے منافع میں ۱۳۹.۱۳۷ ملین روپے سے ۱۷۴.۰۷۵ ملین روپے تک کار برد دست اضافہ کیا ہے۔ ادائیگیوں میں کمی ہمارے موجودہ صارفین کے نیٹ ورک میں فنانسنگ اثاثوں کی طلب میں کمی کی وجہ سے ہے۔ اور طلب میں کمی کی وجہ کاروباری سرگرمیوں کی سست روی اور بڑھتا ہوا شرح سود ہے۔ مزید معاشی مشکلات کے پیش نظر ہم نے بھی بڑی احتیاط سے نئے کاروبار میں آگے بڑھے ہیں۔ ہماری ترجیح ہمارے موجودہ فنانسنگ پورٹ فولیو سے ماہانہ اقساط کو جمع کرنے اور معیشت کے مختلف شعبے میں اپنے دیگر اثاثوں کے پورٹ فولیو کو احتیاط سے بڑھانے پر ہے۔

کریڈٹ ریٹنگ

پچھلے سال ستمبر میں، پاکستان کریڈٹ ریٹنگ ایجنسی لمیٹڈ (PACRA) نے اپنی کریڈٹ ریٹنگ کو اپڈیٹ کیا اور ہمیں طویل مدت کیلئے AA+ اور مختصر مدت کیلئے A1+ کی ریٹنگ دی ہے۔ الحمد للہ! فرسٹ حبیب مضاربہ مسلسل پچھلے بارہ سالوں سے "AA+ ریٹنگ کو برقرار رکھے ہوئے ہے۔

معاشی جائزہ

معاشی محاذ پر معیشت میں تھوڑی بہتری آئی ہے۔ تاہم کاروباری اداروں کو کاروبار جاری رکھنے کیلئے ابھی بھی کافی زیادہ کاروباری لاگت کا سامنا ہے۔ سخت مانیٹری پالیسی کے باعث قومی پیداوار کم ہو گئی، چیزوں پر لاگت بڑھ گئی اور ڈی پی ٹی کی رفتار کم ہو گئی جس کی وجہ سے معاشی بنیاد بھی غیر مستحکم رہی۔ پچھلے مہینے کی مانیٹری پالیسی اسٹیٹمنٹ (ایم پی ایس) میں، اسٹیٹ بینک آف پاکستان نے پالیسی ریٹ کو اسی سطح پر برقرار رکھا ہے۔ ایم پی ایس کے مطابق، افراط زر کے جائزہ میں وسیع پیمانے پر کوئی تبدیلی رونما نہیں ہوئی۔

حالیہ افراط زر کی بڑھوتری کی اصل وجہ اشیائے خورد و نوش اور یوٹیلیٹی کی لاگت میں خاطر خواہ اضافہ ہے۔ تاہم، کرنٹ اکاؤنٹ خسارے میں خاطر خواہ کمی اور کاروباری حالات میں تھوڑی بہتری مثبت مالی ترقی کا ظاہر کر رہی ہے۔ موجودہ حکومت کو حالیہ مالی و معاشی حالات کو بہتری میں لانے میں سخت معاشی مشکلات کا سامنا ہے۔ اب بھی پاکستان کے پیداواری نظام میں تینوں اہم طبقات یعنی زراعت، مینوفیکچرنگ اور خدمات میں تعمیری تبدیلیوں کی ضرورت ہے تاکہ پیداواری صلاحیت میں اضافے اور برآمدی مسابقت کو فروغ دیا جاسکے۔

مستقبل کے امکانات

آخر میں، موجودہ کاروباری حالات کو مد نظر رکھتے ہوئے، ہم احتیاط سے نئے اثاثوں کی مالی اعانت کی بنیاد کے لئے آگے بڑھتے رہیں گے۔ پہلی ششماہی کے نتائج کے مطابق یہ توقع کی جاتی ہے کہ اثاثوں کی کم فائنانسنگ کی وجہ سے ہم تھوڑا سا میلنس شیٹ سائز کم کر سکتے ہیں۔ تاہم، ہمیں یقین ہے کہ ہم اپنے منافع کو برقرار رکھنے یا تھوڑا سا بڑھانے میں کامیاب ہونگے اور اپنے سرٹیفکیٹ ہولڈرز میں اچھا منافع تقسیم کریں گے۔

اظہارِ تشکر

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

بورڈ آف ڈائریکٹرز کیلئے اور ان کی جانب سے

سید رشید اختر
چئیر مین

محمد شعیب ابراہیم
چیف ایگزیکٹو آفیسر

کراچی: ۲۶ فروری ۲۰۲۰

INDEPENDENT AUDITORS' REVIEW REPORT

To the Certificate Holders of First Habib 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 2019, 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"). Management Company 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 2019 and 31 December 2018 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 2019.

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 Shaikh Ahmed Salman.

Chartered Accountants

Date: 26 February 2020

Karachi

CONDENSED INTERIM BALANCE SHEET

AS AT DECEMBER 31, 2019

	Note	(Unaudited)	(Audited)
		December 31, 2019	June 30, 2019
-----Rupees-----			
ASSETS			
NON-CURRENT ASSETS			
Lease financing assets	4	2,474,707,344	2,739,371,749
Assets in own use	5	70,569,799	43,948,839
Intangible assets		114,888	177,386
Diminishing musharaka financing	6	4,336,252,363	4,489,820,384
Long term prepayments and deposits		18,818,755	1,206,850
		6,900,463,149	7,274,525,208
CURRENT ASSETS			
Investments	7	1,078,571,749	1,117,360,806
Current portion of diminishing musharaka financing	6	2,634,833,735	2,450,084,489
Lease financing installments receivables		4,023,323	12,564,068
Diminishing musharaka financing installments receivables		23,756,886	44,672,084
Advances deposits and prepayments		1,218,850	3,905,163
Other receivables		10,549,412	33,255,784
Income tax refundable	8	153,711,487	137,031,924
Cash and bank balances		218,563,751	50,624,704
		4,125,229,193	3,849,499,022
TOTAL ASSETS		11,025,692,341	11,124,024,230
EQUITY AND LIABILITIES			
CAPITAL AND RESERVES			
Authorized certificate capital 220,000,000 (June 30, 2019: 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		2,395,460,793	2,503,722,123
Certificate holders' equity		3,403,460,793	3,511,722,123
SURPLUS ON REVALUATION OF INVESTMENTS	7	152,035,190	124,880,019
NON-CURRENT LIABILITIES			
Security deposits against lease financing assets		291,082,937	301,774,323
Liability against right of use assets	10	19,895,766	-
		310,978,703	301,774,323
CURRENT LIABILITIES			
Certificates of investment (musharaka)	9	6,247,947,075	6,149,278,129
Security deposits - current portion		146,298,901	146,941,089
Current maturity of liability against right of use assets	10	1,093,699	-
Unearned lease financing and diminishing musharaka installments		23,787,239	17,566,187
Advance lease financing and diminishing musharaka installments		30,963,093	32,284,117
Trade and other payables		438,603,974	452,085,462
Profit payable on certificates of investment (musharaka)		127,023,595	112,261,524
Advance against murabaha	11	100,000,000	225,000,000
Profit payable on murabaha financing		-	11,750,958
Unclaimed profit distributions		43,500,079	38,480,299
		7,159,217,655	7,185,647,765
TOTAL EQUITY AND LIABILITIES		11,025,692,341	11,124,024,230
CONTINGENCIES AND COMMITMENTS	12		

The annexed notes from 1 to 20 form an integral part of these interim financial statements.

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

CHIEF FINANCIAL OFFICER

CHIEF EXECUTIVE OFFICER

DIRECTOR

DIRECTOR

CONDENSED INTERIM PROFIT AND LOSS ACCOUNT (UN -AUDITED)

FOR THE SIX MONTHS PERIOD ENDED DECEMBER 31, 2019

	Note	Half year ended		Quarter ended	
		December 31, 2019	December 31, 2018	December 31, 2019	December 31, 2018
		Rupees			
Income from lease financing		83,799,738	94,005,404	36,783,731	49,538,898
Income from diminishing musharaka financing		513,428,582	300,331,599	260,442,576	176,292,278
Provision in respect of diminishing musharaka		(5,588,950)	-	4,473,822	-
Administrative expenses		(75,568,715)	(65,514,667)	(40,974,598)	(36,256,398)
		516,070,655	328,822,336	260,725,531	189,574,778
Other income	13	79,823,045	59,998,698	43,822,581	31,538,287
		595,893,700	388,821,034	304,548,112	221,113,065
Financial charges		(395,637,164)	(217,253,148)	(203,033,133)	(125,684,427)
Modaraba Management Company's remuneration	14	(20,025,654)	(17,156,789)	(10,151,497)	(9,305,966)
Sales tax on Modaraba Management Company's remuneration	14	(2,603,335)	(2,230,383)	(1,319,695)	(1,209,776)
Provision for Sindh Workers' Welfare Fund		(3,552,551)	(3,043,614)	(1,800,875)	(1,650,879)
Profit before taxation		174,074,997	149,137,100	88,242,912	83,262,017
Taxation	15	-	-	-	-
Profit for the period		174,074,997	149,137,100	88,242,912	83,262,017
Earning per certificate - basic and diluted	16	0.86	0.74	0.44	0.41

The annexed notes from 1 to 20 form an integral part of these interim financial statements.

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

CHEIF FINANCIAL OFFICER
CHIEF EXECUTIVE OFFICER
DIRECTOR
DIRECTOR

CONDENSED INTERIM STATEMENT OF COMPREHENSIVE INCOME (UN-AUDITED)
FOR THE SIX MONTHS PERIOD ENDED DECEMBER 31, 2019

Note	Half year ended		Quarter ended	
	December 31, 2019	December 31, 2018	December 31, 2019	December 31, 2018
	-----Rupees-----			
Profit for the period	174,074,997	149,137,100	88,242,912	83,262,017
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	27,155,172	-	57,557,652	-
Items that will be reclassified subsequently to profit and loss account				
Surplus on revaluation of investments classified as 'available-for-sale' - net	-	14,667,027	-	599,726
Total comprehensive income for the period	201,230,169	163,804,127	145,800,564	83,861,743

The annexed notes from 1 to 20 form an integral part of these interim financial statements.

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

CHIEF FINANCIAL OFFICER

CHIEF EXECUTIVE OFFICER

DIRECTOR

DIRECTOR

CONDENSED INTERIM CASH FLOW STATEMENT (UN-AUDITED)

FOR THE SIX MONTHS PERIOD ENDED DECEMBER 31, 2019

	December 31, 2019	December 31, 2018
	Rupees	
CASH FLOW FROM OPERATING ACTIVITIES		
Profit for the period	174,074,997	149,137,100
Adjustment for:		
Depreciation and amortization	575,262,177	532,543,139
Amortization of premium on sukuk	-	2,776,068
Financial charges	395,342,314	216,930,174
Gain on sale of shares - net	-	(2,368,979)
Gain on transfer of lease financing assets - net	(7,690,378)	(8,011,350)
Gain on disposal of assets in own use - net	(12,999)	(414,664)
Provision in respect of diminishin musharaka	5,588,950	-
Loss on termination of lease contract	20,834	-
Dividend income	(6,953,100)	(4,790,000)
	961,557,798	736,664,388
Changes in working capital		
Decrease / (increase) in current assets		
Lease financing installments receivables	8,540,745	1,811,220
Diminishing musharaka financing installments receivables	15,326,248	2,680,929
Advances and prepayments	2,686,313	(1,540,300)
Income tax refundable	(16,679,563)	(23,348,813)
Other receivables	25,320,323	9,313,829
	35,194,066	(11,083,135)
Increase / (decrease) in current liabilities		
Unearned lease financing and diminishing musharaka installments	6,221,052	(6,156,296)
Advance lease financing and diminishing musharaka installments	(1,321,024)	1,697,238
Trade and other payables	(13,770,873)	(32,530,757)
	(8,870,845)	(36,989,815)
Cash generated from operations	1,161,956,016	837,728,538
Purchase of lease financing assets	(438,157,809)	(607,208,884)
Proceeds from transfer of lease financing assets	143,808,360	155,275,002
Diminishing musharaka financing - net	(31,181,225)	(967,583,162)
Long term advances, deposits and prepayments	(17,611,905)	69,000
Security deposits against lease financing assets	(11,333,574)	(30,389,560)
Financial charges paid	(369,289,797)	(190,431,461)
Tax paid	(2,613,951)	(320,806)
	(726,379,901)	(1,640,589,871)
Net cash inflow/ (outflow) from operating activities	435,576,115	(802,861,333)
CASH FLOW FROM INVESTING ACTIVITIES		
Purchase of assets in own use	(4,193,785)	(15,382,927)
Purchase of investments	-	(1,075,000,000)
Proceeds from sale / maturity of investments	65,847,897	1,019,600,526
Payments of lease rentals	(11,001,591)	-
Proceeds from sale of assets in own use	13,003	1,433,392
Dividends received	6,953,100	5,750,000
Net cash inflow/ (outflow) from investing activities	57,618,624	(63,599,009)
CASH FLOW FROM FINANCING ACTIVITIES		
Dividends paid	(277,220,216)	(244,438,733)
Proceeds from murabaha financing	100,000,000	225,000,000
Profit paid on murabaha financing	(21,704,421)	-
Payment on maturity of murabaha financing	(225,000,000)	-
Certificates of investment (musharaka)	98,668,946	818,331,849
Net cash (outflow)/ inflow from financing activities	(325,255,691)	798,893,116
Net increase / (decrease) in cash and cash equivalents during the period	167,939,047	(67,567,226)
Cash and cash equivalents at the beginning of the period	50,624,704	320,868,504
Cash and cash equivalents at the end of the period	218,563,751	253,301,278

The annexed notes from 1 to 20 form an integral part of these interim financial statements.

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

CHIEF FINANCIAL OFFICER

CHIEF EXECUTIVE OFFICER

DIRECTOR

DIRECTOR

CONDENSED INTERIM STATEMENT OF CHANGES IN EQUITY (UN-AUDITED)
FOR THE SIX MONTHS PERIOD ENDED DECEMBER 31, 2019

	Capital reserves			Revenue reserves		Total equity
	Certificate capital	Certificate premium	Statutory reserves*	General reserves	Unappropriated profit	
	(Rupees)					
Balance as at July 01, 2018	1,008,000,000	378,000,000	1,103,489,848	640,000,000	312,768,488	3,442,258,336
Profit distribution for the year ended June 30, 2018 @ Rs.1.25 per certificate	-	-	-	-	(252,000,000)	(252,000,000)
Total comprehensive income for the period	-	-	-	-	149,137,100	149,137,100
Balance as at December 31, 2018	1,008,000,000	378,000,000	1,103,489,848	640,000,000	209,905,588	3,339,395,436
Balance as at July 01, 2019	1,008,000,000	378,000,000	1,119,474,106	640,000,000	366,248,017	3,511,722,123
Profit distribution for the year ended June 30, 2019 @ Rs.1.40 per certificate	-	-	-	-	(282,240,000)	(282,240,000)
Total comprehensive income for the period	-	-	-	-	174,074,997	174,074,997
Deficit transferred to unappropriated profit during the period	-	-	-	-	(96,327)	(96,327)
Balance as at December 31, 2019	1,008,000,000	378,000,000	1,119,474,106	640,000,000	257,966,687	3,403,460,793

* The statutory reserve represents profit set aside as required under the Prudential Regulation for Modarabas as issued by the Securities and Exchange Commission of Pakistan (SECP).

The annexed notes from 1 to 20 form an integral part of these interim financial statements.

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

CHIEF FINANCIAL OFFICER

CHIEF EXECUTIVE OFFICER

DIRECTOR

DIRECTOR

NOTES TO THE CONDENSED INTERIM FINANCIAL STATEMENTS

FOR THE SIX MONTHS PERIOD ENDED DECEMBER 31, 2019

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 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, I.I. Chundrigar Road, Karachi.

During the period, there are no significant events other than adoption of IFRS 16 (see note 3.3).

2. BASIS OF PREPARATION

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

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

The 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.

Where the provisions of and directives issued under the Companies Act 2017, the Modaraba Companies and Modaraba (Floatation and Control) Ordinance, 1980, Modaraba Companies and Modaraba Rules, 1981 and Prudential Regulation for Modarabas and IFAS differ from International Financial Reporting Standards, the provision of and directives issued under the Companies Act, 2017 the Modaraba Companies and Modaraba (Floatation and Control) Ordinance, 1980, Modaraba Companies and Modaraba Rules, 1981 and Prudential Regulations for Modarabas and IFAS have been followed.

Where the provisions of and directives issued under the Modaraba Companies and Modaraba (Floatation and Control) Ordinance, 1980, Modaraba Companies and Modaraba Rules, 1981 and Prudential Regulation for Modarabas differ from Companies Act 2017, the Modaraba Companies and Modaraba (Floatation and Control) Ordinance, 1980, Modaraba Companies and Modaraba Rules, 1981 and Prudential Regulation for Modarabas shall prevail.

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, 2019.

NOTES TO THE CONDENSED INTERIM FINANCIAL STATEMENTS

FOR THE SIX MONTHS PERIOD ENDED DECEMBER 31, 2019

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 Pak Rupee, which is the functional currency of the Modaraba.

3. SIGNIFICANT ACCOUNTING POLICIES, ESTIMATES AND JUDGEMENTS

3.1 The accounting policies and methods of computation followed for the preparation of these interim financial statements are the same as those applied in preparing the financial statements for the year ended June 30, 2019 except for the following amended IFRS interpretations which became effective during the period as mentioned in note 3.2 below:

3.2 New / Revised Standards, Interpretations and Amendments

The Modaraba has adopted the following accounting standards, interpretations, amendments and improvements of IFRSs which became effective for the current period:

IFRS 16 - Leases

IAS 19 - Employee Benefits - Plan Amendment, Curtailment or Settlement

IAS 28 - Investments in Associates and Joint Ventures - Long Term Interests in Associates and Joint Ventures.

IFRIC 23 - Uncertainty over Income Tax Treatments

The adoption of the above standards, amendments and improvements to accounting standards and interpretations did not have any effect on the interim financial statements except as described in note 3.3.

3.3 IFRS 16 - 'Leases'

During the current period, the Modaraba have adopted IFRS 16 as issued by the International Accounting Standards Board (IASB) in January 2016.

The Modaraba has lease contracts for various properties. Before the adoption of IFRS 16, the Modaraba has classified each of its leases (as lessee) at the inception date as an operating lease.

IFRS 16 supersedes IAS 17 "Leases", IFRIC 4 "Determining whether an Arrangement contains a Lease", SIC-15 "Operating Leases-Incentives" and SIC-27 "Evaluating the Substance of Transactions Involving the Legal Form of a Lease". The standard sets out the principles for the recognition, measurement, presentation and disclosure of leases and requires lessees to account for all leases under a single on-balance sheet model.

Lessor accounting under IFRS 16 is substantially unchanged under IAS 17. Lessors will continue to classify leases as either operating or finance leases using similar principles as in IAS 17. Therefore, IFRS 16 did not have an impact for leases where the Modaraba is the lessor.

The Modaraba has lease contracts for its branches and store houses. Before the adoption of IFRS 16, the Modaraba classified each of its leases (as lessee) at the inception date as an operating lease. In an operating lease, the leased property was not capitalised and the lease payments were recognised as rent expense in statement of

NOTES TO THE CONDENSED INTERIM FINANCIAL STATEMENTS

FOR THE SIX MONTHS PERIOD ENDED DECEMBER 31, 2019

profit or loss on a straight-line basis over the lease term. Any prepaid rent and accrued rent were recognised under Trade deposits, short term prepayments and other receivables, respectively.

As permitted by the transitional provisions of IFRS 16, the Modaraba elected not to restate the comparative figures and not to adjust the opening unappropriated profit as Modaraba elects to apply modified retrospective approach. Accordingly, The Modaraba recognized a lease liability for the obligation to make lease payments and a right-of-use (RoU) asset for the right to use the underlying asset for the lease term against a consideration. The lease liability is measured at the present value of the consideration (lease payments) to be made over the lease term. The lease payments are discounted using the interest rate implicit in the lease, unless it is not readily determinable, in which case the lessee may use the incremental rate of borrowing. The RoU asset is initially measured at the present value of lease liability, adjusted for lease prepayments and initial direct costs (if any).

The effect of adoption of IFRS 16 as at July 01, 2019 is as follows:

Impact on Balance Sheet

Increase in fixed assets in own use - right-of-use assets

Decrease in advances and prepayments

Net increase in total assets

Increase in liability against right of use asset

Net increase in total liabilities

As at July 01, 2019
Rupees-----
31,585,277
(548,497)
31,036,780
31,042,891
31,042,891

Impact on Profit and Loss Account

Administrative expenses

Decrease in rent expense

Increase in depreciation expense on right of use asset

Increase in financial charges on lease liability

Net impact on profit or loss account

Incremental borrowing rate as at 01 July 2019

For the period ended
December 31, 2019
Rupees-----
(2,973,812)
2,474,615
1,589,984
1,090,787
13.97%

The lease liability as at July 01, 2019 can be reconciled to the operating lease commitments as of June 30, 2019.

Undiscounted operating lease commitments as at June 30, 2019

Impact of discounting

Discounted operating lease commitments as at July 01, 2019

Add : lease payments relating to renewal periods not included in operating lease commitments as at June 30, 2019

Lease liabilities as at July 01, 2019

40,139,105
(10,260,235)
29,878,870
1,164,021
31,042,891

NOTES TO THE CONDENSED INTERIM FINANCIAL STATEMENTS

FOR THE SIX MONTHS PERIOD ENDED DECEMBER 31, 2019

The Modaraba also applied the available practical expedient of using a single discount rate to a portfolio of leases with reasonably similar characteristics.

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.

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.

- 3.4** The preparation of interim financial statements requires management to make judgements, estimates and assumptions that affect the application of accounting policies and the reported amounts of assets and liabilities, income and expenses. Actual results may differ from these estimates. The significant judgements made by management in applying the Modaraba's accounting policies and key sources of estimation of uncertainty are the same as those that were applied to the financial statements for the year ended June 30, 2019.
- 3.5** The financial risk management objectives and policies are consistent with those disclosed in the annual financial statements of the Modaraba for the year ended June 30, 2019.

NOTES TO THE CONDENSED INTERIM FINANCIAL STATEMENTS

FOR THE SIX MONTHS PERIOD ENDED DECEMBER 31, 2019

	Note	(Unaudited)	(Audited)
		December 31, 2019	June 30, 2019
-----Rupees-----			
4. LEASE FINANCING ASSETS			
Lease financing assets	4.1	2,293,287,841	2,582,968,016
Advance against lease financing assets		181,419,503	156,403,733
		2,474,707,344	2,739,371,749

		(Unaudited)	(Unaudited)
		December 31, 2019	December 31, 2018
-----Rupees-----			
4.1 Additions and disposals in lease financing assets			
Additions during the period / year			
Plant, machinery and equipment		-	234,905,099
Vehicles		413,952,033	513,350,493
		413,952,033	748,255,592
Disposal (at book value) during the period / year			
Plant, machinery and equipment		6,268,972	2,879,524
Vehicles		130,659,004	144,053,345
		136,927,976	146,932,869

	Note	(Unaudited)	(Audited)
		December 31, 2019	June 30, 2019
-----Rupees-----			
5. ASSETS IN OWN USE			
Assets in own use	5.1	42,121,790	42,733,150
Capital work-in-progress		-	1,215,689
Right of use assets	5.2	28,448,009	-
		70,569,799	43,948,839

NOTES TO THE CONDENSED INTERIM FINANCIAL STATEMENTS

FOR THE SIX MONTHS PERIOD ENDED DECEMBER 31, 2019

	(Unaudited)	(Audited)
	December 31, 2019	December 31, 2018
	-----Rupees-----	
5.1 Additions and disposals in assets in own use		
Additions during the period / year		
Office equipment	1,226,388	1,867,613
Furniture and fixture	710,602	288,600
Vehicles	1,794,738	13,526,000
Leasehold improvements	1,677,746	700,714
	5,409,474	16,382,927
Disposal (at book value) during the period / year		
Office equipment	1	3
Furniture and fixture	2	9
Vehicles	1	1,018,716
	4	1,018,728

	(Unaudited)	(Audited)
	December 31, 2019	June 30, 2019
	-----Rupees-----	
5.2 As at June 30, 2019		
Impact of adoption of IFRS 16	31,585,277	-
As at July 01, 2019	31,585,277	-
Depreciation Expense	(2,474,615)	-
Terminated during the period	(662,654)	-
As at December 31, 2019	28,448,008	-
6. DIMINISHING MUSHARKA FINANCING - SECURED		
Diminishing musharka financing	6,585,127,452	6,508,601,566
Less: Provision in respect of Diminishing Musharaka	(12,873,024)	(7,844,072)
	6,572,254,428	6,500,757,494
Less: Current portion	(2,634,833,735)	(2,450,084,489)
	3,937,420,693	4,050,673,005
Advance against diminishing musharaka financing	398,831,670	439,147,379
	4,336,252,363	4,489,820,384

NOTES TO THE CONDENSED INTERIM FINANCIAL STATEMENTS

FOR THE SIX MONTHS PERIOD ENDED DECEMBER 31, 2019

	Note	(Unaudited)	(Audited)
		December 31, 2019	June 30, 2019
-----Rupees-----			
7. INVESTMENTS			
At fair value through other comprehensive income			
Investment in shares		253,571,749	242,360,806
Investment in sukuk		75,000,000	75,000,000
		328,571,749	317,360,806
At amortised cost			
Investment in Term Deposit Musharakas (TDMs)	7.1	750,000,000	800,000,000
		1,078,571,749	1,117,360,806

7.1 These carry profit at rates ranging from 9.20% to 13% (2018: 9.20% to 12.00%) per annum, having latest maturity of May 2020.

7.2 Surplus on revaluation of investments

Market value of investments	328,571,753	317,360,806
Less: Cost of investments	(176,536,563)	(192,480,787)
	152,035,190	124,880,019
Surplus on revaluation at the beginning of the period / year	124,880,019	117,877,892
Surplus transferred to unappropriated profit during the period / year	(96,327)	(2,155,310)
Surplus on revaluation during the period / year	27,251,498	9,157,437
	27,155,171	7,002,127
	152,035,190	124,880,019

7.2.1 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.

8. INCOME TAX REFUNDABLE

Income tax	8.1	153,711,487	137,031,924
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8.1 This represents the advance tax deducted by the various withholding agents under various sections of the Income Tax Ordinance, 2001. The management has claimed the tax deducted in return for the Tax Year 2019, as the management is confident that the same shall be refunded.

NOTES TO THE CONDENSED INTERIM FINANCIAL STATEMENTS

FOR THE SIX MONTHS PERIOD ENDED DECEMBER 31, 2019

	Note	(Unaudited)	(Audited)
		December 31, 2019	June 30, 2019
-----Rupees-----			
9. CERTIFICATES OF INVESTMENT (MUSHARAKA) - UNSECURED			
Certificates of investment (musharaka)	9.1	6,247,947,075	6,149,278,129

9.1 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 8.25% to 13.35% (June 30, 2019: 5.60% to 12.30%) per annum.

10. LIABILITY AGAINST RIGHT OF USE ASSETS

As at June 30, 2019	-	-
Impact of adoption of IFRS 16	31,042,891	-
As at July 01, 2019	31,042,891	-
Finance cost for the period	1,589,984	-
Payments made during the period	(11,001,591)	-
Terminated during the period	(641,820)	-
As at December 31, 2019	20,989,464	-
Less: Current maturity	(1,093,699)	-
	19,895,765	-

11. ADVANCE AGAINST MURABAHA

Murabaha financing facility of Rs.100 million has been agreed with an Islamic bank at profit rate of KIBOR + 0.25% per annum (June 30, 2019: Rs.225 million at deposit rate +1% per annum), for financing of vehicles to be leased.

12. CONTINGENCIES AND COMMITMENTS

12.1 Contingencies

There is no change in the status of the case related to letter received by the Modaraba last year from Sindh Revenue Board (SRB) dated August 09, 2018, related to sales tax on lease rentals / lease financing transactions as mentioned in note 24.1 to annual financial statement of the Modaraba for the year ended June 30, 2019.

12.2 Commitments

Commitments in respect of financing transactions amounted to Rs.260 (June 30, 2019: Rs.338) million.

NOTES TO THE CONDENSED INTERIM FINANCIAL STATEMENTS

FOR THE SIX MONTHS PERIOD ENDED DECEMBER 31, 2019

	(Un-audited)			
	Half year ended		Quarter ended	
	December 31, 2019	December 31, 2018	December 31, 2019	December 31, 2018
	Rupees			
13. OTHER INCOME				
Dividend on shares	6,953,100	4,790,000	6,953,100	4,790,000
Gain on transfer of lease financing assets	7,690,378	8,011,350	4,166,715	5,137,680
Gain on sale of owned fixed assets	12,999	414,664	12,999	142,514
Gain on sale of shares - net	-	2,368,979	-	(1,655,154)
Profit on Modaraba's deposit accounts	10,493,314	6,360,500	5,772,716	3,338,619
Profit on Term Deposit				
Musharakas (TDMs)	40,627,918	3,636,164	17,889,465	3,636,164
Profit on Ijarah GOP sukuk bonds	-	29,563,315	-	13,528,002
Profit on sukuk	5,730,329	3,453,823	2,939,486	2,243,015
Miscellaneous income	8,315,007	1,399,903	6,088,100	377,447
	79,823,045	59,998,698	43,822,581	31,538,287

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

14.1 The Modaraba Management Company is entitled to a remuneration for services rendered to the Modaraba under the provisions of the Modaraba Companies and Modarabas (Floatation and Control) Ordinance, 1980 upto a maximum of 10% per annum of the net annual profits of the Modaraba. The fee for the period ended December 31, 2019 has been recognized at 10% (December 31, 2018: 10%) of profit for the period.

14.2 There is no change in the status of the Sindh Sales Tax levied by the Sindh Government at the rate of 13% (December 31, 2018: 13%) on the remuneration of the Modaraba Management Company, as reported in note 22.6 to the annual financial statements of the Modaraba for the year ended June 30, 2019.

15. TAXATION

As per the current tax law, Income of non-trading modarabas is exempt from income tax provided that they distribute ninety percent cash profit to certificate holders out of current year's total profit after appropriating to statutory reserves. As the management is intending to follow the aforesaid policy for profit distribution for the current year, no provision with respect to current and deferred taxation has been made in these financial statements.

NOTES TO THE CONDENSED INTERIM FINANCIAL STATEMENTS

FOR THE SIX MONTHS PERIOD ENDED DECEMBER 31, 2019

16. 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, 2019	December 31, 2018	December 31, 2019	December 31, 2018
	Rupees			
Net profit for the period	174,074,997	149,137,100	88,242,912	83,262,017
Weighted average number of ordinary certificates	201,600,000	201,600,000	201,600,000	201,600,000
Basic earnings per certificate	0.86	0.74	0.44	0.41

17. 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 Employee Gratuity Fund and key management personnel. Transactions and balances outstanding with related parties and associated undertakings are as follows:

			(Unaudited)	(Audited)
			December 31, 2019	June 30, 2019
			Rupees	
Balances held				
Related party	Related party relationship	Nature of balances		
Habib Metropolitan Bank Limited	Holding Company	Bank Balances	217,340,852	45,314,995
		Certificates of investment (musharaka)	5,000,000,000	4,950,000,000
		Profit receivable	2,707,232	1,163,848
		Financial Charges Payable	97,528,151	74,258,904
		Prepaid Utility charges	-	1,675,682
		Prepaid rent	-	313,236
		Security deposit	130,000	130,000
		Lease financing assets*	82,070	2,941,523
Habib Bank AG Zurich	Ultimate Parent	Lease financing assets*	365,717	561,863
Habib Metropolitan Modaraba Management Company (Private) Limited	Management Company	Management fee payable	20,025,654	36,776,651
		Sale tax on management fee payable	16,270,273	13,666,838
Habib Metropolitan Financial Services Limited	Associate	Lease financing assets*	-	19,770
Provident Fund	Associate	Certificates of investment (musharaka)	-	1,200,000
Staff Retirement Benefit Funds	Associate	Payable to staff Gratuity Fund	2,283,658	-

NOTES TO THE CONDENSED INTERIM FINANCIAL STATEMENTS

FOR THE SIX MONTHS PERIOD ENDED DECEMBER 31, 2019

			(Unaudited)	(Unaudited)
			December 31, 2019	December 31, 2018
			-----Rupees-----	
Transactions during the period				
Related party	Related party relationship	Nature of transactions		
Habib Metropolitan Bank Limited	Holding Company	Profit on bank accounts	10,379,827	5,854,638
		Bank charges	371,484	240,387
		Utility charges	1,675,682	2,057,414
		Rent expense	313,236	208,824
		Financial charges	307,760,822	186,601,377
		Lease financing installments received*	2,473,967	13,433,477
Habib Bank AG Zurich	Ultimate Parent	Lease financing installments received*	359,191	723,822
Habib Metropolitan Modaraba Management Company (Pvt.) Limited	Management Company	Management fee	20,025,654	17,156,789
		Sale tax on management fee	2,603,335	2,230,383
		Management fee paid	36,776,702	33,311,460
		Dividend paid	28,224,000	25,200,000
Habib Metropolitan Financial Services Limited	Associate	Brokerage commission	13,225	26,794
		Sale of securities	15,847,897	19,997,217
Staff Retirement Benefit Fund	Associate	Gratuity expense	1,440,000	1,038,000
		Contribution made	376,174	1,250,225
Provident Fund	Associate	Contribution made	1,412,177	2,500,450

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

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

*No new financing disbursements have been made to associated undertakings during the period ended December 31, 2019. Further the lease financing outstanding was originally disbursed before March 31, 2017 when these were not associated undertakings (related parties) of the Modaraba.

18. 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:

NOTES TO THE CONDENSED INTERIM FINANCIAL STATEMENTS

FOR THE SIX MONTHS PERIOD ENDED DECEMBER 31, 2019

- 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).

	December 31, 2019 (Un-audited)				December 31, 2019 (Un-audited)			
	Carrying amount			Total	Fair value			Total
	At Fair value through OCI	At fair value through profit or loss	At amortised cost		Level 1	Level 2	Level 3	
	(Rupees)				(Rupees)			
Financial assets measured at fair value								
Shares of listed companies	253,571,749	-	-	253,571,749	253,571,749	-	-	253,571,749
Sukuk	75,000,000	-	-	75,000,000	-	75,000,000	-	75,000,000
	<u>328,571,749</u>	<u>-</u>	<u>-</u>	<u>328,571,749</u>	<u>253,571,749</u>	<u>75,000,000</u>	<u>-</u>	<u>328,571,749</u>
Financial assets not measured at fair value (note 18.1)								
Investment in Term Deposit Musharaka (TDMs)	-	-	750,000,000	750,000,000	-	-	-	-
Diminishing musharaka financing	-	-	6,971,086,098	6,971,086,098	-	-	-	-
Long term deposits	-	-	18,818,755	18,818,755	-	-	-	-
Lease financing installments receivables	-	-	4,023,323	4,023,323	-	-	-	-
Diminishing musharaka financing installments receivables	-	-	23,756,886	23,756,886	-	-	-	-
Advances	-	-	1,218,850	1,218,850	-	-	-	-
Other receivables	-	-	10,549,412	10,549,412	-	-	-	-
Cash and bank balances	-	-	218,563,751	218,563,751	-	-	-	-
	<u>-</u>	<u>-</u>	<u>7,998,017,076</u>	<u>7,998,017,076</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>

During the period ended December 31, 2019, 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, 2019 (Audited)				June 30, 2019 (Audited)			
	Carrying amount			Total	Fair value			Total
	At Fair value through OCI	At fair value through profit	At amortised cost		Level 1	Level 2	Level 3	
	(Rupees)				(Rupees)			
Financial assets measured at fair value								
Listed equity securities	242,360,806	-	-	242,360,806	242,360,806	-	-	242,360,806
Sukuk	75,000,000	-	-	75,000,000	-	75,000,000	-	75,000,000
	<u>317,360,806</u>	<u>-</u>	<u>-</u>	<u>317,360,806</u>	<u>242,360,806</u>	<u>75,000,000</u>	<u>-</u>	<u>317,360,806</u>
Financial assets not measured at fair value								
Investment in Term Deposit Musharaka (TDMs)	-	-	800,000,000	800,000,000	-	-	-	-
Diminishing musharaka financing	-	-	6,939,904,873	6,939,904,873	-	-	-	-
Long term advances and deposits	-	-	1,206,850	1,206,850	-	-	-	-
Lease financing installments receivables	-	-	12,564,068	12,564,068	-	-	-	-
Diminishing musharaka financing installments receivables	-	-	44,672,084	44,672,084	-	-	-	-
Advances, deposits and prepayments	-	-	941,527	941,527	-	-	-	-
Other receivables	-	-	9,258,720	9,258,720	-	-	-	-
Cash and bank balances	-	-	50,624,704	50,624,704	-	-	-	-
	<u>-</u>	<u>-</u>	<u>7,858,172,826</u>	<u>7,858,172,826</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>

	December 31, 2019 (Un-audited)				June 30, 2019 (Audited)			
	Carrying amount			Total	Fair value			Total
	At Fair value through OCI	At fair value through profit	At amortised cost		Level 1	Level 2	Level 3	
	(Rupees)				(Rupees)			
Financial liabilities								
Security deposits against lease financing assets	-	-	437,381,838	437,381,838	-	448,715,412	-	448,715,412
Liability against right of use assets	-	-	20,989,465	20,989,465	-	-	-	-
Certificates of investment (musharaka)	-	-	6,247,947,075	6,247,947,075	-	6,149,278,129	-	6,149,278,129
Unearned lease financing and diminishing musharaka installments	-	-	23,787,239	23,787,239	-	17,566,187	-	17,566,187
Advance lease financing and diminishing musharaka installments	-	-	30,963,093	30,963,093	-	32,284,117	-	32,284,117
Trade and other payables	-	-	438,603,974	438,603,974	-	368,772,291	-	368,772,291
Profit payable on certificate of investments (musharaka)	-	-	127,023,595	127,023,595	-	112,261,524	-	112,261,524
Advance against Murabaha	-	-	100,000,000	100,000,000	-	225,000,000	-	225,000,000
Profit payable on murabaha financing	-	-	-	-	-	11,750,958	-	11,750,958
Unclaimed profit distributions	-	-	43,500,079	43,500,079	-	38,480,299	-	38,480,299
	<u>-</u>	<u>-</u>	<u>7,470,196,358</u>	<u>7,470,196,358</u>	<u>-</u>	<u>7,404,108,917</u>	<u>-</u>	<u>7,404,108,917</u>

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18.1. 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.

19. DATE OF AUTHORIZATION FOR ISSUE

These interim financial statements were authorized for issue on February 26, 2020 by the Board of Directors of the Modaraba Management Company.

20. GENERAL

20.1 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.

20.2 Figures for the quarters ended December 31, 2019 and December 31, 2018 as reported in these interim financial statements have not been subject to limited scope review by the external auditors.

20.3 Figures have been rounded off to the nearest rupee.