



DIRECTORS' REPORT

On behalf of the Board of Directors, it is my great pleasure to present the un-audited accounts of the Modaraba for the period ended December 31, 2012.

Alhamdulillah, we have completed first half of current year with satisfactory performance. By the Grace of Allah, profitability of first six months has been maintained and sizable amount has been disbursed towards Lease and Diminishing Musharaka financing. Your Modaraba continued to focus on strategy of steady growth while maintaining assets quality resulting in better and sustainable profitability.

The economic landscape in Pakistan continues to remain under stress with mounting fiscal deficit, prolonged energy shortages, declining investments and uncertainty attached with foreign financial inflows. The latest report issued by the International Monetary Fund revealed that due to sluggish pace of economy again Pakistan may not be able to achieve the growth targets set for the financial year 2012-13.

According to latest review of State Bank of Pakistan, the size of fiscal deficit is not sustainable. Fiscal authorities were left with no other option but to rely heavily on borrowing from Central and Commercial banks. The size of overall fiscal deficit during FY12 was as high as 8.5 percent of GDP compared with the target of 4.0 percent and 6.6 percent of GDP last year.

Pakistan's total debt, comprising both internal and external loans has soared to record highs. In the absence of fiscal reforms and weak growth in the economy, tax revenues grew at a much slower pace in H1-F13 than required to meet the annual target. Simultaneously, increasing trend in expenditures mainly due to interest payments on overall debt has created huge fiscal gap. The continuous rise in government borrowing from scheduled banks is major cause of short liquidity within the financial market.

In recent monetary policy announced by SBP, the discount rate kept unchanged at 9.5%. This measure is taken after CPI inflation started to show a rising trend in the previous two months. The SBP has decided to maintain the current policy rate at the same levels keeping in view of increasing trend of inflation.

On positive front the index of Karachi Stock Exchange has crossed the physiological level of 18,000 due to few good announcements within corporate entities and foreign buying. Furthermore, current account position of the country has also shown slight surplus due to improvement in services account, substantial increase in home remittances and sizable inflows of Coalition Support Fund from the USA.

Going forward, the management of FHM is bit cautious about outlook of 2nd half and intends to remain more focus on overall country's political and economic scenario keeping in view upcoming election and formation of new government.

Under the circumstances, FHM's strategic focus would remain on steady growth with cautiousness and to take benefit of every good opportunity that adds value of our certificate holders.

M/s Pakistan Credit Rating Agency Ltd., (PACRA) has maintained the long-term and short-term rating of "AA+" (Double A plus) and "A1+" (A One Plus) respectively of FHM and same has been announced through their press release dated 14th February, 2013. These ratings denote a very low expectation of credit risk emanating from very strong capacity for timely payment of financial commitments of FHM. As per PACRA, the rating reflects demonstrated efficacy of FHM's strategy engendering consistent profitability without compromising quality of its financing book. The ratings also draw comfort from FHM's strong risk absorption capacity emanating from a sound equity base. I am confident that maintaining credit rating of AA+ of FHM will be a great comfort for our investors.

I am extremely grateful to our valued customers, Registrar Modaraba, Securities & Exchange Commission of Pakistan for their patronage, to our employees for their continued commitment, our certificate holder for their trust and confidence and other regulatory bodies for their continued guidance.

For and on behalf of Board of Directors

Karachi: February 25, 2013

Muhammad Shoaib Ibrahim
Managing Director & CEO

INDEPENDENT AUDITORS REPORT ON REVIEW OF CONDENSED INTERIM FINANCIAL INFORMATION TO THE CERTIFICATE HOLDERS

Introduction

We have reviewed the accompanying condensed interim balance sheet of **First Habib Modaraba** as at December 31, 2012, and the related condensed interim profit and loss account, condensed interim statement of comprehensive income, condensed interim cash flow statement and condensed interim statement of changes in equity together with the notes forming part thereof (here-in-after referred to as the 'condensed interim financial information'), for the six months ended December 31, 2012. The Management Company is responsible for the preparation and presentation of this interim financial information in accordance with approved accounting standards as applicable in Pakistan. Our responsibility is to express a conclusion on this interim financial information based on our review.

The figures for the quarters ended December 31, 2012 and December 31, 2011 in the condensed interim profit and loss account and condensed interim statement of comprehensive income have not been reviewed and we do not express a conclusion on them.

Scope of Review

We conducted our review in accordance with the International Standard on Review Engagements 2410, "Review of Interim Financial Information Performed by the Independent Auditor of the Entity". A review of interim financial information 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 condensed interim financial information as at and for the six months period ended December 31, 2012 is not prepared, in all material respects, in accordance with approved accounting standards as applicable in Pakistan relating to interim financial reporting.

Other matter

The condensed interim financial information and financial statements of the modaraba for the six months ended December 31, 2011 and for the year ended June 30, 2012, were reviewed / audited by another firm of Chartered Accountants, whose reports dated January 27, 2012 and July 25, 2012 respectively, expressed a unqualified conclusion / opinion thereon.

Karachi: February 25, 2013

Chartered Accountants
(Muhammad Moin Khan)

FIRST HABIB MODARABA

CONDENSED INTERIM BALANCE SHEET

AS AT December 31, 2012

		December 31, 2012 (Unaudited) Rupees	June 30, 2012 (Audited) Rupees
ASSETS			
NON CURRENT ASSETS			
Fixed assets - tangible			
Ijarah (lease) assets		2,744,152,430	2,501,152,946
Assets in own use		12,575,742	8,039,208
	5	2,756,728,172	2,509,192,154
Intangible assets		1,746,985	2,125,559
Long term advances, deposit and prepayments		1,261,050	1,516,850
Diminishing musharaka financing	6	200,010,361	234,071,492
		2,959,746,567	2,746,906,055
CURRENT ASSETS			
Investments	7	1,448,049,349	1,486,001,027
Diminishing musharaka financing - current portion	6	180,243,200	148,365,839
Ijarah (lease) rental receivable	8	3,017,427	3,417,703
Advances and short term prepayments		1,442,683	5,090,731
Other receivables (unsecured and considered good)		34,542,057	24,849,608
Tax refund due from Government	9	28,395,755	28,395,755
Cash and bank balances		40,324,167	122,394,087
		1,736,014,638	1,818,514,750
TOTAL ASSETS		4,695,761,205	4,565,420,805
EQUITY AND LIABILITIES			
CAPITAL AND RESERVES			
Certificate capital			
Authorized capital			
220,000,000 (June 2012: 220,000,000) certificates of			
Rs. 5/- each			
		1,100,000,000	1,100,000,000
Issued, subscribed and paid up capital			
		1,008,000,000	1,008,000,000
Reserves			
		2,169,365,286	2,119,196,045
Certificate holders' equity			
		3,177,365,286	3,127,196,045
NON CURRENT LIABILITIES			
Security deposits against ijarah (lease) assets		232,097,826	209,078,717
CURRENT LIABILITIES			
Certificates of musharaka (unsecured and current portion)		-	3,000,000
Certificate of musharaka		1,039,785,468	966,290,959
Security deposits against ijarah (lease) assets (current portion)		61,253,084	57,881,505
Unearned ijarah (lease) rentals and diminishing musharaka installments		25,162,472	17,501,347
Advance ijarah (lease) rentals and diminishing musharaka installments		21,164,562	18,705,457
Trade and other payables		82,723,095	111,452,021
Profit payable on certificate of musharaka		31,375,972	31,712,221
Taxation	10	2,790,833	2,790,833
Unclaimed profit distribution		19,760,049	19,811,700
Profit distribution payable		2,282,558	-
		1,286,298,093	1,229,146,043
CONTINGENCIES AND COMMITMENTS			
	11		
TOTAL EQUITY AND LIABILITIES		4,695,761,205	4,565,420,805

The annexed notes from 1 to 18 form an integral part of these condensed interim financial statements.

sd/-
Chief Executive

sd/-
Director

sd/-
Director

FIRST HABIB MODARABA
CONDENSED INTERIM PROFIT AND LOSS ACCOUNT
FOR THE HALF YEAR ENDED DECEMBER 31, 2012
(UNAUDITED)

	Note	Half year ended		Quarter ended	
		December 31, December 31,		December 31, December 31,	
		2012	2011	2012	2011
-----Rupees-----					
Income from ijarah (leasing)		178,439,690	173,584,839	88,501,762	90,986,164
Profit on diminishing musharaka financing		26,109,717	21,367,188	12,892,750	12,012,629
		<u>204,549,407</u>	<u>194,952,027</u>	<u>101,394,512</u>	<u>102,998,793</u>
Administrative expenses		(36,861,222)	(32,947,975)	(17,068,739)	(15,145,461)
		<u>167,688,185</u>	<u>162,004,052</u>	<u>84,325,773</u>	<u>87,853,332</u>
Other income	12	40,139,200	34,052,659	20,590,483	16,527,496
Other charges	13	(3,302,222)	(3,461,546)	(1,708,745)	(2,639,389)
		<u>204,525,163</u>	<u>192,595,165</u>	<u>103,207,511</u>	<u>101,741,439</u>
Financial charges		(59,653,826)	(44,251,922)	(29,066,545)	(24,723,255)
		<u>144,871,337</u>	<u>148,343,243</u>	<u>74,140,966</u>	<u>77,018,184</u>
Modaraba Company's management fee		-	(14,834,324)	-	(7,701,818)
PROFIT FOR THE PERIOD		<u><u>144,871,337</u></u>	<u><u>133,508,919</u></u>	<u><u>74,140,966</u></u>	<u><u>69,316,366</u></u>
Earning per certificate - basic and diluted	14	<u><u>0.72</u></u>	<u><u>0.66</u></u>	<u><u>0.37</u></u>	<u><u>0.34</u></u>

Appropriations have been reflected in the statement of changes in equity.

The annexed notes from 1 to 18 form an integral part of these condensed interim financial statements.

sd/-
Chief Executive

sd/-
Director

sd/-
Director

FIRST HABIB MODARABA
CONDENSED INTERIM
STATEMENT OF COMPREHENSIVE INCOME
FOR THE HALF YEAR ENDED DECEMBER 31, 2012
(UNAUDITED)

	Half year ended		Quarter ended	
	December 31,	December 31,	December 31,	December 31,
	2012	2011	2012	2011
	-----Rupees-----			
Profit for the period	144,871,337	133,508,919	74,140,966	69,316,366
Net unrealizable gain / (loss) on investments available for sale	106,897,904	(149,870,032)	98,643,897	(67,314,672)
Total Comprehensive Income / (loss) for the period	251,769,241	(16,361,113)	172,784,863	2,001,694

The annexed notes from 1 to 18 form an integral part of these condensed interim financial statements.

sd/-
Chief Executive

sd/-
Director

sd/-
Director

FIRST HABIB MODARABA
CONDENSED INTERIM CASH FLOW STATEMENT
FOR THE HALF YEAR ENDED DECEMBER 31, 2012
(UNAUDITED)

	December 31, 2012 Rupees	December 31, 2011 Rupees
CASH FLOW FROM OPERATING ACTIVITIES		
Profit for the period	144,871,337	133,508,919
Adjustment for:		
Depreciation and amortization	564,934,245	516,896,135
Financial charges	59,623,720	44,215,429
Provision for gratuity	750,000	750,000
Owned assets written off	-	6
Gain on transfer of ijarah (lease) assets	(8,929,722)	(16,061,898)
Gain on disposal of assets in own use	(52,448)	(30,026)
Dividend income	(912,073)	(677,285)
	<u>615,413,722</u>	<u>545,092,361</u>
Changes in working capital		
Increase in current assets	(5,681,972)	(731,471)
(Decrease) / increase in current liabilities	(18,608,696)	6,482,614
Cash generated from operations	<u>735,994,391</u>	<u>684,352,423</u>
Purchase of ijarah (lease) assets	(915,360,706)	(666,237,230)
Proceeds from transfer of ijarah (lease) assets	118,733,809	122,163,268
Investment in diminishing musharka	2,183,770	(55,377,340)
Long term advances and deposits	255,800	-
Net Musta'jir's security deposits	26,390,688	5,200,127
Financial charges paid	(59,959,969)	(47,581,674)
Tax paid	(115,618)	(627,810)
	<u>(827,872,226)</u>	<u>(642,460,659)</u>
Net cash (used in) / generated from operating activities	<u>(91,877,835)</u>	<u>41,891,764</u>
CASH FLOW FROM INVESTING ACTIVITIES		
Purchase of assets in own use	(6,535,135)	(1,933,600)
Purchase of investments	(5,746,939)	(10,686,133)
Proceeds from disposal of assets in own use - net	52,500	35,000
Redemption of sukuk bond	-	20,000,000
Redemption of HIIC	150,000,000	-
Dividend received	912,073	677,285
Net cash generated from investing activities	<u>138,682,499</u>	<u>8,092,552</u>
CASH FLOW FROM FINANCING ACTIVITIES		
Dividend paid	(199,369,093)	(219,399,849)
Certificate of musharaka	70,494,509	172,421,715
Net cash used in financing activities	<u>(128,874,584)</u>	<u>(46,978,134)</u>
Net (decrease) / increase in cash and cash equivalents	<u>(82,069,920)</u>	<u>3,006,182</u>
Cash and cash equivalents at the beginning of the period	<u>122,394,087</u>	<u>161,527,915</u>
Cash and cash equivalents at the end of the period	<u>40,324,167</u>	<u>164,534,097</u>

The annexed notes from 1 to 18 form an integral part of these condensed interim financial statements.

sd/-
Chief Executive

sd/-
Director

sd/-
Director

FIRST HABIB MODARABA
CONDENSED INTERIM
STATEMENT OF CHANGES IN EQUITY
FOR THE HALF YEAR ENDED DECEMBER 31, 2012
(UNAUDITED)

	Certificate capital	Capital reserves		Revenue reserves			Total reserve	Total equity
		Certificate premium	Statutory reserves	General reserves	Unrealized gain on investment	Unappropriated profit		
-Rupees-								
Balance as at July 01, 2011	1,008,000,000	378,000,000	440,873,447	50,000,000	956,819,063	225,931,937	2,051,624,447	3,059,824,447
Profit distribution for the year ended June 30, 2011 @ 22%	-	-	-	-	-	(221,760,000)	(221,760,000)	(221,760,000)
Total comprehensive (loss) / income for the period	-	-	-	-	(149,870,032)	133,508,919	(16,361,113)	(16,361,113)
Balance as at December 31, 2011	1,008,000,000	378,000,000	440,873,447	50,000,000	806,949,031	137,680,856	1,813,503,334	2,821,503,334
Balance as at July 01, 2012	1,008,000,000	378,000,000	578,891,321	50,000,000	901,105,975	211,198,749	2,119,196,045	3,127,196,045
Profit distribution for the year ended June 30, 2012 @ 20%	-	-	-	-	-	(201,600,000)	(201,600,000)	(201,600,000)
Total comprehensive income for the period	-	-	-	-	106,897,904	144,871,337	251,769,241	251,769,241
Balance as at December 31, 2012	1,008,000,000	378,000,000	578,891,321	50,000,000	1,008,003,879	154,470,086	2,169,365,286	3,177,365,286

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.

The annexed notes from 1 to 18 form an integral part of these condensed interim financial statements.

sd/-
Chief Executive

sd/-
Director

sd/-
Director

FIRST HABIB MODARABA

NOTES TO THE CONDENSED INTERIM FINANCIAL STATEMENTS FOR THE HALF YEAR ENDED DECEMBER 31, 2012 (UNAUDITED)

1. LEGAL STATUS AND OPERATION

First Habib Modaraba (the Modaraba) is a perpetual, multi-purpose modaraba floated and managed by Habib Modaraba Management (Private) Limited (the Modaraba Management Company) having its registered office at 5th Floor, HBZ Plaza, I.I. Chundrigar Road, Karachi. The Modaraba is listed on the Karachi, Lahore and Islamabad stock exchanges of Pakistan. The Modaraba is engaged in the business of leasing (Ijarah), Musharaka, Murabaha financing and other related business.

2. BASIS OF PREPARATION

2.1 Statement of compliance

These condensed 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.

This condensed interim financial report of the Modaraba for the six months period ended December 31, 2012 has been prepared in accordance with the requirements of the International Accounting Standard 34- Interim Financial Reporting and provisions of and directives issued under the Modaraba Companies and Modarabas (Flotation and Control Ordinance, 1980 Modaraba Companies and Modaraba Rules, 1981 and Prudential Regulations for Modarabas. In case where requirements differ, the provisions of or directives issued under the Modaraba Companies and Modarabas (Flotation and Control) Ordinance 1980, Modaraba Companies and Modarabas Rules, 1981 and Prudential Regulations for Modarabas have been followed.

The condensed interim financial statements do not include all the information and disclosures required for full annual financial statements and should be read in conjunction with the annual financial statements of the Modaraba as at and for the year ended June 30, 2012.

2.2 Basis of measurement

These condensed interim financial statements have been prepared under the historical cost convention, except for investments that are stated at fair value.

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

2.3 Functional and presentation currency

These condensed interim financial statements have been presented in Pak Rupees, which is the functional currency of the Modaraba.

3. SIGNIFICANT ACCOUNTING POLICIES

The accounting policies and methods of computation followed for the preparation of these condensed interim financial statements are the same as those applied in preparing the financial statements for the year ended June 30, 2012.

4. ESTIMATES

The preparation of condensed interim financial statements requires management to make judgments, 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 judgments 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, 2012.

sd/-
Chief Executive

sd/-
Director

sd/-
Director

	December 31, (Un-audited) Rupees	June 30, (Audited) Rupees
5. FIXED ASSETS - TANGIBLE		
Ijarah (lease) assets	5.1 2,744,152,430	2,501,152,946
Assets in own use	5.2 12,575,742	8,039,208
	<u>2,756,728,172</u>	<u>2,509,192,154</u>
5.1 Ijarah (lease) assets		
Ijarah (lease) assets	5.1.1 2,413,775,702	2,182,335,126
Advance against ijarah (lease) assets	330,376,728	318,817,820
	<u>2,744,152,430</u>	<u>2,501,152,946</u>
5.1.1 Ijarah (lease) assets		
Book value at the beginning of the period / year	2,182,335,126	2,203,316,226
Additions during the period / year	5.1.2 903,801,798	1,316,098,968
	3,086,136,924	3,519,415,194
Deletion during the period / year at book value	5.1.3 (109,804,087)	(262,021,137)
Impairment during the period / year reversed (net)	-	(2,470,873)
Depreciation charge during the period / year	(562,557,135)	(1,072,588,058)
Book value at the end of the period / year	<u>2,413,775,702</u>	<u>2,182,335,126</u>
5.1.2 Additions during the period / year		
Plant, machinery and equipment	133,870,191	282,741,584
Vehicles	769,931,607	1,033,357,384
	<u>903,801,798</u>	<u>1,316,098,968</u>
5.1.3 Deletion (at book value) during the period / year		
Plant, machinery and equipment	11,543,379	46,175,084
Vehicles	98,260,708	215,846,053
	<u>109,804,087</u>	<u>262,021,137</u>
5.2 Assets in own use		
Book value at the beginning of the period / year	8,039,208	5,603,600
Additions during the period / year	5.2.1 6,515,135	5,315,408
	14,554,343	10,919,008
Deletion during the period / year at book value	5.2.2 (67)	(8,206)
Depreciation charge during the period / year	(1,978,534)	(2,871,594)
Book value at the end of the period / year	<u>12,575,742</u>	<u>8,039,208</u>
5.2.1 Additions during the period / year		
Office equipment	2,794,485	2,445,053
Furniture and fixture	600,650	514,235
Vehicles	3,120,000	2,356,120
	<u>6,515,135</u>	<u>5,315,408</u>
5.2.2 Deletion (at book value) during the period / year		
Office equipment	51	3,221
Furniture and fixture	13	8
Vehicles	3	4,977
	<u>67</u>	<u>8,206</u>
6. DIMINISHING MUSHARAKA FINANCING		
Secured		
Diminishing musharaka financing	352,705,650	332,323,877
Less: Current portion	(180,243,200)	(148,365,839)
	<u>172,462,450</u>	<u>183,958,038</u>
Advance against diminishing musharaka financing	27,547,911	50,113,454
	<u>200,010,361</u>	<u>234,071,492</u>

		December 31, (Un-audited) Rupees	June 30, (Audited) Rupees
	Note		
7. INVESTMENTS			
Available for sale			
Investment in shares - available for sale		1,198,049,349	1,086,001,027
Investment in sukuk	7.1	100,000,000	100,000,000
Held to maturity			
Investment in Islamic investment certificates		<u>150,000,000</u>	<u>300,000,000</u>
		<u>1,448,049,349</u>	<u>1,486,001,027</u>

7.1 These Sukuk Bonds are issued by the Government of Pakistan with the maturity term of 3 years from the date of issue. The profit on the sukuk shall be paid semi-annually on the basis of rental rate announced by the State Bank of Pakistan prior to start of each half year. The Modaraba has obtained permission from Securities and Exchange Commission of Pakistan to treat the investment as part of redemption reserve fund to be set aside by the Modaraba to comply with the requirements of the Registrar of Modarabas for the issuance of Certificate of Musharaka.

8. IJARAH (LEASE) RENTALS RECEIVABLES

Ijarah (lease) rental due		10,862,723	7,821,269
Less: Suspense ijarah (lease) rentals	8.1	<u>(7,845,296)</u>	<u>(4,403,566)</u>
		<u>3,017,427</u>	<u>3,417,703</u>

8.1 Suspense ijarah (lease) rentals represent amounts overdue on Ijarah (lease) assets.

8.2 Installments receivable in respect of existing Ijarah (lease) within one year amounts to Rs. 1,151.010 million (June 30, 2012: Rs. 1,081.989 million). Ijarah (lease) installments recoverable within the next twelve months shall be treated as current assets for the purpose of calculating current ratio (as per BPRD circular no. 8 dated April 11, 1998)

9. TAX REFUND DUE FROM GOVERNMENT

Income tax		<u>28,395,755</u>	<u>28,395,755</u>
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10. 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 condensed interim financial statements.

11. CONTINGENCIES AND COMMITMENTS

Contingencies

There were no significant contingencies to report.

Commitments

Commitments in respect of ijarah (lease) transactions amounted to Rs. 64.00 million (June 30, 2012: Rs. 70.616 million).

12. OTHER INCOME	Half year ended		Quarter ended	
	December 31, 2012	December 31, 2011	December 31, 2012	December 31, 2011
	(Un-audited) Rupees	(Un-audited) Rupees	(Un-audited) Rupees	(Un-audited) Rupees
Dividend income	912,073	677,285	462,023	227,235
Profit on transfer of ijarah assets	8,929,722	16,061,898	460,981	7,593,157
Profit on disposal of assets in own use	52,448	30,026	52,448	30,026
Profit on modaraba deposit account	20,198,045	9,971,367	15,684,015	5,457,337
Gain on sale of shares	4,276,128	-	-	-
Profit on sukuk	5,662,828	7,240,074	1,601,800	3,179,046
Miscellaneous	107,956	72,009	76,642	40,695
	<u>40,139,200</u>	<u>34,052,659</u>	<u>18,337,909</u>	<u>16,527,496</u>

13. OTHER OPERATING CHARGES	Half year ended		Quarter ended	
	December 31, 2012	December 31, 2011	December 31, 2012	December 31, 2011
	(Un-audited) Rupees	(Un-audited) Rupees	(Un-audited) Rupees	(Un-audited) Rupees
Workers' welfare fund	2,984,224	3,109,046	2,312,067	2,436,889
Auditor's remuneration	317,998	352,500	167,998	202,500
	<u>3,302,222</u>	<u>3,461,546</u>	<u>2,480,065</u>	<u>2,639,389</u>

14. EARNINGS PER CERTIFICATE - BASIC AND DILUTED

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

	Half year ended		Quarter ended	
	December 31, 2012	December 31, 2011	December 31, 2012	December 31, 2011
	Rupees	Rupees	Rupees	Rupees
Net profit for the period	<u>144,871,337</u>	<u>133,508,919</u>	<u>74,140,966</u>	<u>69,316,366</u>
Weighted average number of ordinary certificates.	<u>201,600,000</u>	<u>201,600,000</u>	<u>201,600,000</u>	<u>201,600,000</u>
Basic earnings per certificate	<u>0.72</u>	<u>0.66</u>	<u>0.37</u>	<u>0.30</u>

15. TRANSACTIONS WITH RELATED PARTIES

The related parties and associated undertakings comprise the Management Company (Habib Modaraba Management Company (Private) Limited), First Habib Modaraba Employees' Provident Fund, First Habib Modaraba Employee Gratuity Fund and key management personnel. The balances outstanding to/from these parties have been included in the relevant notes to the financial statements. Transactions with related parties and associated undertakings are as follows:

Relationship	Nature of transaction	December 31, 2012	December 31, 2011
		(Un-audited) Rupees	(Un-audited) Rupees
Balances with the related parties			
Staff Retirement Benefit Fund	Payable / Receivable to / from staff gratuity fund	<u>750,000</u>	<u>750,000</u>
Modaraba Management Company	Payable to Modaraba Management Company	<u>-</u>	<u>14,834,324</u>

		December 31, 2012 (Un-audited) Rupees	December 31, 2011 (Un-audited) Rupees
Expense for the period			
Modaraba Management Company	Modaraba Company's management fee	-	<u>14,834,324</u>
Staff retirement benefit			
Fund	Gratuity fund	<u>750,000</u>	<u>750,000</u>
Fund	Provident fund	<u>915,060</u>	<u>786,666</u>
Payments made during the period			
Fund	Contribution to staff provident fund	<u>1,830,120</u>	<u>1,573,332</u>
Modaraba Management Company	Dividend paid	<u>100,501,732</u>	<u>109,596,324</u>

15.1 No remuneration in kind has been paid by the Modaraba to the directors and key management personnel.

16. CORRESPONDING FIGURES

Corresponding figures have been rearranged and reclassified, whenever necessary, for the purposes of appropriate presentation. No significant reclassifications were made during the current period.

17. GENERAL

Figures have been rounded off to the nearest rupee.

18. DATE OF AUTHORIZATION FOR ISSUE

These financial statements were authorized for issue on February 25, 2013 by the Board of Directors of the Management Company.

sd/-
Chief Executive

sd/-
Director

sd/-
Director



Shariah Advisor's Report

Alhamdulillah, I have conducted the Shariah audit and Review of First Habib Modaraba (FHM) managed by Habib Modaraba Management Company (Pvt.) Ltd. for the Half year ended December 31, 2012 in accordance with the requirements of the shari'ah Compliance and Shari'ah Audit Mechanism for Modarabas and report that except the observations as report hereunder, in my opinion:

- I. FHM has introduced a mechanism which has strengthened the Shari'ah compliance, in letter and spirit to better extent. The systems, producers and polices adopted by the Modaraba are in line with the Shariah principles;
- II. Following were the major developments that took place during the half year:
 - a) FHM is working on new products to enhance its portfolio and diversify its business activities to mitigate the product risk.
 - b) **Training and Development:** Key Staff of the FHM is fully equipped with Islamic finance tools through training conducted by NBF1 & Modaraba association of Pakistan, CIE and Professional Institutes (FHM has nominated the members of staff from Karachi and Islamabad for courses -skill development in Islamic finance on Shariah adviser's instructions)
- III. The agreements that are entered into by FHM are Shariah compliant and the financing agreements have been executed according to the process and formats as approved by the SECP Religious Board and mostly all the conditions have been met. FHM is offering Ijarah, Diminishing Musharakah for asset side and COM for liability side.
- IV. According to the best of my information and explanations given to me, the business transactions undertaken during the period (July 2012 to December 2012) by FHM and most of the other matters incidental thereto are in conformity with the Shari'ah requirements as well as the requirements of the Prospectus, Islamic Financial Accounting Standards as applicable in Pakistan and the Shari'ah Compliance and Shari'ah Audit Regulations for Modarabas
- V. FHM raises its funds through approved scheme of Certificate of Musharakah. The Profit sharing ratio/ weightages ,profits distribution relating to Certificate of Musharakah (COM) are in line with principles guidelines issued by SECP about COM and Shariah. FHM announces the weightages on quarterly basis while profit is calculated on daily product basis.
- VI. **Any payment received over and above due payments due to delay**, FHM has collected and credited to charity account.

Observation(s)

- I. FHM is maintaining a current account with conventional Bank only for transfer and collection of funds.
- II. Within the investment portfolio, FHM has very old investment in commercial Banks' shares

Recommendation(s) Conclusion

In my opinion and best of my knowledge and information provided by the management with relevant explanation, I am of the view that during the period overall business operations of the Modaraba are Shariah Compliant.

And Allah Taala knows Better & Perfect


Mufti Abdul Sattar Laghari
Shariah Advisor



Dated: 14-01-2013

