

## 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 3rd quarter ended March 31, 2013.

We have completed business operation of 3rd quarter and Alhamdulillah, the progress of nine months of current year remained satisfactory both in business and profitability. Major disbursement was made in Ijara (lease) financing mostly in asset category of Motor Vehicles. Recovery in overall portfolio was remained excellent and profitability has also been maintained as compared to profit of corresponding period of last year.

I am pleased to inform you that by the grace of God, once again South Asian Federation of Accountants (SAFA) awarded SAFA BPA "Certificate of Merit" award to our Modaraba from "Financial Services Sector" for "Best Presented Accounts" and "Corporate Governance Disclosures" for the year 2011. The award ceremony was held in Colombo, Sri Lanka, on 22nd March, 2013.

The SAFA BPA Award for the "Best Presented Annual Reports" is considered as the most prestigious accolade for financial reporting in the South Asian region and signifies SAFA's recognition and reward for organizations in the region which have achieved excellence in presentation and disclosure of high quality, relevant, reliable and objective financial statements in accordance to the framework stipulated by the International Accounting Standards Board (IASB).

You will be pleased to note that total 85 companies were selected within 5 countries i.e. India, Pakistan, Sri Lanka, Bangladesh and Nepal and First Habib Modaraba (FHM) was one of them. Alhamdulillah, since last three consecutive years, FHM has been winning this award. Within the Non-Bank Financial Services Sector category the FHM was only nominee from Pakistan this year. It is a matter of great satisfaction that annual report of your Modaraba has been recognized within the SAARC countries. It is indeed a great honor for FHM and entire Modaraba sector as well.

On the economic front Pakistan's economy is continuously confronted with serious challenges that include sluggish growth, mounting energy shortages, drying investment, rising budget deficit, climbing public debt and escalating unemployment. Government borrowing from commercial banks reached a record high on account of the higher fiscal deficit and a slowdown in revenue receipts. The latest figures on monetary aggregates issued by the State Bank of Pakistan (SBP) showed that public sector borrowing from scheduled banks saw a sharper increase.

The growing burden of financing of the fiscal deficit has fallen on domestic sources, especially commercial banks, as external financing is not forthcoming and tax collection by the Federal Board of Revenue has remained below the desirable level. The SBP has unchanged discount rate. In the policy statement SBP was quite concerned about the fragile balance of payments situation and excessive government borrowing from the banking system. This is the second time the central bank has kept the discount rate at same level.

Going forward, we are hopeful that last quarter of the current year will also be completed with same pace of business. However, it is expected due to election in next month the business activity will be slow moving till the formation of new government.

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

Muhammad Shoaib Ibrahim  
Managing Director & CEO

Karachi: April 25, 2013

# FIRST HABIB MODARABA

## CONDENSED INTERIM BALANCE SHEET

### AS AT March 31, 2013

ASSETS	Note	Un-audited March 31, 2013 Rupees	Audited June 30, 2012 Rupees
<b>NON-CURRENT ASSETS</b>			
<b>TANGIBLE FIXED ASSETS</b>			
Ijarah (lease) assets		2,774,190,393	2,501,152,946
Assets in own use		12,129,888	8,039,208
		<u>2,786,320,280</u>	<u>2,509,192,154</u>
<b>INTANGIBLE ASSETS</b>		1,610,898	2,125,559
<b>LONG TERM PREPAYMENTS AND DEPOSITS</b>		1,044,650	1,516,850
<b>DIMINISHING MUSHARAKA FINANCING</b>		<u>179,986,511</u>	<u>234,071,492</u>
		2,968,962,339	2,746,906,055
<b>CURRENT ASSETS</b>			
Investments - available for sale		1,189,766,251	1,486,001,027
Diminishing musharaka financing - current portion		214,102,886	148,365,839
Ijarah (lease) installments receivable		3,379,600	3,417,703
Advances and short term prepayments		1,320,793	5,090,731
Other receivables		31,097,089	24,849,608
Tax refund due from Government		28,396,920	28,395,755
Cash and bank balances		<u>108,155,233</u>	<u>122,394,087</u>
		1,576,218,772	1,818,514,750
<b>TOTAL ASSETS</b>		<u>4,545,181,111</u>	<u>4,565,420,805</u>
<b>EQUITY AND LIABILITIES</b>			
<b>CAPITAL AND RESERVES</b>			
Certificate capital :			
Authorized :			
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		1,008,000,000	1,008,000,000
Reserves		2,213,964,661	2,119,196,045
Certificate holders' equity		3,221,964,661	3,127,196,045
<b>NON-CURRENT LIABILITIES</b>			
Security deposits against ijarah (lease) assets		167,107,145	209,078,717
<b>CURRENT LIABILITIES</b>			
Certificates of musharaka - current portion		-	3,000,000
Certificate of musharaka		836,772,065	966,290,959
Security deposits against ijarah (lease) assets - current portion		127,833,723	57,881,505
Advance ijarah (lease) and diminishing musharaka installments		21,159,361	17,501,347
Unearned ijarah (lease) and diminishing musharaka installments		33,111,700	18,705,457
Trade and other liabilities		88,165,202	111,452,021
Profit payable on certificate of musharaka		24,581,199	31,712,221
Taxation		2,790,833	2,790,833
Unclaimed profit distribution		<u>21,695,222</u>	<u>19,811,700</u>
		1,156,109,305	1,229,146,043
<b>TOTAL EQUITY AND LIABILITIES</b>		<u>4,545,181,111</u>	<u>4,565,420,805</u>

The annexed notes from 1 to 4 form an integral part of these financial statements.

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

sd/-  
Chief Executive

sd/-  
Director

sd/-  
Director

# FIRST HABIB MODARABA

## CONDENSED INTERIM PROFIT AND LOSS ACCOUNT

### FOR THE PERIOD ENDED MARCH 31, 2013

#### (UNAUDITED)

	Nine Months Ended		Quarter Ended	
	March 31, 2013 Rupees	March 31, 2012 Rupees	March 31, 2013 Rupees	March 31, 2012 Rupees
Income from ijarah (leasing)	265,784,390	256,297,633	87,344,700	82,712,794
Profit on diminishing musharaka	37,740,415	32,151,866	11,630,698	10,784,678
	<u>303,524,805</u>	<u>288,449,499</u>	<u>98,975,398</u>	<u>93,497,472</u>
Administrative expenses	55,676,323	46,049,644	18,815,101	13,101,669
	<u>247,848,482</u>	<u>242,399,855</u>	<u>80,160,297</u>	<u>80,395,803</u>
Other income	54,808,390	61,677,827	14,669,190	27,625,168
Other charges	4,897,591	5,213,001	1,595,369	1,751,455
	<u>297,759,281</u>	<u>298,864,681</u>	<u>93,234,118</u>	<u>106,269,516</u>
Financial charges	83,159,226	68,650,765	23,505,400	24,398,843
	<u>214,600,055</u>	<u>230,213,916</u>	<u>69,728,718</u>	<u>81,870,673</u>
Modaraba company's management fee	-	23,021,392	-	8,187,067
	<u>-</u>	<u>23,021,392</u>	<u>-</u>	<u>8,187,067</u>
<b>PROFIT FOR THE PERIOD</b>	<u><b>214,600,055</b></u>	<u><b>207,192,524</b></u>	<u><b>69,728,718</b></u>	<u><b>73,683,606</b></u>
 Earning per certificate basic & diluted	 <u>1.06</u>	 <u>1.03</u>	 <u>0.35</u>	 <u>0.37</u>

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(Modaraba Management Company)

sd/-  
Chief Executive

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Director

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Director

# FIRST HABIB MODARABA

## CONDENSED INTERIM

### STATEMENT OF COMPREHENSIVE INCOME

#### FOR THE PERIOD ENDED MARCH 31, 2013

#### (UNAUDITED)

	Nine months ended		Quarter ended	
	March 31, 2013	March 31, 2012	March 31, 2013	March 31, 2012
	Rupees			
Profit for the period	214,600,055	207,192,524	69,728,718	73,683,606
Net unrealizable (loss)/gain on investments available for sale	81,768,561	(159,623,749)	(25,129,343)	(9,753,717)
Total comprehensive income/(loss) for the period	<u>296,368,616</u>	<u>47,568,775</u>	<u>44,599,375</u>	<u>63,929,889</u>

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(Modaraba Management Company)

sd/-  
Chief Executive

sd/-  
Director

sd/-  
Director

# FIRST HABIB MODARABA

## CONDENSED INTERIM CASH FLOW STATEMENT

### FOR THE PERIOD ENDED MARCH 31, 2013

#### (UNAUDITED)

	Note	March 31, 2013 Rupees	March 31, 2012 Rupees
<b>Cash Flow From Operating Activities</b>			
Cash generated from operations	4	1,118,685,180	1,067,117,674
Diminishing musharaka financing		(11,652,066)	(138,869,211)
Purchase of ijarah (leased) assets		(1,105,403,102)	(1,059,263,274)
Sale proceeds of ijarah (leased) assets		184,025,394	181,235,368
Mustajir's security deposit - net		27,980,646	27,869,458
Financial charges paid		(90,290,246)	(66,567,693)
Tax paid		-	(1,330,729)
Net cash inflow from operating activities		123,345,806	10,191,593
<b>Cash Flow From Investing Activities</b>			
Purchase of assets owned (including intangibles)		(7,335,372)	(3,082,965)
Purchase of investments-available for sale		(5,760,469)	(10,686,133)
Proceeds from disposal of owned assets		79,763	62,985
Proceeds from disposal of investments		4,872,529	13,286,431
Redemption of HIIC		200,000,000	-
Redemption of sukuk		-	20,000,000
Long term advances and deposit		(472,200)	(76,050)
Dividend received		3,266,461	2,722,740
Net cash inflow/(outflow) investing activities		194,650,712	22,227,007
<b>Cash Flow From Financing Activities</b>			
Dividend paid		(199,716,478)	(219,968,776)
Certificate of Musharaka		(132,518,894)	246,364,108
Net cash inflow/(outflow) in financing activities		(332,235,372)	26,395,332
Net increase/(decrease) in cash and cash equivalents		(14,238,854)	58,813,932
Cash and cash equivalents at the beginning of the year		122,394,087	161,527,915
Cash and cash equivalents at the end of the period		108,155,233	220,341,847

The annexed notes from 1 to 4 form an integral part of these financial statements.

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(Modaraba Management Company)

sd/-  
Chief Executive

sd/-  
Director

sd/-  
Director



# FIRST HABIB MODARABA

## CONDENSED INTERIM

### STATEMENT OF CHANGES IN EQUITY

#### FOR THE PERIOD ENDED MARCH 31, 2013

#### (UNAUDITED)

	Capital Reserves			Revenue Reserves			Total Reserves	Total Equity
	Paid-up capital	Certificate Premium	*Statutory reserve	General reserve	Unrealized gain/(loss) on investments	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	3,058,624,447
Profit distribution for the year ended June 30, 2011 @ 22%	-	-	-	-	-	(221,760,000)	(221,760,000)	(221,760,000)
Total comprehensive income for the period	-	-	-	-	(159,623,749)	207,192,524	47,568,775	47,568,775
Balance as at March 31, 2012	<u>1,008,000,000</u>	<u>378,000,000</u>	<u>440,873,447</u>	<u>50,000,000</u>	<u>797,195,314</u>	<u>211,364,461</u>	<u>1,877,433,222</u>	<u>2,885,433,222</u>
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	-	-	-	-	81,768,561	214,600,055	296,368,616	296,368,616
Balance as at March 31, 2013	<u>1,008,000,000</u>	<u>378,000,000</u>	<u>578,891,321</u>	<u>50,000,000</u>	<u>982,874,536</u>	<u>224,198,804</u>	<u>2,213,964,661</u>	<u>3,221,964,661</u>

\* The Statutory reserves representing profit set aside as required under the SECP's Prudential Regulation for Modarabas is transferred annually at year end.

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(Modaraba Management Company)

sd/-  
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Director

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Director

# FIRST HABIB MODARABA

## NOTES TO THE CONDENSED INTERIM ACCOUNTS

### FOR THE PERIOD ENDED MARCH 31, 2013

#### (UNAUDITED)

#### 1. THE COMPANY AND ITS OPERATIONS

First Habib Modaraba is a perpetual , multipurpose modaraba floated and managed by Habib Modaraba Management (Pvt) Limited, having its registered office at 5th Floor, HBZ Plaza (Hirani Center), I.I. Chundrigar Road, Karachi. It is listed on the Karachi, Lahore and Islamabad stock exchanges of Pakistan. The modaraba is authorised to engage in the business of leasing, Musharaka, Morabaha financing and other related business.

#### 2. BASIS OF PREPARATION

These condensed interim financial statement are unaudited and being submitted to the certificate holders as required under Rule 10 of Modaraba Companies and Modaraba Rules, 1981 and have been prepared in accordance with the requirements of the International Accounting Standard (IAS) -34, "Interim Financial Reporting".

#### 3. ACCOUNTING POLICIES

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

	Note	March 31, 2013 Rupees	March 31, 2012 Rupees
<b>4. CASH GENERATED FROM OPERATIONS</b>			
Profit for the year		214,600,055	207,192,524
Adjustment for :			
Profit on disposal of assets-			
Ijarah (leasing)		(12,291,582)	(19,647,604)
assets in owned use		(64,447)	(33,025)
Depreciation - Ijarah (leasing) assets		844,809,434	783,712,583
- assets in owned use		3,141,203	2,090,379
Amortization of intangible assets		602,834	33,360
Owned assets written off		-	6
Gain on sale of owned assets		(64,447)	-
Provision for gratuity		-	1,125,000
Dividend income		(3,266,461)	(2,722,740)
Gain on sale of investments		(4,276,303)	(11,394,719)
Financial charges		83,159,226	68,594,059
Movement in working capital	4.1	(7,664,332)	38,167,850
		<u>1,118,685,180</u>	<u>1,067,117,674</u>
<b>4.1 Movement in working capital:</b>			
Decrease/(Increase) in current assets:			
Advances and short term prepayments		3,769,938	3,736,832
Other receivables		(6,249,811)	(1,572,654)
Ijarah (lease) Installments receivable		38,103	(1,541,204)
		<u>(2,441,770)</u>	<u>622,974</u>
Increase/(decrease) in current liabilities:			
Advance Ijarah (leasing) and diminishing musharaka installments		3,658,014	(2,034,532)
Unearned Ijarah (leasing) and diminishing musharaka installments		14,406,243	19,334,134
Trade and other liabilities		(23,286,819)	20,245,274
		<u>(5,222,562)</u>	<u>37,544,876</u>
		<u>(7,664,332)</u>	<u>38,167,850</u>

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(Modaraba Management Company)

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