

First Habib Modaraba

(An Islamic Financial Institution)



QUARTERLY ACCOUNTS

for the period ended

MARCH 31, 2016

(Unaudited)



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CORPORATE INFORMATION

BOARD OF DIRECTORS

Mr. Wazir Mumtaz Ahmed	- Chairman (Non-Executive Director)
Mr. Muhammad Shoab Ibrahim	- Chief Executive Officer
Mr. Abbas Ali Muhammad	- (Non-Executive Director)
Mr. Mohammad Hashim	- (Non-Executive Director)
Mr. Syed Rasheed Akhtar	- (Non-Executive Independent Director)

AUDITORS

Muniff Ziauddin & Company
Chartered Accountants

LEGAL ADVISOR

Mohsin Tayebaly & Company
Ahmed & Qazi Advocates & Legal Consultants

AUDIT COMMITTEE

Mr. Syed Rasheed Akhtar	- Chairman
Mr. Abbas Ali Muhammad	- Member
Mr. Wazir Mumtaz Ahmed	- Member
Mr. Shakeel Ahmed	- Secretary

HUMAN RESOURCE COMMITTEE

Mr. Syed Rasheed Akhtar	- Chairman
Mr. Abbas Ali Muhammad	- Member
Mr. Wazir Mumtaz Ahmed	- Member

COMPANY SECRETARY

Mr. Adnan Thanwey

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

BANKERS

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

REGISTERED OFFICE

5th 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

Lahore Branch:

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

Islamabad Branch:

Office No. 7, Mezzanine Floor, Razia Shareef Plaza
Blue Area, Islamabad.
Tel: 051-32278865-67, Fax: 051-2278868

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 my great pleasure to present the un-audited accounts of the Modaraba for the period ended March 31, 2016

Alhamdulillah, we have completed business operation of third quarter of current financial year. The nine month operations witnessed with satisfactory growth trend in business volume. Total disbursements of Rs.2.440 billion were made as compared to Rs.1,889 billion, an increase of around 29% over same corresponding period of last year. Likewise, deposit under the scheme of Certificate of Investment (Musharkah arrangement) was also raised by around 70% i.e. from Rs.1,556.0 million to Rs.2.665 billion in similar period.

Due to enhancement in financing and deposit size, overall size of balance sheet has also been increased from Rs.5.402 in March, 2015 billion to Rs.6.687 billion in March, 2016, which reflect growth of around 24%. In our last annual report and report of 1st and 2nd quarter of current year, we have been mentioning that due to decrease in discount rate and shirking in margins, the profitability of our Modaraba has affected significantly. However, by the grace of God, we have been able to manage the same by increasing in business volume.

In accordance with our business strategy of current year we are gradually adding small and medium size customers in our portfolio and also targeting new business segments in order to expand size of financing assets and customer base. Simultaneously by enlarging business size, we are also strengthening processes of internal control, risk management and operations along with capacity building of human resource through proper training and new induction.

In current month the State Bank of Pakistan (SBP) has announced monetary policy and kept the policy rate unchanged. One of the major reasons for the central bank to maintain the benchmark interest rate is a rising trend in inflation. The trend is reflective of a pickup in aggregate demand which is due to several positive factors particularly improved security situation at country level. Simultaneously with improved business sentiments, lower input prices, and better availability of energy, the production and services capacities have shown in positive trend. The 10th review of IMF has successfully completed and Fund has praised the efforts of government on improvement in structural reform and satisfactory reduction in fiscal deficit. The Federal Board of Revenue has also collected record tax revenue in first nine months of current fiscal year showing good growth over period of last year.

On other front, the trade deficit has widened during July – March 2015-2016 as compared with deficit of same period of last year. So far we have not been able to raise our export proceeds which the main cause of trade account deficit. Due to low oil prices, the current account has shown slight better position. However, falling exports have largely offset the gains from lower oil import bill. The country is still struggling to take benefit of such reduction and achieve handsome surplus in its current account balance.

On macro level, the overall economic indicators are going towards positive directions. While the current macroeconomic stability, improved law and order, and China Pakistan Economic Corridor related investments promising well for the future prospects, enhancement of economic activity and for foreign direct investments. With these positive changes, we feel that we will be able to tap the opportunities and book more financing assets which will support for enhancement of assets portfolio and business volume in prudent manner. We are also confident that we will overcome our slightly reduced profitability through increase in earning assets size and investment portfolio.

DIRECTORS' REPORT

The Board of Directors of Management Company has also granted approval to a possible transaction involving sale and transfer of management rights in respect of First Habib Modaraba to Habib Metropolitan Modaraba Management Company (Pvt.) Limited, a fully own subsidiary of Habib Metropolitan Bank Limited, subject to fulfilment of all regulatory formalities and regulatory approvals. There is no certainty that said move will result in a binding transaction for both the companies.

In conclusion 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: April 19, 2016

Muhammad Shoaib Ibrahim
Chief Executive Officer



CONDENSED INTERIM BALANCE SHEET

As at March 31, 2016

	Note	Unaudited	Audited
		March 31, 2016	June 30, 2015
-----Rupees-----			
ASSETS			
NON-CURRENT ASSETS			
TANGIBLE FIXED ASSETS			
Lease financing assets		2,813,784,025	3,072,311,550
Assets in own use		7,895,403	8,637,666
		2,821,679,427	3,080,949,216
INTANGIBLE ASSETS			
LONG TERM PREPAYMENTS AND DEPOSITS		393,310	661,638
DIMINISHING MUSHARAKA FINANCING		6,730,250	687,450
		1,573,136,571	1,029,713,235
CURRENT ASSETS			
Investments - available for sale		976,037,141	985,220,547
Diminishing musharaka financing - current portion		1,026,621,951	699,404,010
Lease financing installments receivable		1,556,955	3,601,077
Advances and short term prepayments		3,279,128	3,571,280
Other receivables		3,762,655	42,784,358
Tax refund due from Government		79,479,382	59,184,873
Cash and bank balances		194,687,749	487,512,972
		2,285,424,961	2,281,279,117
TOTAL ASSETS		6,687,364,519	6,393,290,656
EQUITY AND LIABILITIES			
CAPITAL AND RESERVES			
Certificate capital :			
Authorized :			
220,000,000 (June 2015: 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		2,253,032,688	2,248,855,321
Certificate holders' equity		3,261,032,688	3,256,855,321
NON-CURRENT LIABILITIES			
Security deposits against Lease financing assets		313,476,672	343,300,486
CURRENT LIABILITIES			
Certificate of Investment (Musharaka arrangement)		2,665,174,317	2,360,079,584
Security deposits against lease financing assets - current portion		104,808,816	75,200,074
Advance lease financing and diminishing musharaka installments		18,892,941	16,521,499
Unearned lease financing and diminishing musharaka installments		9,588,702	13,002,325
Trade and other liabilities		231,867,965	251,292,016
Profit payable on certificate of investment (Musharaka arrangement)		51,460,594	48,570,764
Taxation		2,790,833	2,790,833
Unclaimed profit distribution		28,270,991	25,677,754
		3,112,855,159	2,793,134,849
TOTAL EQUITY AND LIABILITIES		6,687,364,519	6,393,290,656

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

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

CHIEF EXECUTIVE

DIRECTOR

DIRECTOR

CONDENSED INTERIM PROFIT AND LOSS ACCOUNT (UNAUDITED)
FOR THE PERIOD ENDED MARCH 31, 2016

Note	Nine Months Ended		Quarter Ended	
	March 31, 2016	March 31, 2015	March 31, 2016	March 31, 2015
	Rupees		Rupees	
Income from lease financing	195,150,047	220,441,031	63,183,883	69,813,634
Profit on diminishing musharaka	159,961,984	112,737,850	59,158,952	42,280,765
	355,112,031	333,178,881	122,342,835	112,094,399
Administrative expenses	(64,769,754)	(60,568,975)	(21,017,525)	(18,850,319)
	290,342,277	272,609,906	101,325,310	93,244,080
Other income	80,588,659	97,515,038	24,287,315	30,777,639
Other charges	(1,077,840)	(455,600)	(745,840)	(151,200)
	369,853,096	369,669,344	124,866,785	123,870,519
Financial charges	(112,618,815)	(103,967,195)	(39,506,027)	(35,078,083)
	257,234,281	265,702,149	85,360,758	88,792,436
Modaraba company's management fee	-	-	-	-
	257,234,281	265,702,149	85,360,758	88,792,436
Workers Welfare Fund	(4,622,912)	(5,314,043)	(1,185,442)	(1,775,849)
PROFIT FOR THE PERIOD	252,611,369	260,388,106	84,175,316	87,016,587
Earning per certificate basic & diluted	1.25	1.29	0.42	0.43

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

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

CHIEF EXECUTIVE

DIRECTOR

DIRECTOR



CONDENSED INTERIM STATEMENT OF COMPREHENSIVE INCOME (UNAUDITED)

FOR THE PERIOD ENDED MARCH 31, 2016

	Note	Nine Months Ended		Quarter Ended	
		March 31, 2016	March 31, 2015	March 31, 2016	March 31, 2015
		Rupees		Rupees	
Profit for the period		252,611,369	260,388,106	84,175,316	87,016,587
Net unrealizable (loss)/gain on investments available for sale		(26,674,002)	(45,305,734)	(15,521,168)	(15,439,882)
Total comprehensive income/(loss) for the period		225,937,367	215,082,372	68,654,148	71,576,705

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

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

CHIEF EXECUTIVE

DIRECTOR

DIRECTOR

CONDENSED INTERIM CASH FLOW STATEMENT (UNAUDITED)

FOR THE PERIOD ENDED MARCH 31, 2016

	Note	March 31, 2016	March 31, 2015
Rupees			
Cash Flow From Operating Activities			
Cash generated from operations	4	1,193,832,436	1,250,315,729
Diminishing musharaka financing		(870,641,277)	(435,979,106)
Purchase of lease financing assets		(861,213,326)	(1,033,424,259)
Sale proceeds of lease financing assets		288,523,493	233,856,670
Lessee's security deposit - net		(215,072)	27,781,378
Financial charges paid		(109,728,985)	(79,484,979)
Net cash (outflow)/inflow from operating activities		(359,442,731)	(36,934,567)
Cash Flow From Investing Activities			
Purchase of assets owned (including intangibles)		(1,941,830)	(1,495,441)
Purchase of investments-available for sale		(821,795,548)	(17,538,813)
Proceeds from disposal of owned assets		22,000	21,108
Proceeds from disposal of investments		3,880,153	693,415
Redemption of sukuk		800,000,000	-
Long term advances and deposit		(6,042,800)	641,600
Dividend received		6,567,564	5,207,353
Net cash (outflow)/inflow from investing activities		(19,310,461)	(12,470,778)
Cash Flow From Financing Activities			
Dividend paid		(219,166,764)	(219,455,441)
Certificate of Musharaka		305,094,733	32,587,854
Net cash inflow/(outflow) from financing activities		85,927,969	(186,867,587)
Net increase/(decrease) in cash and cash equivalents		(292,825,223)	(236,272,932)
Cash and cash equivalents at the beginning of the year		487,512,972	371,131,886
Cash and cash equivalents at the end of the period		194,687,749	134,858,954

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

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

CHIEF EXECUTIVE

DIRECTOR

DIRECTOR



CONDENSED INTERIM STATEMENT OF CHANGES IN EQUITY (UNAUDITED)

FOR THE PERIOD ENDED MARCH 31, 2016

	Capital Reserves			Revenue Reserves			Total Reserves	Total
	Paid-up capital	Certificate Premium	Statutory reserve	General reserve	Unrealized gain on investments	Unappropriated profit		
	----- Rupees -----							
Balance as at July 01, 2014	1,008,000,000	378,000,000	834,540,718	640,000,000	107,835,091	240,243,557	2,200,619,366	3,208,619,366
Profit distribution for the year ended June 30, 2014 @ 22%	-	-	-	-	-	(221,760,000)	(221,760,000)	(221,760,000)
Total comprehensive income for the period	-	-	-	-	(45,305,734)	260,388,106	215,082,372	215,082,372
Balance as at March 31, 2015	<u>1,008,000,000</u>	<u>378,000,000</u>	<u>834,540,718</u>	<u>640,000,000</u>	<u>62,529,357</u>	<u>278,871,663</u>	<u>2,193,941,738</u>	<u>3,201,941,738</u>
Balance as at July 01, 2015	1,008,000,000	378,000,000	911,165,803	640,000,000	71,203,913	248,485,605	2,248,855,321	3,256,855,321
Profit distribution for the year ended June 30, 2015 @ 22%	-	-	-	-	-	(221,760,000)	(221,760,000)	(221,760,000)
Total comprehensive income for the period	-	-	-	-	(26,674,002)	252,611,369	225,937,367	225,937,367
Balance as at March 31, 2016	<u>1,008,000,000</u>	<u>378,000,000</u>	<u>911,165,803</u>	<u>640,000,000</u>	<u>44,529,911</u>	<u>279,336,974</u>	<u>2,253,032,688</u>	<u>3,261,032,688</u>

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

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

CHIEF EXECUTIVE

DIRECTOR

DIRECTOR

NOTES TO THE CONDENSED INTERIM FINANCIAL STATEMENTS (UNAUDITED)
FOR THE PERIOD ENDED MARCH 31, 2016

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. (Pakistan Stock Exchange Ltd. w.e.f. January 11, 2016). The Modaraba is authorized to engage in the business of lease financing, 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, 2015.

	Note	March 31, 2016	March 31, 2015
-----Rupees-----			
4. CASH GENERATED FROM OPERATIONS			
Profit for the year		252,611,369	260,388,106
Adjustment for :			
Profit on disposal of assets-			
lease financing		(24,435,836)	(13,098,753)
assets in owned use		(21,996)	(20,977)
Depreciation - lease financing assets		855,653,195	857,524,585
- assets in owned use		2,684,086	3,364,449
Amortization of intangible assets		268,329	766,034
Dividend income		(6,567,564)	(5,207,353)
Gain on sale of investments		(171,041)	(693,415)
Loss on sale of investments		595,840	-
Financial charges		112,618,815	103,729,595
Movement in working capital	4.1	597,239	43,563,458
		<u>1,193,832,436</u>	<u>1,250,315,729</u>



NOTES TO THE CONDENSED INTERIM FINANCIAL STATEMENTS (UNAUDITED)

FOR THE PERIOD ENDED MARCH 31, 2016

Note	March 31, 2016	March 31, 2015
	-----Rupees-----	
4.1 Movement in working capital:		
Decrease/(Increase) in current assets:		
Advances and short term prepayments	292,152	6,460,236
Other receivables	39,021,703	48,648,518
Tax refund due from Government	(20,294,509)	(27,870,855)
lease financing Installments receivable	2,044,122	5,741,067
	21,063,468	32,978,966
Increase/(decrease) in current liabilities:		
Advance lease financing and diminishing musharaka installments	2,371,442	(10,239,406)
Unearned lease financing and diminishing musharaka installments	(3,413,623)	10,341,621
Trade and other liabilities	(19,424,048)	10,482,277
	(20,466,229)	10,584,492
	597,239	43,563,458

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

CHIEF EXECUTIVE

DIRECTOR

DIRECTOR