

First Habib Modaraba

(An Islamic Financial Institution)



Quarterly Accounts

for the period ended

September 30, 2017

(Unaudited)



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CORPORATE INFORMATION

BOARD OF DIRECTORS

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

LEGAL ADVISOR

Mohsin Tayebaly & Company
Ahmed & Qazi Advocates & Legal Consultants

AUDIT COMMITTEE

Mr. Syed Rasheed Akhtar	- Chairman
Mr. Wazir Mumtaz Ahmed	- Member
Mr. Mohammad Hashim	- Member
Mr. Shakeel Ahmed	- Secretary

HUMAN RESOURCE COMMITTEE

Mr. Syed Rasheed Akhtar	- Chairman
Mr. Wazir Mumtaz Ahmed	- Member
Mr. Mohammad Hashim	- Member

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. 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 my great pleasure to present the un-audited accounts of the First Habib Modaraba for the period ended September 30, 2017.

During the first quarter of current year, we have managed to slightly grow the size of our balance sheet at quarter end. Disbursement also remains satisfactory during the quarter of Rs.973 million as compared to Rs.936 million of same quarter of last corresponding year. Within mode of financing, our main focus remained in Diminishing Musharakah which was 65% of total financing book and share of motor vehicle financing remained around 85% of our total financing assets size.

As discussed in our last review of annual report of June, 2017, we continue to focus on enhancing our business outreach within good sectors of economy. We feel that growth prospectus continues to appear with positive sign, however, same may have some adverse effect due to high current account and trade deficit, low volume of exports and pressure on foreign exchange reserves.

On positive side China-Pakistan Economic Corridor (CPEC) is beginning to show better momentum with several projects which will support for further growth from medium to long term. It will also attract foreign investment to Pakistan and enhance country's status as a regional manufacturing hub.

State Bank of Pakistan (SBP) in its recent monetary policy statement maintained policy rate at 5.75%. As per policy statement of SBP, CPI inflation is within the expected range however, the core inflation i.e., non-food-non-energy reflecting the underlying demand pressures in the economy, continues to maintain its higher level. Due to better lending rates and healthy deposit growth the lending book is increasing and it is expected to grow further in current year.

On regulation front, the office of Registrar Modaraba has proposed new Modaraba law, which shall replace the 37 years old Modaraba Companies and Modaraba (Floatation and Control) Ordinance, 1980. The proposed amendments are intended for better governance within the Modaraba sector.

After completion of our first quarter of business operation we feel that business prospects are gradually enhancing in Pakistan's market due to satisfactory development in key areas at macro level particularly giant project of China Pakistan Economic Corridor, which is opening a door of immense economic and business opportunities within Pakistan in infrastructure and energy projects. However, we foresee that current year would be challenging year for businesses keeping in view of unsatisfactory trend of major economic indicators and political changes due to upcoming election. Upon satisfactory completion of first quarter of current year, we are confident that we will take benefit of upcoming new business opportunities under CPEC related projects and will be able to further grow our financing assets size for better profitability.

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

For and on behalf of Board of Directors

Muhammad Shoaib Ibrahim
Chief Executive Officer

Karachi: October 24, 2017

ڈائریکٹرز کی رپورٹ

یہ میرے لیے بہت خوشی کا باعث ہے کہ میں بورڈ آف ڈائریکٹرز کی جانب سے فرسٹ حبیب مضاربہ کی ۳۰ ستمبر ۲۰۱۷ کو ختم ہونے والی مدت کی غیر مختب شدہ کھاتے پیش کروں۔

جاری سال کی پہلی سہ ماہی کے اختتام پر ہم مالیاتی دستاویز (balance sheet) کے سائز میں معمولی اضافہ کر سکے ہیں۔ سہ ماہی کے دوران قرضہ جات کی فراہمی گزشتہ سال اسی مدت کی مالیت ۹۳۶ ملین روپے کے مقابلے میں ۹۷۳ ملین روپے رہی جو اطمینان بخش رہی۔ سرمایہ کاری کے طریقہ کار میں رہتے ہوئے، ہماری اصل توجہ گھٹنا ہوا مشارکہ پر رہی جو کھاتوں میں درج تمام سرمایہ کاری کا ۶۵ فیصد رہا جبکہ کل اثاثہ جات میں سرمایہ کاری میں گزریوں کا حصہ ۸۵ فیصد رہا۔

جیسا کہ ہم نے جون ۲۰۱۷ کی سالانہ رپورٹ کے گزشتہ جائزے میں ذکر کیا تھا کہ ہم اپنی توجہ اپنے کاروبار کی معیشت کے اچھے سیکٹر تک رسائی پر رکھیں گے۔ ہم سمجھتے ہیں کہ نمو کے مثبت علامات کے ساتھ ظاہر ہوتے رہیں گے تاہم اس عمل پر بلند جاری کھاتہ کا خسارہ، تجارتی خسارہ، برآمدات کا کم حجم اور غیر ملکی زر مبادلہ کے ذخائر پر دباؤ سے ناموافق اثرات کا سامنا ہو گا۔

پاک چین اقتصادی راہداری سے متعلق متعدد منصوبوں کے آغاز ایک مثبت سمت میں بہتر وزنی رفتار (momentum) دکھا رہی ہے جو درمیانی اور طویل المدت نمو میں اضافے میں مدد فراہم کرے گی۔ اور یہ پاکستان میں غیر ملکی سرمایہ کاری کو راغب کرے گا اور ملکی معیشت کی حیثیت کو بطور علاقائی صنعتی پیداوار کے مرکز کو بڑھائے گی۔

بینک دولت پاکستان نے اپنی حالیہ مالیاتی پالیسی کے بیان میں پالیسی نرخ ۷.۵۷ فیصد پر برقرار رکھا۔ بینک دولت پاکستان کے پالیسی بیان کے مطابق، CPI افراط زر مطلوبہ حدود میں ہے تاہم بنیادی افراط زر یعنی غیر غذائی-غیر توانائی کی چھپی ہوئی طلب کا دباؤ بلند سطح پر جاری رہے گا۔ قرضہ جات کے بہتر نرخ اور ڈپازٹ کی صحت مند نمو قرضہ جات کے کھاتوں میں اضافہ ہو رہا ہے اور توقع ہے موجودہ سال میں اس میں مزید اضافہ ہو گا۔

قوانین کے محاذ پر، مضاربہ رجسٹر اراکد فتر مضاربہ کے قوانین تجویز کر چکا ہے، جو ۳ سال پرانے مضاربہ کمپنیز اور مضاربہ (فلوٹیشن اور کنٹرول) آرڈیننس ۱۹۸۰ کی جگہ لے لے گا۔ مجوزہ ترامیم کی وجہ سے مضاربہ کے سیکٹر میں بہتر نظم و ضبط پیدا ہو گا۔

اپنے کاروبار کے آپریشن کی پہلی سہ ماہی کی تکمیل کے بعد ہم سمجھتے ہیں کہ پاکستان کی منڈی میں کاروبار کے امکانات آہستہ آہستہ بڑھ رہے ہیں، جس کی وجہ بڑی سطح کے بنیادی شعبہ جات میں اطمینان بخش ترقی ہے، خاص طور پر پاکستان چین اقتصادی راہداری کے بڑی جسامت منصوبے، جو

پاکستان میں معیشت اور کاروبار میں ڈھانچاتی اور توانائی کے منصوبوں کے انتہائی وسیع مواقعوں کے نئے در کھول رہا ہے۔ تاہم ہم سمجھتے ہیں کہ معیشت کے بڑے اشاروں کی غیر اطمینان بخش رجحانات اور آنے والے الیکشن کی وجہ سے سیاسی تبدیلی کے تناظر میں موجودہ سال کاروبار کے لیے مشکل سال ہو گا۔ موجودہ سال کی پہلی سہ ماہی کی اطمینان بخش تکمیل کے بعد، ہم پر اعتماد ہیں کہ ہم CPEC سے متعلق منصوبوں کے تحت پیدا ہونے والی نئی کاروباری موقعوں میں کا فائدہ اٹھائیں گے اور ہم بہتر منافع بخشی (profitability) کے لیے اپنے اثاثہ جات کی سرمایہ کاری کے حجم میں مزید اضافہ کریں گے۔

میں اپنے معزز گاہکوں، رجسٹرار مضاربہ، سیکیورٹیز اینڈ ایکسچینج کمیشن آف پاکستان کی سرپرستی کے لیے اور اپنے ملازمین کے ان کے جاری عزم، ہمارے سرٹیفکیٹ کنندگان کے اعتماد اور بھروسے اور دیگر ضوابط کی باڈیز کی رہنمائی کا انتہائی ممنون ہوں۔

بورڈ آف ڈائریکٹرز کی جانب سے اور ان کے لیے

محمد شعیب ابراہیم
چیف ایگزیکٹو آفیسر

کراچی: اکتوبر ۲۳، ۲۰۱۷

CONDENSED INTERIM BALANCE SHEET

As at September 30, 2017

	Note	(Unaudited) September 30, 2017	(Audited) June 30, 2017
-----Rupees-----			
ASSETS			
NON-CURRENT ASSETS			
Fixed assets - tangible			
Lease financing assets		2,456,111,050	2,440,975,610
Assets in own use		10,082,623	11,547,466
		2,466,193,673	2,452,523,076
Intangible assets		31,718	35,519
Long-term deposits prepayments and advances		2,351,950	3,070,000
Diminishing musharaka financing		2,654,407,933	2,653,337,842
		5,122,985,274	5,108,966,437
CURRENT ASSETS			
Investments		1,312,518,833	1,298,684,499
Diminishing musharaka financing - current portion		1,858,405,664	1,638,299,962
Lease financing installments receivable - Secured-considered good		5,918,552	1,074,695
Advances and short term prepayments		14,823,527	9,736,357
Other receivables		43,771,072	28,623,282
Tax refund due from Government		89,006,078	89,006,078
Cash and bank balances		94,241,848	192,259,670
		3,418,685,574	3,257,684,543
		8,541,670,848	8,366,650,980
TOTAL ASSETS			
EQUITY AND LIABILITIES			
CAPITAL AND RESERVES			
Certificate capital :			
Authorized :			
220,000,000 (2017: 220,000,000) certificates of Rs.5 each		1,100,000,000	1,100,000,000
		1,008,000,000	1,008,000,000
Issued, subscribed and paid-up		2,332,702,260	2,463,902,908
Reserves			
Certificate holders' equity		3,340,702,260	3,471,902,908
NON-CURRENT LIABILITIES			
Security deposits against leased financing assets		246,110,332	241,767,687
CURRENT LIABILITIES			
Certificate of musharaka		4,079,312,339	3,913,784,732
Security deposits - current portion		115,703,367	102,023,172
Unearned Lease financing rentals and diminishing musharaka installments		25,818,207	24,519,411
Advance Lease financing rentals and diminishing musharaka installments		21,938,610	22,586,591
Trade and other payables		425,626,973	377,886,560
Profit payable on certificate of musharaka		52,942,262	52,363,370
Profit payable on murabaha financing		-	4,039,549
Advance against murabaha financing		-	123,860,502
Unclaimed profit distribution		31,916,498	31,916,498
Profit distribution payable		201,600,000	-
		4,954,858,256	4,652,980,385
		8,541,670,848	8,366,650,980
TOTAL EQUITY AND LIABILITIES			

The annexed notes form an integral part of these financial statements.

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

CHIEF EXECUTIVE

DIRECTOR

CHIEF FINANCIAL OFFICER

CONDENSED INTERIM PROFIT AND LOSS ACCOUNT (UNAUDITED)
FOR THE PERIOD ENDED SEPTEMBER 30, 2017

	Note	(Unaudited) September 30, 2017	(Unaudited) September 30, 2016
		-----Rupees-----	
Income from Lease financing		51,802,027	62,078,020
Profit on diminishing musharaka financing		91,123,583	70,916,868
		142,925,610	132,994,888
Administrative expenses		26,212,641	22,374,174
		116,712,969	110,620,714
Other income		25,461,406	23,056,993
		142,174,375	133,677,707
Financial expenses		57,779,614	45,655,290
		84,394,761	88,022,417
Modaraba Management Company's remuneration		-	-
		84,394,761	88,022,417
WWF & other charges		2,594,295	2,705,809
Profit for the period		81,800,466	85,316,608
Earnings per certificate - basic and diluted		0.41	0.42

The annexed notes form an integral part of these financial statements.

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

CHIEF EXECUTIVE

DIRECTOR

CHIEF FINANCIAL OFFICER



CONDENSED INTERIM STATEMENT OF COMPREHENSIVE INCOME (UNAUDITED)

FOR THE PERIOD ENDED SEPTEMBER 30, 2017

	Note	(Unaudited) September 30, 2017	(Unaudited) September 30, 2016
		-----Rupees-----	
Profit for the period		81,800,466	85,316,608
Other comprehensive income:			
Net unrealised (loss)/gain on available for sale investments		(11,401,114)	45,316,673
Comprehensive income transferred to equity		<u>70,399,352</u>	<u>130,633,281</u>

The annexed notes form an integral part of these financial statements.

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

CHIEF EXECUTIVE

DIRECTOR

CHIEF FINANCIAL OFFICER



CONDENSED INTERIM CASH FLOW STATEMENT (UNAUDITED)

FOR THE PERIOD ENDED SEPTEMBER 30, 2017

	Note	(Unaudited) September 30, 2017	(Unaudited) September 30, 2016
		Rupees-----	
Cash flow from operating activities			
Cash generated from operations	4	404,163,213	392,359,093
Purchase of lease financing assets		(305,265,336)	(309,528,407)
Diminishing musharaka financing		(221,175,793)	(309,019,129)
Proceeds from transfer of lease financing assets		47,262,280	39,284,421
Security deposits against lease financing assets :			
Received		26,640,220	16,168,454
Refunded / adjusted		(8,617,380)	(9,077,320)
Net security deposits		18,022,840	7,091,134
Financial charges paid		(57,200,722)	(46,076,930)
Tax deducted at source		(450,415)	(6,237,847)
Net cash (outflow) from operating activities		(114,643,933)	(232,127,665)
Cash flow from investing activities			
Purchase of assets owned (including intangibles)		(120,430)	(951,165)
Purchase of investments-available for sale		(33,522,533)	(5,970,774)
Sale proceed of investments - available for sale		6,992,840	2,329,855
Proceeds from disposal of owned assets		580,628	-
Dividend received		4,350,000	4,250,000
Long-term advances and deposit		718,050	(3,762,456)
Net cash (outflow) from investing activities		(21,001,445)	(4,104,540)
Cash flow from financing activities			
Dividend paid		-	(6,002)
Payment on maturity of murabaha financing		(123,860,502)	-
Profit paid on murabaha financing		(4,039,549)	-
Certificates of musharaka		165,527,607	97,353,176
Net cash inflow from financing activities		37,627,556	97,347,174
Net (decrease) in cash and cash equivalents		(98,017,822)	(138,885,031)
Cash and cash equivalents at the beginning of the year		192,259,670	248,143,222
Cash and cash equivalents at the end of the period		94,241,848	109,258,190

The annexed notes form an integral part of these financial statements.

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

CHIEF EXECUTIVE

DIRECTOR

CHIEF FINANCIAL OFFICER

CONDENSED INTERIM STATEMENT OF CHANGES IN EQUITY (UNAUDITED)

FOR THE PERIOD ENDED SEPTEMBER 30, 2017

	Capital Reserves					Revenue Reserves		
	Paid-up capital	Certificate Premium	Statutory reserve	General reserve	Unrealized gain/(loss) on investments	Unappropriated profit	Total Reserves	Total Equity
	-----Rupees-----							
Balance as at July 01, 2016	1,008,000,000	378,000,000	1,000,656,671	640,000,000	53,807,297	235,591,305	2,308,055,273	3,316,055,273
Profit distribution for the year ended June 30, 2016 @ 20%	-	-	-	-	-	(201,600,000)	(201,600,000)	(201,600,000)
Comprehensive income for the period	-	-	-	-	45,316,673	85,316,608	130,633,281	130,633,281
Balance as at September 30, 2016	<u>1,008,000,000</u>	<u>378,000,000</u>	<u>1,000,656,671</u>	<u>640,000,000</u>	<u>99,123,970</u>	<u>119,307,913</u>	<u>2,237,088,554</u>	<u>3,245,088,554</u>
Balance as at July 01, 2017	1,008,000,000	378,000,000	1,089,011,820	640,000,000	117,635,373	239,255,715	2,463,902,908	3,471,902,908
Profit distribution for the year ended June 30, 2017 @ 20%	-	-	-	-	-	(201,600,000)	(201,600,000)	(201,600,000)
Comprehensive income for the period	-	-	-	-	(11,401,114)	81,800,466	70,399,352	70,399,352
Balance as at September 30, 2017	<u>1,008,000,000</u>	<u>378,000,000</u>	<u>1,089,011,820</u>	<u>640,000,000</u>	<u>106,234,259</u>	<u>119,456,181</u>	<u>2,332,702,260</u>	<u>3,340,702,260</u>

The annexed notes form an integral part of these financial statements.

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

CHIEF EXECUTIVE

DIRECTOR

CHIEF FINANCIAL OFFICER

NOTES TO THE CONDENSED INTERIM FINANCIAL STATEMENTS (UNAUDITED)

FOR THE PERIOD ENDED SEPTEMBER 30, 2017

1. THE COMPANY AND ITS OPERATIONS

First Habib Modaraba is a perpetual, multipurpose modaraba floated and managed by Habib Metropolitan Modaraba Management Company (Private) Limited, having its registered office at 5th Floor, HBZ Plaza (Hirani Centre), I.I. Chundrigar Road, Karachi. It is listed on Pakistan stock Exchange. The Modaraba is engaged in the business of lease financing, Musharaka, Murabaha financing and other related business.

2. BASIS OF PREPARATION

These financial statements are unaudited and are being submitted to certificate holders in accordance with the instructions issued by Securities & Exchange Commission of Pakistan. These accounts have been prepared in accordance with the requirement of the International Accounting Standards 34 "Interim Financial Reporting" as applicable in Pakistan.

3. ACCOUNTING POLICIES

The accounting policies and methods of computation followed for the preparation of these financial statements are same as those applied in preparing the financial statements for the year ended June 30, 2017.

4. CASH GENERATED FROM OPERATIONS

	Note	(Unaudited) September 30, 2017	(Unaudited) September 30, 2016
		Rupees	
Profit for the period		81,800,466	85,316,608
Adjustment for :			
Profit on transfer of assets-			
Lease financing		(4,019,654)	(3,106,064)
Depreciation - Lease financing assets		246,887,270	255,070,794
- assets in own use		1,010,645	710,250
Amortization of intangible assets		3,801	85,653
Amortization of sukuk		1,335,480	-
Provision for gratuity		495,000	495,000
Gain on sale of investment - available for sale		(41,236)	(567,589)
Gain on sale of assets in own use		(5,998)	-
Dividend income		(4,350,000)	(4,250,000)
Profit on :			
Certificates of musharaka		57,779,614	45,655,290
Movement in working capital	4.1	23,267,825	12,949,152
		404,163,213	392,359,093

NOTES TO THE CONDENSED INTERIM FINANCIAL STATEMENTS (UNAUDITED)

FOR THE PERIOD ENDED SEPTEMBER 30, 2017

	Note	(Unaudited) September 30, 2017	(Unaudited) September 30, 2016
		-----Rupees-----	
4.1 Movement in working capital:			
(Increase)/decrease in current assets:			
Advances and short term prepayments		(5,087,170)	394,350
Other receivables		(14,697,375)	(6,377,138)
Lease financing rentals receivable		(4,843,857)	(680,848)
(Decrease)/increase in current liabilities:			
Advance Lease financing and diminishing musharaka rentals received		(647,981)	(4,755,377)
Unearned Lease financing and diminishing musharaka rentals		1,298,796	9,185,224
Trade and other payables		47,245,413	15,182,941
		23,267,825	12,949,152

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

CHIEF EXECUTIVE

DIRECTOR

CHIEF FINANCIAL OFFICER