

First Habib Modaraba

(An Islamic Financial Institution)



HALF YEARLY ACCOUNTS

for the period ended

December 31, 2016

(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)

AUDITORS

Muniff Ziauddin & Company
Chartered Accountants

LEGAL ADVISOR

Mohsin Tayebaly & Company
Ahmed & Qazi Advocates & Legal Consultants

AUDIT COMMITTEE

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

HUMAN RESOURCE COMMITTEE

Mr. Syed Rasheed Akhtar	- Chairman
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. 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 Modaraba for the six months ended December 31, 2016.

We have completed our first half of current financial year. This period remain reasonably well in terms of business volume whereas maintaining spreads and profit margins again remained very challenging due to reduced rate of profit and high competition with market players within Islamic Finance Industry of Pakistan. Our profit spread has significantly reduced and this reduction is continuously pressurizing profitability. However, due to increase in disbursement volumes, we are maintaining our profitability to some extent.

We have made significant increase in disbursement and resource mobilization. Our financing during the period has been increased by 25% and our deposit (Certificate of Investments - Musharaka) rose by 43% as compared to corresponding period of last year. Our balance sheet size has also increased to Rs.8.0 billion which is one of the highest in entire Modaraba sector. Since June, 2016 our balance sheet increased to around 12% due to good disbursements. Keeping in view of satisfactory achievement of business volume, we are confident that our performance in 2nd half will also maintain and Insha'Allah we will achieve our set targets.

Recently State Bank of Pakistan has kept unchanged policy rate for the fourth time. According to its Monetary Policy Statement (MPS) released last month, this decision was made keeping in view of average inflation which was remained below 4% during the first half of the current year.

On other end current account deficit has more widen for the first half of 2016-17 as compared to last year due to CPEC related imports, continuous decline in exports and slowdown in remittances. This deficit was financed by local and foreign borrowings which have pushed overall debt of country at new level. Credit expansion has also shown healthy sign due to comfortable lending rates and better supply of energy.

On new Modaraba regulations, the office of Registrar Modaraba is still working on it and we are expecting revise draft on Modaraba Ordinance within few days. All statutory formalities of transfer of management rights of First Habib Modaraba to Habib Metropolitan Modaraba Management Company (Private) Limited have been completed. Now we are in process of transfer of controlling Modaraba Certificates and necessary application to regulator for such transfer has already been moved and expecting that same will be finalized within few days.

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
Chief Executive Officer

Karachi: February 24, 2017

ڈائریکٹر کی رپورٹ

بورڈ آف ڈائریکٹر کی جانب سے، ۳۱ دسمبر ۲۰۱۶ کو اختتام پذیر مدت کی غیر آڈٹ شدہ رپورٹ پیش کرتے ہوئے خوش محسوس کر رہا ہوں۔

ہم مالی سال کی پہلی ششماہی مکمل کر چکے ہیں۔ یہ مدت کاروباری حجم کے حوالے سے مناسب حد تک اچھی رہی جبکہ اس کا پھیلاؤ اور منافع کا مارجن بہت چیلنج سے بھرپور رہا جس کی وجہ منافع کی کم شرح اور پاکستان میں اسلامی سرمایہ کاری کی صنعت میں بہت زیادہ مقابلہ رہا۔ ہمارے منافع کا پھیلاؤ خاصی حد تک کم رہا اور یہ کسی مسلسل منافع بخش ہونے پر دباؤ ڈال رہی ہے۔ اگرچہ، قرضوں کی اجراء کے حجم میں اضافے کی وجہ سے ہم اپنی منافع بخش ہونے کی برقرار رکھ رہے ہیں۔

ہم نے قرضہ جات کی ادائیگی اور وسائل کو متحرک کرنے میں اہم اضافہ کیا ہے۔ اس مدت کے دوران ہماری فنانسنگ ۲۵ فیصد بڑھ چکی ہے اور ڈپازٹ (سرمایہ کاری کے سرٹیفیکیٹس - مشارکہ) گزشتہ سال کے ڈپازٹس میں ۴۳ فیصد اضافہ ہوا۔ ہماری بیننس شیٹ کا سائز بڑھ کر ۸ بلین روپے ہو چکی ہے جو پورے مضاربہ سیگٹر میں زیادہ ترین میں سے ایک ہے۔ زیر غور مدت میں جون ۲۰۱۶ سے ہماری بیننس شیٹ میں تقریباً ۱۲ فیصد اضافہ ہوا۔ ان اطمینان بخش کامیابیوں کو مد نظر رکھتے ہوئے، ہم پُر اعتماد ہیں کہ ہماری کارکردگی دوسری ششماہی میں بھی برقرار رہے گی اور انشاء اللہ ہم اپنے متعین کردہ اہداف حاصل کر لیں گے۔

حال ہی میں بینک دولت پاکستان نے پالیسی نرخ میں جو تھپی بار کوئی تبدیلی نہیں کی۔ اس کی گزشتہ ماہ جاری کردہ مانیٹری پالیسی بیان (Monetary Policy Statement) کے مطابق یہ فیصلہ اوسط افراط زر (average inflation) کو مد نظر رکھ کر کیا گیا ہے جو موجودہ سال کی پہلی ششماہی میں ۴ فیصد سے کم رہا۔

دوسری جانب CPEC سے متعلق درآمدات، ایکسپورٹ میں مسلسل کمی اور ترسیل زر میں کمی کارجمان کی وجہ سے سال ۲۰۱۶-۲۰۱۷ کی پہلی ششماہی میں ملک کا جاری خسارہ زیادہ بڑھ گیا ہے۔ اس کمی کو مقامی اور غیر ملکی قرضہ جات سے پورا کیا جس نے ملک کے مجموعی قرضوں کو بلند ترین سطح پر پہنچا دیا ہے۔ توانائی کی بہتر ہوتی ہوئی صورتحال اور آرام دہ قرضوں کے نرخ کی وجہ سے کریڈٹ کا صحت مند پھیلاؤ ہو چکا ہے۔

مضاربہ کے نئے ضوابط کے سلسلے میں رجسٹرار مضاربہ اس پر ابھی کام کر رہے ہیں اور ہم توقع کر رہے ہیں کہ مضاربہ آرڈیننس کا ترمیم شدہ مسودہ چند ایک روز میں آجائے گا۔ فرسٹ حبیب مضاربہ کے مینجمنٹ رائٹس (management rights) کی حبیب میٹر پولیٹن مضاربہ مینجمنٹ کمپنی (پرائیویٹ) لمیٹڈ کو منتقل کرنے کے تمام دستوری لوازمات مکمل کیے جا چکے ہیں۔ اس وقت ہم مضاربہ کے کٹرونگ سرٹیفیکیٹس کی منتقلی کے مرحلے میں ہیں اور ان کی منتقلی کے لیے ریگولیٹر کو دی جانے والی درخواست جمع کروائی جا چکی ہے اور توقع کر رہے ہیں کہ یہ مرحلہ بھی چند دنوں میں مکمل ہو جائے گا۔

میں اپنے معزز صارفین، رجسٹرار مضاربہ، سیکوریٹیئر ایگزیکیوٹو کمیشن آف پاکستان کی سرپرستی اور حمایت، اپنے ملازمین کے مسلسل لگن اور سرٹیفیکیٹ کنندہ کے اعتماد اور دیگر ریگولیٹری باڈیز کی رہنمائی کے انتہائی ممنون ہیں

بورڈ آف ڈائریکٹر کے لیے اور ان کی جانب سے

محمد شعیب ابراہیم
چیف ایگزیکٹو آفیسر

کراچی: ۲۴ فروری ۲۰۱۷

INDEPENDENT AUDITORS' REPORT

TO THE CERTIFICATE HOLDERS ON REVIEW OF CONDENSED INTERIM FINANCIAL INFORMATION

Introduction

We have reviewed the accompanying condensed interim balance sheet of First Habib Modaraba as at December 31, 2016, 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, 2016. 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, 2016 and December 31, 2015 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, 2016 is not prepared, in all material respects, in accordance with approved accounting standards as applicable in Pakistan relating to interim financial reporting.

Karachi: February 24, 2017

Muniff Ziauddin & Co.
Chartered Accountants
(Muhammad Moin Khan)

CONDENSED INTERIM BALANCE SHEET

As at December 31, 2016

	Note	(Unaudited) December 31, 2016	(Audited) June 30, 2016
Rupees			
ASSETS			
NON CURRENT ASSETS			
Fixed assets - tangible		2,697,198,726	2,725,212,037
Lease Financing assets		11,375,008	8,552,118
Assets in own use	5	2,708,573,734	2,733,764,155
		265,096	307,651
Intangible assets		7,282,795	5,692,200
Long term advances, deposit and prepayments		2,242,744,859	1,812,456,774
Diminishing musharaka financing	6	4,958,866,484	4,552,220,780
CURRENT ASSETS			
Investments	7	1,107,194,730	1,011,035,269
Diminishing musharaka financing - current portion	6	1,621,641,175	1,239,061,566
Lease financing rental receivable	8	1,957,608	881,616
Advances and short term prepayments		2,679,664	5,926,930
Other receivables (Unsecured - considered good)		27,918,084	24,001,015
Tax refund due from Government	9	79,479,382	79,479,382
Cash and bank balances		284,743,390	248,143,222
		3,125,614,033	2,608,529,000
		8,084,480,517	7,160,749,780
TOTAL ASSETS			
EQUITY AND LIABILITIES			
CAPITAL AND RESERVES			
Certificate capital			
Authorized capital			
220,000,000 (June 2016: 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		2,359,355,681	2,308,055,273
Certificate holders' equity		3,367,355,681	3,316,055,273
NON CURRENT LIABILITIES			
Security deposits against Lease Financing assets		298,015,764	304,061,240
CURRENT LIABILITIES			
Certificate of Investment (Musharaka)		3,658,960,799	3,050,913,721
Security deposits against Lease Financing assets (current portion) Unearned		90,000,636	93,882,475
Lease financing rentals and diminishing musharaka installments		24,335,874	10,482,879
Advance Lease financing rentals and diminishing musharaka installments		18,101,123	22,846,363
Trade and other payables		297,126,865	285,006,414
Advance against Murabaha		250,000,000	-
Profit payable on Certificate of Investment (Musharaka)		44,384,111	46,565,887
Taxation	10	2,790,833	2,790,833
Unclaimed profit distribution		28,053,496	28,144,694
Profit distribution payable		5,355,335	-
		4,419,109,072	3,540,633,267
CONTINGENCIES AND COMMITMENTS			
	11		
TOTAL EQUITY AND LIABILITIES		8,084,480,517	7,160,749,780

The annexed notes from 1 to 17 form an integral part of these condensed interim financial statements.

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

CHIEF EXECUTIVE

DIRECTOR

DIRECTOR

CONDENSED INTERIM PROFIT AND LOSS ACCOUNT (UNAUDITED)

FOR THE HALF YEAR ENDED DECEMBER 31, 2016

		Half year ended		Quarter ended	
	Note	December 31, 2016	December 31, 2015	December 31, 2016	December 31, 2015
-----Rupees-----					
Income from Lease Financing		127,147,079	131,966,164	65,069,059	61,933,829
Profit on Diminishing Musharaka Financing		147,123,086	100,803,032	76,206,218	53,533,283
		274,270,165	232,769,196	141,275,277	115,467,112
Administrative expenses		(45,966,859)	(43,752,229)	(22,664,704)	(19,864,094)
		228,303,306	189,016,967	118,610,573	95,603,018
Other income	12	41,219,189	56,301,344	18,162,196	28,815,125
Other charges	13	(3,450,838)	(3,769,470)	(1,729,070)	(2,057,289)
		266,071,657	241,548,841	135,043,699	122,360,854
Financial charges		(96,140,394)	(73,112,788)	(50,429,044)	(37,538,975)
		169,931,263	168,436,053	84,614,655	84,821,879
Modaraba company's management fee		-	-	-	-
PROFIT FOR THE PERIOD		169,931,263	168,436,053	84,614,655	84,821,879
Earning per certificate - basic and diluted	14	0.84	0.84	0.42	0.42

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

The annexed notes from 1 to 17 form an integral part of these condensed interim financial statements.

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

CHIEF EXECUTIVE

DIRECTOR

DIRECTOR

CONDENSED INTERIM STATEMENT OF COMPREHENSIVE INCOME (UNAUDITED)

FOR THE HALF YEAR ENDED DECEMBER 31, 2016

	Half year ended		Quarter ended	
Note	December 31, 2016	December 31, 2015	December 31, 2016	December 31, 2015
	-----Rupees-----			
Profit for the period	169,931,263	168,436,053	84,614,655	84,821,879
Net unrealizable gain on investments available for sale	82,969,145	(11,152,834)	37,652,472	(7,000,937)
Total comprehensive income for the period	252,900,408	157,283,219	122,267,127	77,820,942

The annexed notes from 1 to 17 form an integral part of these condensed interim financial statements.

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

CHIEF EXECUTIVE

DIRECTOR

DIRECTOR



CONDENSED INTERIM CASH FLOW STATEMENT (UNAUDITED)

FOR THE HALF YEAR ENDED DECEMBER 31, 2016

December 31, 2016	December 31, 2015
Rupees-----	
CASH FLOW FROM OPERATING ACTIVITIES	
Profit for the period	169,931,263
Adjustment for:	168,436,053
Depreciation and amortization	513,802,883
Amortization of premium of sukuk	1,486,752
Financial charges	95,932,889
Provision for gratuity	-
Gain on sale of shares	(567,589)
Gain on transfer of Lease Financing assets	(6,408,800)
Gain on disposal of assets in own use	(165,461)
Owned assets written off	29
Dividend income	(4,902,500)
	599,178,203
Changes in working capital	
(Increase) / decrease in current assets	
Lease financing rental receivable	(1,075,992)
Advances and short term prepayments	3,247,266
Other receivables (Unsecured - considered good)	(416,755)
	1,754,519
Increase / (decrease) in current liabilities	
Unearned Lease Financing rentals and diminishing musharaka installments	13,852,995
Advance Lease financing rentals and diminishing musharaka installments	(4,745,240)
Trade and other payables	12,120,451
	21,228,206
Cash generated from operations	792,092,191
Purchase of Lease Financing assets	(579,681,484)
Proceeds from transfer of Lease Financing assets	101,896,951
Investment in diminishing musharaka	(812,867,694)
Long term advances and deposits	(1,590,595)
Net Musta'jir's security deposits	(9,927,315)
Financial charges paid	(98,114,664)
Tax paid	(3,500,321)
	(1,403,785,122)
Net cash generated used in operating activities	(611,692,931)
CASH FLOW FROM INVESTING ACTIVITIES	
Purchase of assets in own use	(4,376,640)
Purchase of investments	(16,423,572)
Proceed from disposal of investments	2,314,096
Proceeds from disposal of assets in own use	165,500
Dividend received	4,902,500
Net cash used in investing activities	(13,418,116)
CASH FLOW FROM FINANCING ACTIVITIES	
Dividend paid	(196,335,863)
Proceeds from murabaha financing	250,000,000
Certificate of Investment (Musharaka)	608,047,078
Net cash generated from / (used in) financing activities	661,711,215
Net increase / (decrease) in cash and cash equivalents	36,600,168
Cash and cash equivalents at the beginning of the period	248,143,222
Cash and cash equivalents at the end of the period	284,743,390

The annexed notes from 1 to 17 form an integral part of these condensed interim financial statements.

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

CHIEF EXECUTIVE

DIRECTOR

DIRECTOR

CONDENSED INTERIM STATEMENT OF CHANGES IN EQUITY (UNAUDITED)

FOR THE HALF YEAR ENDED DECEMBER 31, 2016

	Capital Reserves			Revenue Reserves				
	Paid-up capital	Certificate Premium	Statutory reserve	General reserve	Unrealized gain on investments	Unappropriated profit	Total Reserves	Total Equity
	-----Rupees-----							
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	-	-	-	-	(11,152,834)	168,436,053	157,283,219	157,283,219
Balance as at December 31, 2015	1,008,000,000	378,000,000	911,165,803	640,000,000	60,051,079	195,161,658	2,184,378,540	3,192,378,540
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)
Total comprehensive income for the period	-	-	-	-	82,969,145	169,931,263	252,900,408	252,900,408
Balance as at December 31, 2016	1,008,000,000	378,000,000	1,000,656,671	640,000,000	136,776,442	203,922,568	2,359,355,681	3,367,355,681

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 17 form an integral part of these condensed interim financial statements.

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

CHIEF EXECUTIVE

DIRECTOR

DIRECTOR

NOTES TO THE CONDENSED INTERIM FINANCIAL STATEMENTS (UNAUDITED)

FOR THE HALF YEAR ENDED DECEMBER 31, 2016

1. LEGAL STATUS AND OPERATION

First Habib Modaraba (the Modaraba) is a perpetual, multi-purpose modaraba managed by Habib Metropolitan Modaraba Management Company (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 Pakistan Stock Exchange Limited. The Modaraba is engaged in the business of leasing, Musharaka, Murabaha financing and other related business.

On December 9, 2016, Habib Modaraba Management (Private) Limited and Habib Metropolitan Modaraba Management Company (Private) Limited signed an agreement to transfer management rights of First Habib Modaraba to Habib Metropolitan Modaraba Management Company (Private) Limited for which the Securities and Exchange Commission of Pakistan ("SECP") has also given its approval on January 6th, 2017. Meanwhile, Habib Modaraba Management (Private) Limited, vide letter dated February 15th, 2017, has requested Registrar of Modaraba, SECP, to direct CDC to unblock 10% controlling modaraba certificates so that the same could be transferred in the name of Habib Metropolitan Modaraba Management Company (Private) Limited.

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, 2016 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, 2016.

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.

NOTES TO THE CONDENSED INTERIM FINANCIAL STATEMENTS (UNAUDITED)

FOR THE HALF YEAR ENDED DECEMBER 31, 2016

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, 2016.

4 ESTIMATES

The preparation of condensed 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, 2016.

	Note	December 31, 2016 (Un-audited)	June 30, 2016 (Audited)
		-----Rupees-----	
5. FIXED ASSETS - TANGIBLE			
Lease Financing assets	5.1	2,697,198,726	2,725,212,037
Assets in own use	5.2	11,375,008	8,552,118
		2,708,573,734	2,733,764,155
5.1 Lease Financing assets			
Lease Financing assets	5.1.1	2,392,390,089	2,538,992,753
Advance against Lease Financing assets		304,808,637	186,219,284
		2,697,198,726	2,725,212,037
5.1.1 Lease Financing assets			
Book value at the beginning of the period / year		2,538,992,753	2,619,047,150
Additions during the period / year	5.1.2	461,092,131	1,391,278,623
		3,000,084,884	4,010,325,773
Deletion during the period / year at book value	5.1.3	(95,488,151)	(338,397,647)
Impairment during the period / year reversed (net)		-	-
Depreciation charge during the period / year		(512,206,644)	(1,132,935,373)
Book value at the end of the period / year		2,392,390,089	2,538,992,753



NOTES TO THE CONDENSED INTERIM FINANCIAL STATEMENTS (UNAUDITED)

FOR THE HALF YEAR ENDED DECEMBER 31, 2016

	Note	December 31, 2016 (Un-audited)	June 30, 2016 (Audited)
-----Rupees-----			
5.1.2 Additions during the period / year			
Plant, machinery and equipment		57,371,579	112,339,450
Vehicles		403,720,552	1,278,939,173
Furniture and fixture		-	-
		461,092,131	1,391,278,623
5.1.3 Deletion (at book value) during the period / year			
Plant, machinery and equipment		2,062,249	3,729,927
Vehicles		93,425,902	334,667,720
		95,488,151	338,397,647
5.2 Assets in own use			
Book value at the beginning of the period / year		8,552,118	8,637,665
Additions during the period / year	5.2.1	4,331,010	3,366,695
		12,883,128	12,004,360
Deletion during the period / year at book value	5.2.2	(68)	(5)
Depreciation charge during the period / year		(1,508,052)	(3,452,237)
Book value at the end of the period / year		11,375,008	8,552,118
5.2.1 Additions during the period / year			
Office equipment		1,050,940	738,600
Furniture and fixture		1,347,850	587,110
Vehicles		1,789,000	1,078,000
Leasehold improvements		143,220	962,985
		4,331,010	3,366,695
5.2.2 Deletion (at book value)			
Office equipment		6	-
Furniture and fixture		61	(1)
Vehicles		1	(4)
		68	(5)
6. DIMINISHING MUSHARAKA FINANCING			
Secured			
Diminishing musharaka financing		3,390,968,678	2,713,265,520
Less: Current portion		1,621,641,175	(1,239,061,566)
		1,769,327,503	1,474,203,954
Advance against diminishing musharaka financing		473,417,356	338,252,820
		2,242,744,859	1,812,456,774

NOTES TO THE CONDENSED INTERIM FINANCIAL STATEMENTS (UNAUDITED)

FOR THE HALF YEAR ENDED DECEMBER 31, 2016

	Note	December 31, 2016 (Un-audited)	June 30, 2016 (Audited)
-----Rupees-----			
7. INVESTMENTS			
Available for sale			
Investment in shares - available for sale		287,594,730	204,715,269
Investment in sukuk	7.1	819,600,000	806,320,000
		1,107,194,730	1,011,035,269

- 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 Registrar of Modaraba 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 Investment (Musharaka).

8. LEASE FINANCING RENTALS RECEIVABLES

Lease financing rental due	1,957,608	881,616
Less: Suspense Lease Financing rentals	-	-
	1,957,608	881,616

- 8.1** Suspense Lease Financing rentals represent amounts overdue on Lease Financing assets.

9. TAX REFUND DUE FROM GOVERNMENT

Income tax	79,479,382	79,479,382
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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 are no significant contingencies to report.

Commitments

Commitments in respect of Lease financing transactions amounted to Rs. 434.947 million (June 30, 2016: Rs. 169.543 million)

NOTES TO THE CONDENSED INTERIM FINANCIAL STATEMENTS (UNAUDITED)

FOR THE HALF YEAR ENDED DECEMBER 31, 2016

Note	Half year ended		Quarter ended	
	December 31, 2016	December 31, 2015	December 31, 2016	December 31, 2015
	Rupees			
12. OTHER INCOME				
Dividend income	4,902,500	4,287,764	652,500	3,672,518
Profit on transfer of lease financing assets	6,408,800	16,904,946	3,302,736	10,156,680
Profit on disposal of assets in own use	165,461	-	165,362	-
Profit on modaraba deposit account	5,620,846	6,207,661	2,188,675	1,942,293
Gain on sale of shares	567,589	9,948	-	-
Profit on Sukuk	21,998,036	27,619,673	10,997,760	12,405,733
Miscellaneous	1,555,957	1,271,352	855,163	637,901
	41,219,189	56,301,344	18,162,196	28,815,125

13. OTHER OPERATING CHARGES

Workers' welfare fund	3,110,188	3,437,470	1,548,670	1,907,289
Loss on sale of shares	-	-	-	-
Auditor's remuneration	340,650	332,000	180,400	150,000
	3,450,838	3,769,470	1,729,070	2,057,289

14. EARNINGS PER CERTIFICATE - BASIC AND DILUTED

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

Net profit for the period	169,931,263	168,436,053	84,614,655	84,821,879
Weighted average number of ordinary certificates.	201,600,000	201,600,000	201,600,000	201,600,000
Basic earnings per certificate	0.84	0.84	0.42	0.42

NOTES TO THE CONDENSED INTERIM FINANCIAL STATEMENTS (UNAUDITED)

FOR THE HALF YEAR ENDED DECEMBER 31, 2016

15. TRANSITIONS WITH RELATED PARTIES

The related parties and associated undertakings comprise the Management Company (Habib Metropolitan 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:

		Note	December 31, 2016	December 31, 2015
			(Un-audited)	(Un-audited)
			-----Rupees-----	
Relationship	Nature of transaction			
Balances with the related parties				
Staff Retirement Benefit Fund	Payable to staff gratuity fund		990,000	900,000
First Habib Modaraba Provident Fund	Investment in Certificate of Investment (Musharaka)		35,284,775	28,337,462
Expenses				
Staff retirement benefit Fund	Gratuity fund		990,000	900,000
Fund	Provident fund		1,086,922	999,929
Payments made during the period				
First Habib Modaraba Provident Fund	Contribution to staff provident fund		2,173,844	1,999,858

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

16. DATE OF AUTHORIZATION FOR ISSUE

These financial statements were authorized for issue on February 24, 2017 by the Board of Directors of the Management Company.

17. GENERAL

Figures have been rounded off to the nearest rupee.

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

CHIEF EXECUTIVE

DIRECTOR

DIRECTOR