

بِسْمِ اللَّهِ الرَّحْمَنِ الرَّحِيمِ



بِسْمِ اللَّهِ الرَّحْمَنِ الرَّحِيمِ
الْحَمْدُ لِلَّهِ الَّذِي
خَلَقَ السَّمَوَاتِ وَالْأَرْضَ
وَالَّذِي جَعَلَ الْمَوْتَ
وَالْحَيَاةَ لِلنَّاسِ
وَالَّذِي جَعَلَ
الْحَيَاةَ لِلنَّاسِ
وَالَّذِي جَعَلَ
الْحَيَاةَ لِلنَّاسِ

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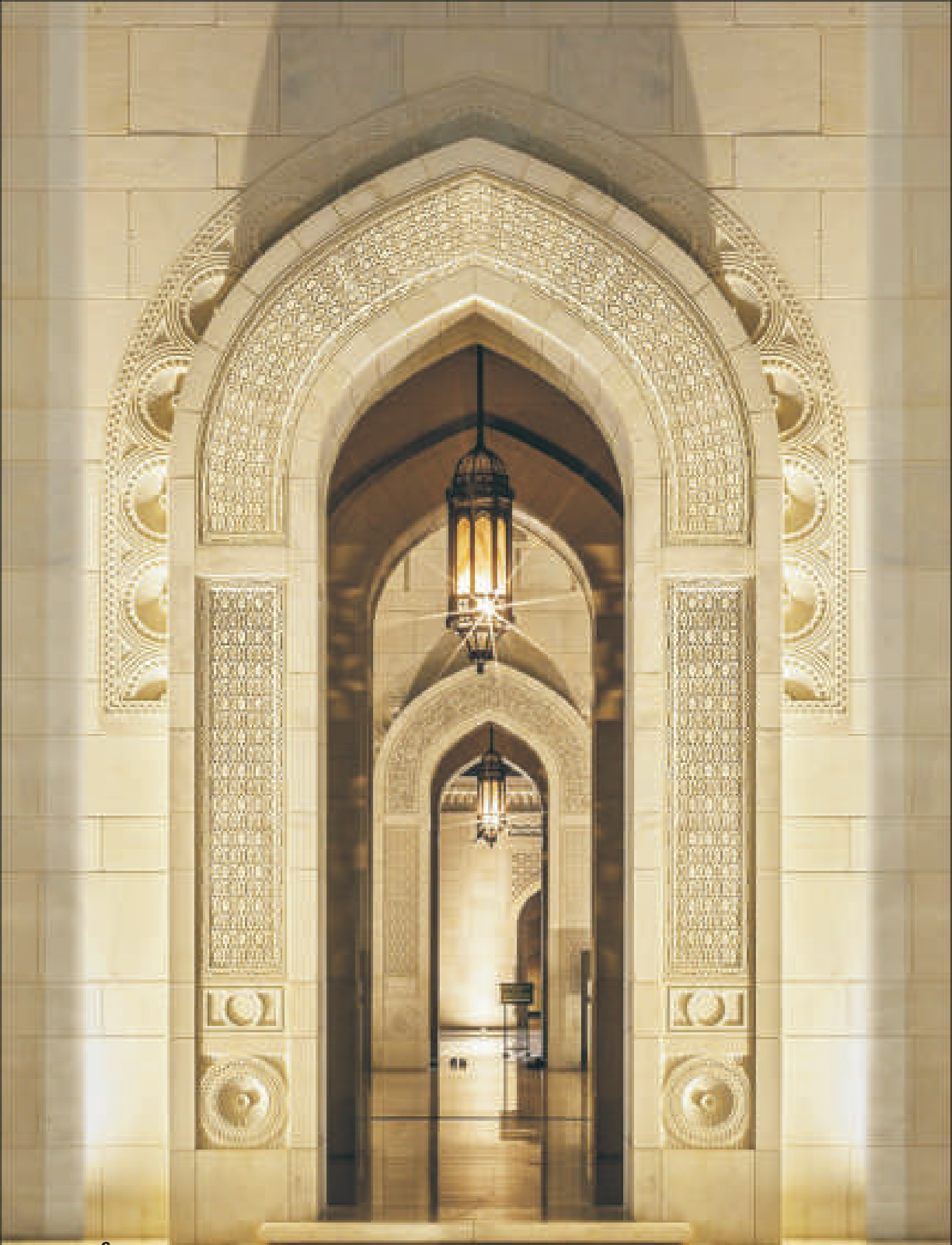
Vision

To be the leading Islamic Financial Institution within Modaraba sector by providing the best innovative Sharia'h Compliant financial solutions at maximum satisfaction of customers.



Mission

To become an institution built on Trust, Integrity, Good Governance with Commitment to add value to all stakeholders through an effective human resource management in a modern and progressive organizational culture maintaining high ethical and professional standards.



FHM's PROFILE

First Habib Modaraba (FHM) commenced its business operation in March, 1985, with an initial capital of Rs.25.0 million. Continuing with solid, dynamic and prudent approach now FHM has an equity base is around Rs.3.00 billion and assets size over Rs.4.700 billion.

FHM always remain best performing Modaraba within the Modaraba sector. The management of FHM is heir of rich tradition of trading and banking and finance. Business operations of FHM have always been backed by valuable expertise in the field of fund management.

The Management of FHM has always given emphasis on building-up quality asset portfolio. The efficacy of FHM's business strategy and prudent risk management policies has supported the management to maintain outstanding assets quality while ensuring sustainability of performance, despite the increasingly competitive operating environment in Pakistan's financial market.

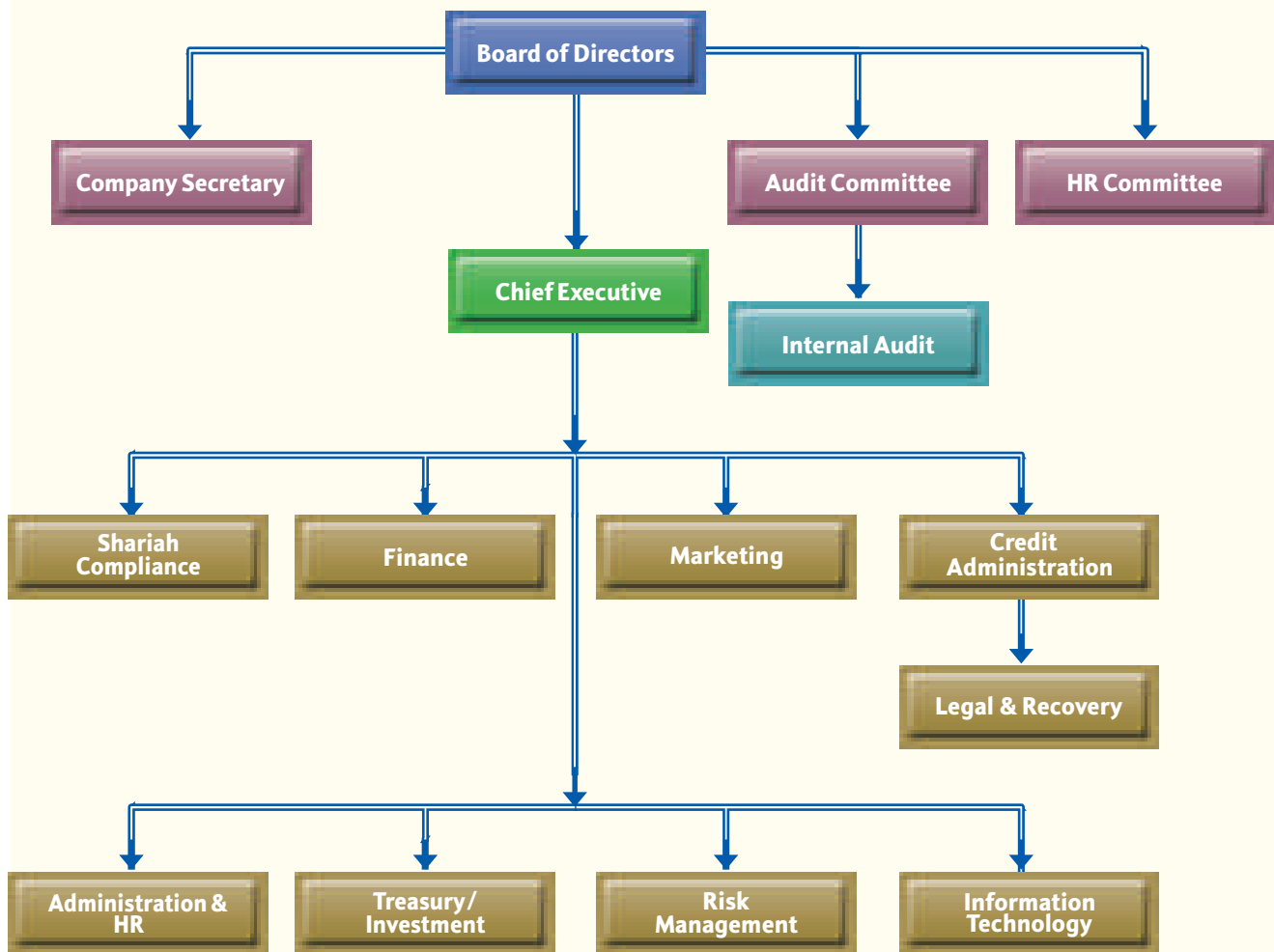
By the Grace of God, FHM has been maintaining its status as leading Modaraba within the Modaraba sector and rank in top ranking position amongst its peer group. The main component of success of FHM is excellent team work across all levels of the organization. Due to hard and dedicated work of all staff members made FHM the premier Modaraba within the Modaraba sector.

Since last several years FHM has been securing AA+ rating as long term rating from Pakistan Credit Rating Agency Ltd., (PACRA). Besides, FHM has received several awards and recognition on best performance, best corporate report, best corporate disclosure and corporate excellence received from reputable bodies, such as NBF and Modaraba Association, ICAP and ICMAP, Management Association of Pakistan, and SAFA an apex body of SAARC.

Alhamdulillah, FHM is among one of the best Islamic Financial Services Institutions within non-banking financial sector. Sound and satisfactory performance of FHM on year on year basis is outcome of our well planned corporate strategy and business focus which reach us to target market and capture right opportunities in right time.

Our aim is to continuously build our organization at sound footing with diversified pool of income streams, enhancing our ability to manage and sustain our existence. Moreover, our focus is on facilitating the customers through better and efficient services, managing costs and investing in technological advancement so that a comprehensive model can be developed for sustainable growth, providing value addition to all stakeholders.

ORGANOGRAM



BOARD OF DIRECTORS

Mr. Wazir Mumtaz Ahmed	- Chairman (Non-Executive Director)
Mr. Muhammad Shoaib Ibrahim	- Chief Executive Officer
Mr. Wazir Husain Jafree	- (Non-Executive Director)
Mr. Abbas Ali Muhammad	- (Non-Executive Director)

AUDITORS

Muniff Ziauddin & Co. (MZ & Co.)
Chartered Accountants

LEGAL ADVISOR

Mohsin Tayebaly & Company

AUDIT COMMITTEE

Mr. Abbas Ali Muhammad	- Chairman
Mr. Wazir Mumtaz Ahmed	- Member
Mr. Wazir Husain Jafree	- Member
Mr. Shakeel Ahmed	- Secretary

HUMAN RESOURCE COMMITTEE

Mr. Abbas Ali Muhammad	- Chairman
Mr. Wazir Mumtaz Ahmed	- Member
Mr. Wazir Husain Jafree	- Member

COMPANY SECRETARY

Mr. Adnan Thanwey

REGISTRAR:

Noble Computer Services (Pvt.) Limited
Mezzanine Floor, House of Habib Building
(Siddiqsons Tower),
3-Jinnah Cooperative Housing Society,
Main Shahrah-e-Faisal, Karachi, Pakistan.
Tel: 021-34325482-87

BANKERS

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

REGISTERED OFFICE

5th Floor, HBZ Plaza (Hirani Centre)
I.I. Chundrigar Road, Karachi.
Tel: 021-32635949-51
Fax: 021-32627373

BRANCH OFFICES

Lahore Branch:

1st Floor, 5-Z Block, Phase III, Defence Housing Authority,
Lahore.

TEL: 042-35693074-76, FAX: 042-35693077

UAN : 111-346-346

Islamabad Branch:

Office No. 7, Mezzanine Floor, Razia Shareef Plaza
Blue Area, Islamabad.

TEL: 051-32278865-67, FAX: 051-2278868

UAN : 111-346-346

Multan Branch:

Mezzanine Floor, Abdali Tower,
Abdali Road, Multan.

TEL : 061-4500121-3, FAX : 061-4588810

UAN : 111-346-346

Web : www.habibmodaraba.com

Email : fhm@habibmodaraba.com



Wazir Mumtaz Ahmed – Chairman

Mr. Wazir Mumtaz Ahmed is a seasoned banker. His banking career span over a period of 48 years of committed and dedicated services. He started his banking career in 1961 and carried diversified experience on several senior positions. After completion of his Masters in Economics he got International Certifications in Commercial Law & Economics from London Chamber of Commerce. His career is a perfect combination of Integrity and Commitment which gave him additional advantage to reached upto the position of Senior Executive Vice President in the Bank.

Muhammad Shoaib Ibrahim – Chief Executive Officer

Muhammad Shoaib, is associated with First Habib Modaraba since the inception of modaraba. His extensive working experience in Non-Banking Islamic Financial institutions for more than two decades makes him senior most person with such rich experience of Islamic Finance in Pakistan. This intense exposure gave him the insight into the financial and technical aspects of fund management in Islamic way. He has done Master's in Business Administration (MBA) in Banking and Finance from Institute of Business Administration (IBA). He has completed Post Graduate Diploma (PGD) in Islamic Banking and Finance from Centre of Islamic Economics (Darul Ulum), Karachi, Pakistan. He has completed Certification of Director Training Program conducted by Institute of Chartered Accountants of Pakistan. He is also Certified Islamic banker from Professional's Institute of Excellence who are academic partner of University of Marathon U.S.A. and Pakistan Institute of Banking Studies, Pakistan. On number of occasions he remained as an Executive Member of Modaraba Association of Pakistan and also remained the Chairman of Modaraba Association of Pakistan.

Wazir Husain Jafree – Director

Mr. Wazir Husain Jafree is a seasoned banker, his banking career spans over more than 48 years. He carries a diversified experience of working on various senior positions in Pakistan and abroad. He has worked with Habib Bank Limited (HBL), Bank of Credit & Commerce International (BCCI) & Bank AL Habib Limited (BAHL). He also served as Member Executive Committee of Modaraba Association of Pakistan.

Abbas Ali Muhammad – Director

Mr. Abbas Ali Muhammad started his career from Bombay (India). He joined Habib Investment Company in the year 1951 as a "Trainee Officer". In 1971, became the Chief Executive of Habib Investment Company. This executive position also involved business management of several reputed companies as a Director. Mr. Abbas Ali Muhammad has over 54 years of experience in financial management.



Audit Committee Terms of Reference:

1. To recommend to the Board/ Directors the appointment of external auditors to the National Bank of Pakistan and provide any assistance or cooperation in removal of external auditors, subject to compliance to the provisions laid down by sections of the Statute in addition to audit of its financial statements.
2. To review the quarterly, half-yearly and annual financial statements of the National Bank to their approval by the Board/ Directors.
3. To facilitate the external audit and discussion with external auditors of major observations arising from interim and final audits and any matter that the auditors may wish to highlight.
4. To review the management letter issued by external auditors to management/ employees.
5. To ensure coordination between the internal and external auditors of the National Bank.
6. To review the scope and extent of internal audit and ensuring that the internal audit function has adequate resources and appropriate qualifications of the National Bank.
7. To consider the major findings of internal audit reports and management responses thereto.
8. To ascertain that the internal control system including financial and operational control, accounting system and reporting mechanism is adequate and effective.
9. To determine compliance with relevant statutory requirements.
10. To monitor compliance with the disclosure of corporate governance and identification of significant matters thereof.

The audit committee comprises of the following members:

Member	No. of Meetings Attended
Mr. Nisar Khan (Chairman) Non-Executive (Director)	4
Mr. Akbar Ali Khan (Member) Non-Executive (Director)	4
Mr. Nisar Hussain (Member) Non-Executive (Director)	3
Mr. Qasim Ahmad (Secretary) Internal Auditor / Executive of the Committee	4

HR Committee Terms of Reference:

Recommendations/Responsibilities:

1. recommending human resource management policies to the Board;
2. recommending to the Board the selection, induction, compensation (including retirement benefits) and succession planning of the CEO;
3. recommending to the Board the selection, induction, compensation (including retirement benefits) of CEO Company Secretary and Head of Internal Audit;
4. consideration and approval on recommendations of CEO on such matters for key management positions who report directly to CEO.

The human resource committee comprises of the following members:

Member	No. of Meetings Attended
Mr. Akbar Ali Khan (Chairman) Non-Executive (Director)	2
Mr. Nisar Hussain (Member) Non-Executive (Director)	2
Mr. Nisar Hussain (Member) Non-Executive (Director)	2

Commitment

Commitment transforms a promise into reality. It evokes a strong sense of intention and focus. Commitment speaks boldly of intentions and has power to bring change. When we stand behind our words, we demonstrate commitment. Commitment exists when our actions meet the expectation of our words.

“There's no abiding success without commitment”.

Tonny Robbins

The sustainable success is to be achieved by only those institutions that take the broadest view of their responsibilities and commitment. At FHM, we are well conscientious and abide by the word “Commitment”. It is a bridge between our values, actions and intentions.

When we started our business operations we had made commitment before our Certificate Holders and investors to make FHM as successful venture.

A strong commitment to progress and deliver has always been a key driver of our performance. Delivering more than expected has made possible through firm commitment at every level of our organization.

After completion of business operations of more than two and half decades, FHM is successfully achieved its vision “To be a leading Islamic Financial Institution within the Modaraba sector” and its mission “To become an institution built on trust, integrity, Good Governance with commitment to add value to all stakeholders”.

We always remain firmly committed to our values and corporate objectives. All our successes stem from one word i.e. commitment.

As our Corporate Objective, we are committed:





STRATEGIC CORPORATE OBJECTIVES

- To be the leading *Mudharaba* within the *Mudharaba* sector as an Islamic Financial Institution.
- To carry out all business transactions in line with approved mode of Shariah principles of Islamic Finance.
- To maintain high ethical and professional standards.
- To build a high performance culture, with growth oriented focus.
- To promote economically productive ethical activities.
- To achieve sustainable growth and profitability in all areas of business of IIFM
- To provide state of art services to customer and develop service oriented culture within IIFM
- To broaden the use of technology to ensure operational efficiency, enhance delivery capability and high service standard.
- To develop strong compliance culture and sound risk management framework.
- To add Certificate Holders value through better performance and sound return on their investment.
- To remain innovative and explore new avenues for growth and profitability.

OUR CORE VALUES ARE....

01

CUSTOMER FIRST

Our corporate objective shall be customer oriented when assessing, designing and introducing new products, services and technology.

02

INTEGRITY

Integrity means speaking and acting honestly and sincerely. Our unwavering belief in integrity is what allows our customer to entrust their business to us.

03

TEAM WORK

It is essence of our ability to succeed as a trusted and preferred financial institution to our clients. With common goals and team spirit, we will uphold our values and achieve our corporate goals.

04

CORPORATE GOVERNANCE

Our goal is to respond to a rapidly changing business environment in a timely manner through best business practices by reinforcing our ethical standards and good governance.

05

RESPONSIVE

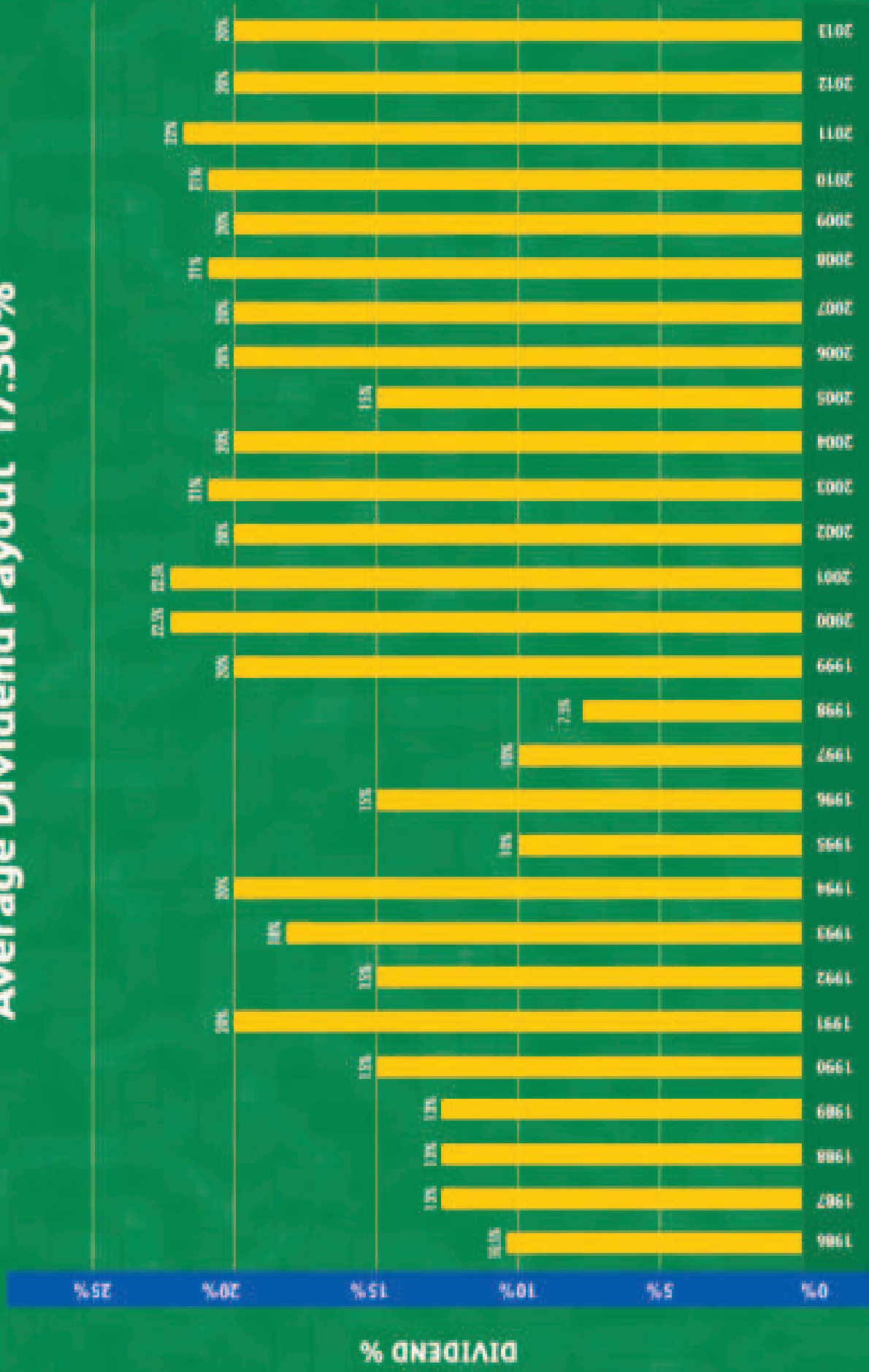
How we respond to our customers will influence their belief in our commitment to them. A proactive response is often unexpected and more effective for that. It clearly demonstrates our willingness to go beyond the expected.

06

QUALITY

Our core value is to develop customer service oriented culture with special emphasis on customer care and convenience. The essence of quality service is embodied through every interaction that we have, within ourselves and with our customer.

**Delivering 28 Years
of unbroken dividend payout
Average Dividend Payout 17.30%**





CORPORATE SOCIAL RESPONSIBILITY

Corporate social Responsibility (CSR) is undertaking the role of “Corporate Citizen”. It ensures that business values and policies are align in such a way to balance between improving and developing the wealth of business and contributing for betterment of society in a effective manner.

With the growth of our business, we have assumed an even greater responsibility for our society and stakeholders, including employees, their families, our business partners etc.

FHM is committed to both sustainable business practices and its responsibilities as a corporate citizen. We believe that Corporate Social Responsibility is primarily about conducting our business in a transparent and ethical way that enhances value for all of our stakeholders but also by giving support to events that enhance the well being of the community.

Corporate social responsibility and guidelines for corporate governance are steps in positive directions. Customer relationship management is strategic business philosophy and processes are rooted through ethical practices.

FHM continues to encourage events and projects which focus on children, health and education in under privileged members of society. Besides, staff is also encouraged to take part in activities to support the community. During the year FHM has supported various trust and philanthropist institutions who are engaged in various community service projects such as:-

- Educational support to needy students and loan for higher studies.
- Medical facilities to poor people of the society
- Feeding of Poor , clothing aids and monthly ration to poor families
- Support to Orphans and Widows, and marriage aid to needy parents of girls.

FHM also supports a clean environment and motivate its customers for this cause. FHM also try its level best that business activities of customers must be environmental friendly and should not hazardous to the Society.



High quality customer service is an integral part of FHM's philosophy. It is our constant endeavor to provide greater services with wider accessibility.

Our corporate slogan is "Customer First". We always emphasize to provide best quality service to our customer. We continuously develop and improve customer-service oriented culture within FHM.

Knowing our customer and their need is the key to our business success. Our managers are well equipped and well trained to provide the most efficient and personalized service to our customer.

We understand that our commitment to satisfy customer's needs must be fulfilled within a professional and ethical framework, thereby creating an ongoing relationships of trust and confidence in all their dealings with FHM.

Besides, we also feel that well updated IT infrastructure is also one of the most important tools to provide best services to customer. FHM is continuously upgrading its IT infrastructure in line with modern technology in order to have efficient operations and speedy services to customer.

We shall look forward to maintain high-level customer satisfaction through improvement of strength and values, based on Sharia'h principles.

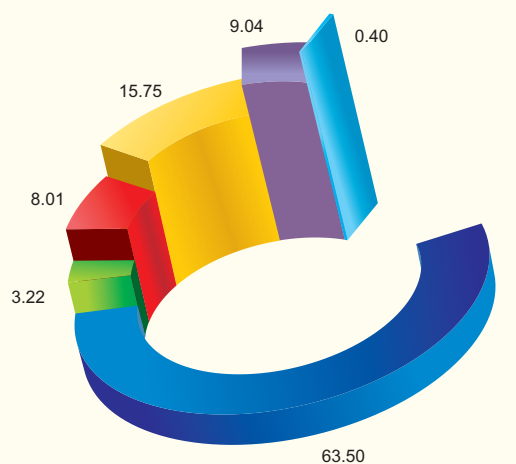


VALUE ADDED STATEMENT



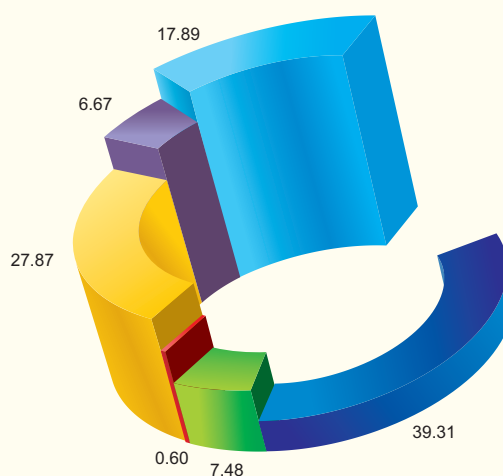
	2013		2012	
	Rs.	(%)	Rs.	(%)
Value Added				
Revenue from operations	365,849,805		378,394,377	
Other income / charges	934,776,929		154,087,841	
Value added by financial services	1,300,626,734		532,482,218	
Operating expense	20,843,358		19,667,999	
	1,279,783,376	100.00	512,814,219	100.00
Value Allocated				
To Employees				
Salaries, allowances & other benefits	41,183,558	3.22	34,192,045	6.67
To provider of finance				
As profit on Certificate of Musharaka	102,499,415	8.01	91,737,334	17.89
As financial charges on Murabaha / Musharaka	-	0.00	-	0.00
To Modarib				
As management fee	115,726,134	9.04	38,338,298	7.48
To certificate holders				
Profit on certificates	201,600,000	15.75	201,600,000	39.31
To Society				
Donation	961,857	0.08	936,000	0.18
To expansion & growth				
As Depreciation	5,157,446	0.40	3,086,534	0.60
As Reserve and Retained earning	812,654,966	63.50	142,924,008	27.87
	1,279,783,376	100.00	512,814,219	100.00

Value Allocated 2013



■ Salaries, allowances & other benefits ■ As Management Fee
■ To Provider of Finance ■ As Depreciation
■ Profits on Certificates ■ As Reserve and Retained Earning

Value Allocated 2012



■ Salaries, allowances & other benefits ■ As Management Fee
■ To Provider of Finance ■ As Depreciation
■ Profits on Certificates ■ As Reserve and Retained Earning



KEY FINANCIAL DATA SIX YEARS AT A GLANCE

KEY FINANCIAL DATA	(Rupees in million)					
	2013	2012	2011	2010	2009	2008
Total Assets	4,719.29	4,565.42	4,075.21	3,777.83	3,281.20	4,025.65
Ijarah Assets	2,941.64	2,501.15	2,372.96	2,435.30	2,096.89	2,716.03
Ijarah Disbursement	1,465.28	1,465.28	1,226.65	1,512.37	1,150.74	1,074.80
Current Assets	1,404.85	1,818.51	1,531.47	1,302.28	1,163.36	1,300.79
Current Liabilities	1,401.51	1,229.15	820.81	728.55	527.70	778.52
Total Liabilities	1,666.44	1,438.22	1,015.59	885.69	663.05	1,178.83
Paid-up Capital	1,008.00	1,008.00	1,008.00	1,008.00	1,008.00	1,008.00
Reserves	2,044.84	2,119.20	2,051.62	1,884.20	1,610.15	1,838.82
Certificate Holders' Equity	3,052.84	3,127.20	3,059.62	2,892.20	2,618.15	2,846.82
Gross Revenue	1,531.86	1,451.50	1,437.27	1,348.64	1,666.23	1,666.79
Net Profit	992.37	345.43	277.95	267.42	243.61	268.86
Earning Per Certificate - Rs.5/- each	4.92	1.71	1.38	1.33	1.21	1.50
Cash Dividend	20%	20%	22%	21%	20%	21%
Ijarah Rental	316.68	333.39	327.34	311.18	351.55	317.30

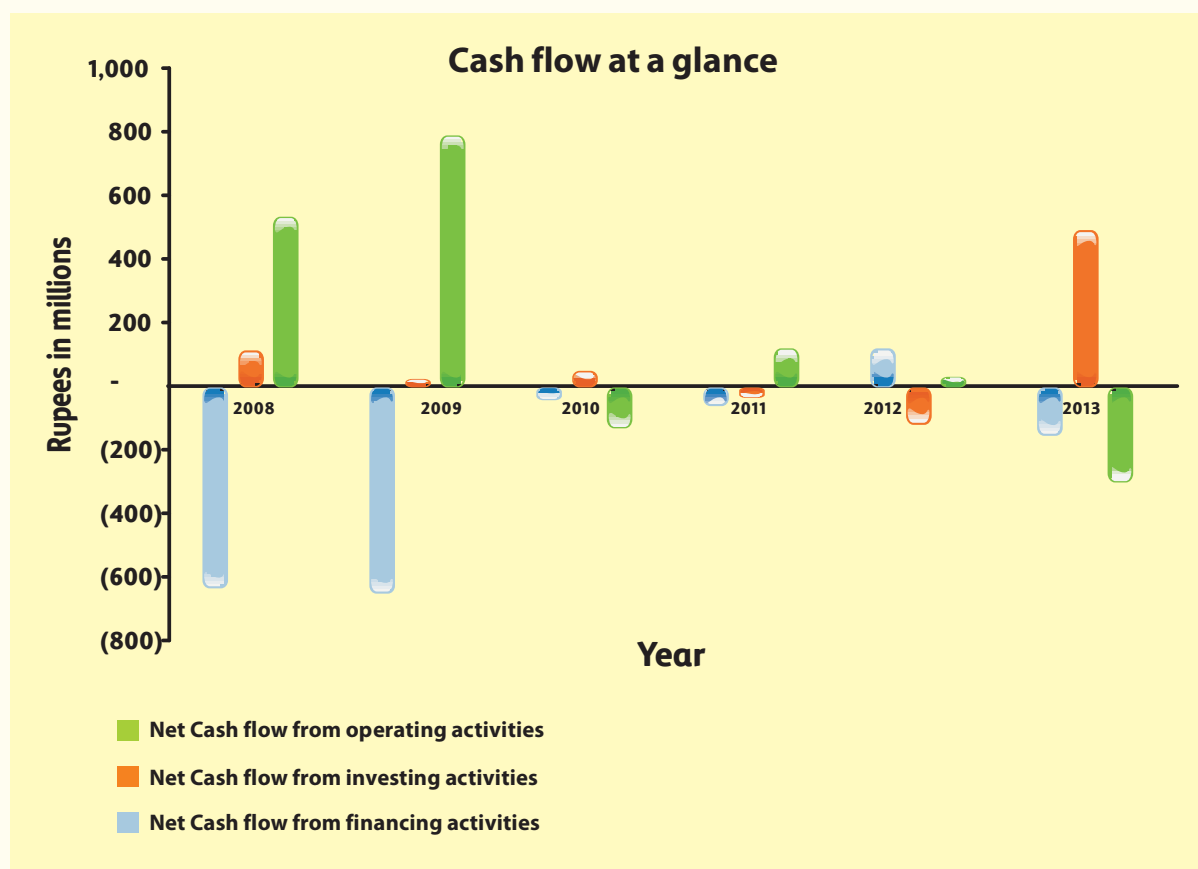
STAKEHOLDER INFORMATION	2013	2012	2011	2010	2009	2008
Profitability Ratios						
Profit after tax ratio (%)	64.78	23.80	19.34	19.83	14.62	16.13
Gross yield on earning assets (%)	34.15	33.22	37.26	38.08	56.50	43.39
Gross spread ratio (%)	2.39	12.11	12.96	12.88	9.35	5.45
Cost / Income ratio (%)	54.58	76.35	79.80	79.40	84.57	83.81
Return on equity (%)	32.90	15.52	13.22	13.13	12.36	13.87
Return on assets (%)	21.03	7.57	6.82	7.08	7.42	6.68
Return on capital employed (%)	34.59	12.11	10.03	10.78	11.82	11.39
Gross profit ratio (%)	14.71	23.37	22.65	22.02	20.25	17.20
Net profit to sale (%)	64.78	23.80	19.34	19.83	14.62	16.13
EBITDA margin to sale (%)	79.58	31.48	25.87	26.74	22.09	20.39
Income / Expense ratio	1.13	1.17	1.18	1.18	1.12	1.08
Liquidity Ratios						
Advance to deposit ratio	3.46	2.97	4.25	4.86	6.07	7.39
Current ratio	1.00	1.48	1.87	1.79	2.20	1.67
Cash to current liabilities	9%	10%	20%	29%	57%	19%
Cashflow from operations to sale	-21%	2%	9%	8%	48%	34%
Turnover ratio						
Total Asset Turnover Ratio (%)	52.71	35.51	37.52	38.18	53.46	45.82
Fixed Asset Turnover Ratio (%)	75.05	59.02	60.11	58.27	82.83	67.70
Investment / Market ratio						
Market Value Per Share	9.90	7.70	8.15	6.70	5.77	7.77
High	9.90	9.34	8.19	7.33	7.85	16.35
Low	7.10	6.30	5.66	5.50	4.37	7.39
EPS (Earning per share)	4.92	1.71	1.38	1.33	1.21	1.50
Price earning ratio	2.01	4.50	5.91	5.04	4.77	5.18
Price to book ratio	0.66	0.70	0.78	0.66	0.59	0.81
Dividend Yield ratio (%)	10.10	12.99	13.50	15.67	17.33	13.51
Dividend Payout ratio (%)	20.32	58.36	79.78	79.16	82.75	78.73
Dividend cover ratio	4.92	1.71	1.25	1.27	1.21	1.43
Cash dividend (%)	20%	20%	22%	21%	20%	21%
Cash dividend per share	1.00	1.00	1.10	1.05	1.00	1.05
Book Value Per Share	14.96	11.04	10.43	10.10	9.78	9.62
Dividend (in million rupees)	202	202	222	212	202	212
Profit Growth Ratio (%) [YoY]	187	24	4	10	(9)	80
Profit Growth Ratio (%) [base year 2008]	269	131	86	79	63	80
Capital Structure ratio						
Net assets per share	15.14	15.51	15.18	14.35	12.99	14.12
Earning asset to total asset ratio (%)	95.05	95.71	94.66	93.76	89.88	95.43

SUMMARY OF CASH FLOW

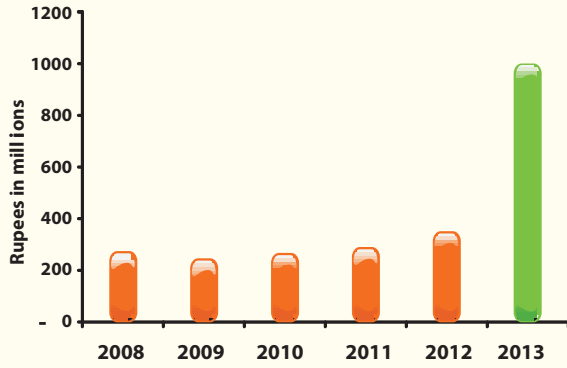


(in million rupees)

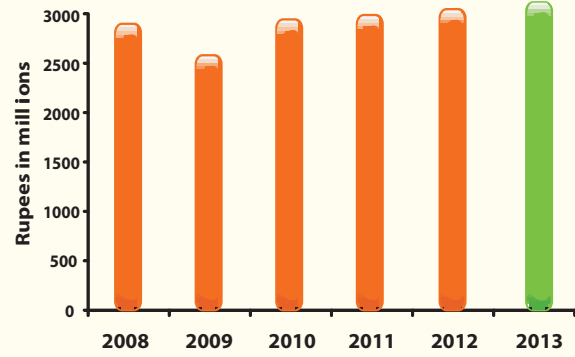
	2013	2012	2011	2010	2009	2008
Cash & cash equivalents at the beginning of the year	122	112	212	302	150	125
Net Cash flow from operating activities	(325)	25	130	(102)	805	560
Net Cash flow from investing activities	495	(150)	(118)	47	17	125
Net Cash flow from financing activities	(161)	136	(112)	(34)	(670)	(660)
Net increase/decrease in cash & cash equivalent	8	11	(101)	(90)	152	25
Cash & cash equivalents at the end of the year	131	122	112	212	302	150



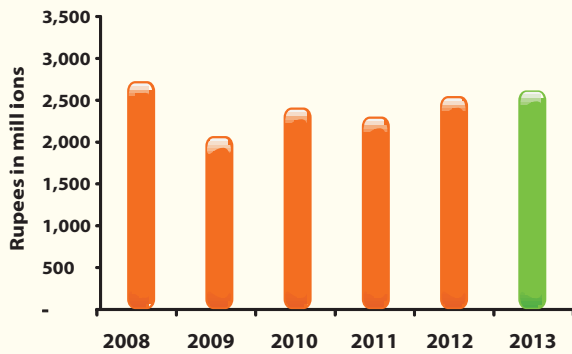
Net Profit



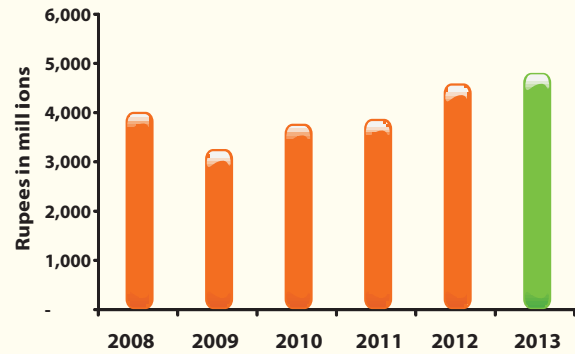
Equity



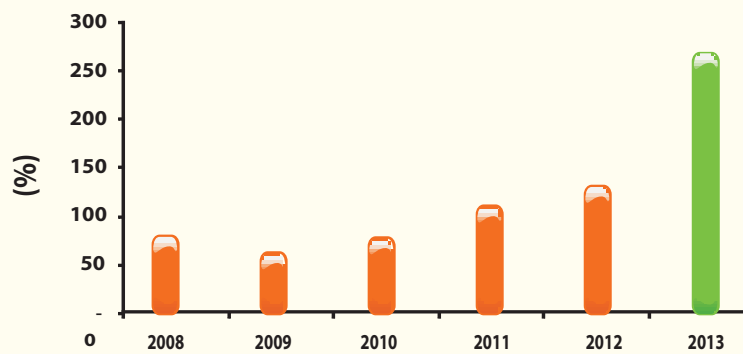
Leased Assets



Total Assets



Profit Growth (%) [base year 2008]





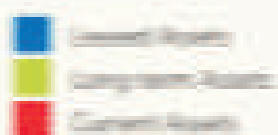
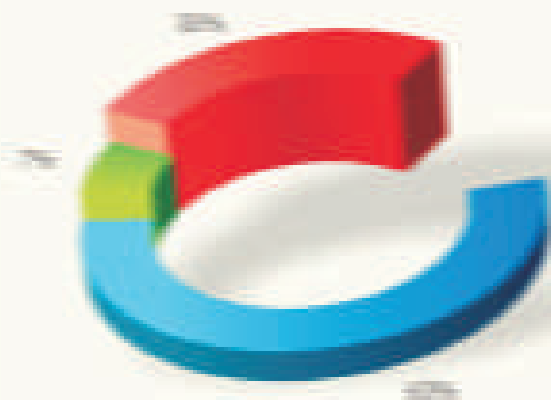
Equity & Liabilities 2013



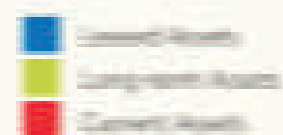
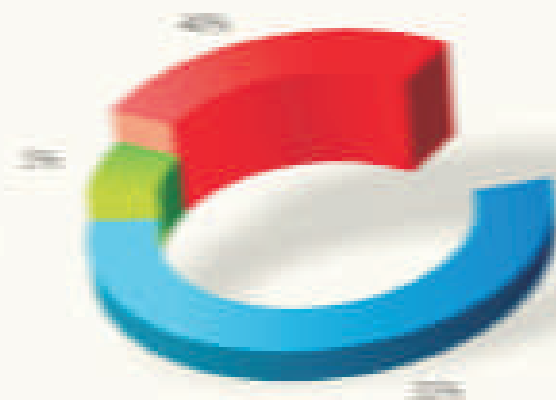
Equity & Liabilities 2012



Assets 2013



Assets 2012



BALANCE SHEET (%)

	2013	2012	2011	2010	2009	2008
ASSETS						
NON-CURRENT ASSETS						
Fixed Assets - tangible						
Ijarah Assets	17.61	5.40	(2.56)	16.14	(22.80)	(14.73)
Assets in own use	67.03	43.47	(11.49)	(7.31)	(9.92)	22.96
Intangible Assets	(33.70)	2,131.66	36.01	451.60	(61.52)	(77.60)
Investment in diminishing musharaka	51.86	44.26	402.48	130.15	0.00	0.00
Long-term advances & deposits	64.33	(46.53)	81.85	1,850.00	(93.39)	4.08
CURRENT ASSETS						
Investments	(32.90)	18.75	20.70	25.36	(26.54)	(32.98)
Current maturity of diminishing musharaka	28.97	108.69	88.27	236.42	0.00	0.00
Short-term Murabaha finance	0.00	0.00	0.00	0.00	0.00	0.00
Ijarah rental receivable - secured, considered good	3.01	(20.58)	(9.27)	(58.27)	254.31	362.25
Loan & advances	-	-	-	-	(100.00)	39.13
Trade deposits & short-term prepayments	122.33	3.12	195.36	154.68	(33.11)	232.26
Other receivables	32.69	19.07	158.54	(26.62)	(41.51)	1,617.68
Tax refund due from Government	33.48	63.08	1,642.05	0.00	0.00	0.00
Cash & bank balances	6.74	(24.23)	(23.93)	(29.72)	101.14	20.02
TOTAL ASSETS	3.37	12.03	7.87	15.14	(18.49)	(19.50)
EQUITY & LIABILITIES						
CAPITAL & RESERVES						
Authorized Certificate capital	0.00	0.00	0.00	0.00	0.00	83.33
Issued, subscribed & paid-up capital	0.00	0.00	0.00	0.00	0.00	100.00
Reserves	(3.51)	3.29	8.89	17.02	(12.44)	(7.77)
Certificate holders' equity	(2.38)	2.21	5.79	10.47	(8.03)	13.98
NON-CURRENT LIABILITIES						
Long-term Murabaha finances	-	-	-	(100.00)	(61.88)	
Certificates of Musharaka - unsecured	-	(100.00)	347.51	(89.48)	(85.21)	43.82
Security deposits against Ijarah assets	26.72	9.02	22.56	21.31	(31.54)	(13.89)
Deferred liability - Staff gratuity	0.00	0.00	0.00	0.00	0.00	0.00
CURRENT LIABILITIES						
Deferred Murabaha Income	0.00	0.00	0.00	0.00	0.00	0.00
Murabaha finances - current portion	-	-	-	-	(100.00)	(13.95)
Certificates of Musharaka - current portion	3.97	58.82	18.59	49.83	5.92	(72.09)
Security deposits - current portion	(5.52)	18.86	(44.79)	(4.58)	33.15	15.03
Short-term Musharaka finances - secured	0.00	0.00	0.00	0.00	0.00	(100.00)
Short-term Murabaha finances - secured	0.00	0.00	0.00	0.00	0.00	0.00
Unearned Ijarah rentals	55.73	77.03	(36.97)	107.22	264.87	0.00
Advance Ijarah rentals received	5.87	(9.18)	(5.59)	3.74	(9.22)	19.99
Trade & other payables	86.96	29.64	61.11	43.67	(32.61)	9.61
Taxation - net	0.00	0.00	0.00	653.27	(70.83)	(22.98)
Unclaimed profit distribution	8.56	9.33	7.39	11.67	12.25	11.74
Proposed profit distribution	0.00	0.00	0.00	0.00	0.00	0.00
TOTAL EQUITY & LIABILITIES	3.37	12.03	7.87	15.14	(18.49)	(19.50)

PROFIT & LOSS ACCOUNT (%)

	2013	2012	2011	2010	2009	2008
Ijarah rentals	5.46	(0.87)	5.67	(19.27)	(0.25)	11.09
Profit on diminishing musharaka	8.01	140.30	192.82	78.48	0.00	0.00
Profit on Murabaha finance	0.00	0.00	0.00	0.00	0.00	0.00
Depreciation on Ijarah assets	8.71	(1.69)	5.82	(21.36)	(2.85)	11.16
Administrative expenses	17.73	3.90	16.51	3.66	13.11	17.69
Other Income	463.15	85.14	(2.24)	6.72	(50.62)	91.72
Other charges	34.44	115.07	(53.49)	(69.49)	14,932.29	0.00
Financial charges	11.73	38.63	30.13	(32.21)	(51.73)	(14.27)
Modaraba company's management fee	203.09	22.90	3.93	9.77	(9.39)	80.06
Profit for the year	187.28	24.29	3.93	9.77	(9.39)	80.06

VERTICAL ANALYSIS



BALANCE SHEET (%)	2013	2012	2011	2010	2009	2008
ASSETS						
NON-CURRENT ASSETS						
Fixed Assets - tangible						
Ijarah Assets	62.33	54.78	58.23	64.46	63.91	67.47
Assets in own use	0.28	0.18	0.14	0.17	0.21	0.19
Intangible Assets	0.0299	0.0466	0.0023	0.0019	0.0004	0.0008
Investment in diminishing musharaka	7.53	5.13	3.98	0.85	0.43	0.00
Long-term advances & deposits	0.05	0.03	0.07	0.04	0.43	0.00
CURRENT ASSETS						
Investments	21.13	32.55	30.71	27.44	25.20	27.97
Current maturity of diminishing musharaka	4.05	3.25	1.74	1.00	0.34	0.00
Short-term Murabaha finance	0.00	0.00	0.00	0.00	0.00	0.00
Ijarah rental receivable - secured, considered good	0.07	0.07	0.11	0.13	0.35	0.08
Loan & advances	0.00	0.00	0.00	0.00	0.00	0.04
Trade deposits & short-term prepayments	0.24	0.11	0.12	0.04	0.02	0.02
Other receivables	0.70	0.54	0.51	0.21	0.34	0.47
Tax refund due from Government	0.80	0.62	0.43	0.03	0.00	0.00
Cash & bank balances	2.77	2.68	3.96	5.62	9.21	3.73
TOTAL ASSETS	100.00	100.00	100.00	100.00	100.00	100.00
EQUITY & LIABILITIES						
CAPITAL & RESERVES						
Authorized Certificate capital	23.31	24.09	26.99	29.12	33.52	27.32
Issued, subscribed & paid-up capital	21.36	22.08	24.73	26.68	30.72	25.04
Reserves	43.33	46.42	50.34	49.87	49.07	45.68
Certificate holders' equity	64.69	68.50	75.08	76.56	79.79	70.72
NON-CURRENT LIABILITIES						
Long-term Murabaha finances	-	-	-	-	-	4.19
Certificates of Musharaka - unsecured	-	-	0.07	0.02	0.19	1.07
Security deposits against Ijarah assets	5.61	4.58	4.71	4.14	3.93	4.68
Deferred liability - Staff gratuity	-	-	-	-	-	-
Total Non-Current Liabilities	5.61	4.58	4.78	4.16	4.13	9.94
CURRENT LIABILITIES						
Deferred Murabaha Income	-	-	-	-	-	-
Murabaha finances - current portion	-	-	-	-	-	6.81
Certificates of Musharaka - current portion	21.36	21.23	14.98	13.62	10.47	8.06
Security deposits - current portion	1.16	1.27	1.19	2.33	2.82	1.72
Short-term Musharaka finances - secured	-	-	-	-	-	-
Short-term Murabaha finances - secured	-	-	-	-	-	-
Unearned Ijarah rentals	0.58	0.38	0.24	0.42	0.23	0.05
Advance Ijarah rentals received	0.42	0.41	0.51	0.58	0.64	0.58
Trade & other payables	5.67	3.14	2.71	1.81	1.45	1.76
Taxation - net	0.059	0.061	0.068	0.074	0.011	0.032
Unclaimed profit distribution	0.46	0.43	0.44	0.45	0.46	0.33
Proposed profit distribution	-	-	-	-	-	-
Total Current Liabilities	29.70	26.92	20.14	19.28	16.08	19.34
TOTAL EQUITY & LIABILITIES	100.00	100.00	100.00	100.00	100.00	100.00

PROFIT & LOSS ACCOUNT (%)	2013	2012	2011	2010	2009	2008
Ijarah rentals	96.79	96.86	98.68	99.52	99.78	100.00
Profit on diminishing musharaka	3.21	3.14	1.32	0.48	0.22	-
Profit on Murabaha finance	-	-	-	-	-	-
100.00	100.00	100.00	100.00	100.00	100.00	
Depreciation on Ijarah assets	78.64	76.29	76.92	76.82	78.86	80.96
Administrative expenses	4.60	4.12	3.93	3.56	2.77	2.45
Other Income	64.46	12.07	6.46	6.99	5.29	10.68
Other charges	1.42	1.11	0.51	1.16	3.08	0.02
Financial charges	6.91	6.52	4.67	3.79	4.51	9.32
Modaraba company's management fee	7.76	2.70	2.18	2.21	1.63	1.79
Profit for the year	66.93	24.57	19.60	19.92	14.65	16.13



CERTIFICATE HOLDERS INFORMATION

Registered Office:
First Habib Modaraba
5th Floor, HBZ Plaza,
I.I. Chundrigar Road,
Karachi
U.A.N. : 111-346-346
Tel No. : 021-32635949-51
Fax : 021-32627373
Email: fhm@habibmodaraba.com
Web: www.habibmodaraba.com

Share Registrar Office:
M/s. Noble Computer Services (Pvt.) Limited
Mezzanine Floor, House of Habib Building
(Siddiqsons Tower)
3-Jinnah Cooperative Housing Society,
Main Shahrah-e-Faisal,
Karachi - 75350
PABX: (92-21) - 34325482-87
Fax: (92-21) 34325442

Listing on Stock Exchanges

First Habib Modaraba Equity Certificates are listed on Karachi Stock Exchange (KSE), Lahore Stock Exchange (LSE) and Islamabad Stock Exchange (ISE).

Investor Service Centre

First Habib Modaraba Share department is operated by Noble Computer Services (Pvt.) Limited. It also functions as an Investor Service Centre and has been servicing nearly 4,910 Certificate holders. The Investor Service Centre is managed by a well-experienced team of professionals and is equipped with the necessary infrastructure in terms of computer facilities and comprehensive set of systems and procedures for conducting the Registration function. The team is headed by Mr. Azadar Jafri at Registrar Office and Mr. Adnan Thanwey, Assistant Vice President & Company Secretary at First Habib Modaraba.

First Habib Modaraba share department has online connectivity with Central Depository Company of Pakistan Limited. The share department undertakes activities Certificate Transfer and Transmission, issue of duplicate / revalidated dividend warrant, issue of duplicate / replaced share Certificates, change of address and other related matters.

For assistance, Certificate holders may contact either the
Registered Office or Share Registrar Office:

Contact Person:
Registrar Office:
Mr. Azadar Jafri
Head of Operations

Contact Person:
First Habib Modaraba
Mr. Adnan Thanwey
Assistant Vice President/Company Secretary

Dividend Announcement:

The Board of Directors of the Management Company has approved Cash dividend of 20% (Re.1.00/- per Modaraba Certificate of Rs.5/- each) for the financial year ended 30th June, 2013.

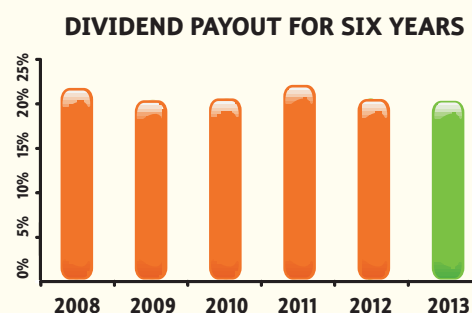
Book Closure Dates.

The Certificate Transfer Book of the Modaraba will remain close from 05-08-13 to 11-08-13 (both days are inclusive).

Payment of dividend

The dividend warrants will be sent to Modaraba Certificate Holders within statutory time limit i.e. within 45 days from the re-opening of Certificate Transfer Book to those Modaraba Certificate Holders whose name appear in the Register of Member of the Modaraba after entertaining all requests for transfer of certificate lodge with the Modaraba before the book closure date either in physical form or through CDC.

- (i) For Certificates held in Physical Form: to Certificate holders whose names appear in the Register of Members of the Modaraba after entertaining all requests for transfer of Certificates lodged with the Modaraba before the book closure date.
- (ii) For shares held in electronic form: to Certificate holders whose names appear in the statement of beneficial ownership furnished by CDC as at end of the business on book closure date.



Withholding of Tax & Zakat on Dividend

Under Section 150 of the Income Tax Ordinance, 2001 tax on dividend payable to be Certificate holder is to be withheld and will be paid to the Government @ 10% unless the Certificate holder's income is tax-exempt. This Certificate is issued pursuant to section 164 of the Income Tax Ordinance 2001.

Zakat is also deductible at source from the dividend at the rate of 2.5% of face value of the share, other than the corporate holders or the individuals who provide the undertaking for non deduction of Zakat.

Dividend Warrant

Cash Dividends are paid through dividend warrants addressed to the Certificate holders whose name is appearing on the register on the registrar of Certificate holders at the date of book closure. Certificate holders are requested to deposit the dividend warrants into their bank account, at their earliest. It will help the Modaraba in clearing their unclaimed dividend warrant.



PATTERN OF CERTIFICATE HOLDINGS AS PER REQUIREMENTS OF CODE OF CORPORATE GOVERNANCE

As At 30th June, 2013

CATEGORY NO.	CATEGORIES OF CERTIFICATES HOLDERS	NUMBER OF CERTIFICATES HELD	CATEGORY WISE NO. OF CERTIFICATES HOLDERS	CATEGORY WISE CERTIFICATES HELD	PERCENTAGE
1	INDIVIDUALS		4,813	54,535,307	27.05
2	INVESTMENT COMPANIES		3	55,960	.03
3	JOINT STOCK COMPANIES		41	3,515,388	1.74
4	DIRECTOR, CHIEF EXECUTIVE OFFICER, AND THEIR SPOUSE AND MINOR CHILDREN.		1	40,000	0.02
	MR. ABBAS ALI MUHAMMAD	40,000			
5	EXECUTIVES		-	-	
6	ASSOCIATED COMPANIES, UNDERTAKINGS AND RELATED PARTIES		5	101,071,682	50.13
	HABIB MODARABA MANAGEMENT (PVT.) LIMITED	100,501,732			
	TRUSTEES OF HABIB MODARABA MANAGEMENT (PVT.) LIMITED - EMPLOYEES PROVIDENT FUND	479,450			
	TRUSTEES OF FIRST HABIB MODARABA - EMPLOYEES PROVIDENT FUND	90,500			
7	PUBLIC SECTOR COMPANIES AND COOPERATIONS		-	-	0.00
8	BANKS, DFIS, NBFIS INSURANCE COMPANIES, MODARABAS & MUTUAL FUNDS		15	9,877,000	4.90
9	MUTUAL FUNDS		1	1,584,070	0.79
	NATIONAL BANK OF PAKISTAN - TRUSTEE DEPARTMENT NI (U) T FUND	1,584,070			
10	FOREIGN INVESTORS		11	2,709,096	1.34
11	COOPERATIVE SOCIETIES		2	24,120,285	11.96
12	CHARITABLE TRUSTS		7	1,180,808	0.59
13	OTHERS		11	2,910,404	1.44
	TOTAL		4,910	201,600,000	100

PATTERN OF CERTIFICATE HOLDINGS

As At 30th June, 2012



Number of Certificate Holders	Certificate Holdings	Total Certificate Held	
665	1	100	34,689
1,050	101	500	324,941
671	501	1,000	514,619
1,416	1,001	5,000	3,337,742
400	5,001	10,000	3,026,992
146	10,001	15,000	1,774,405
92	15,001	20,000	1,687,989
77	20,001	25,000	1,761,456
48	25,001	30,000	1,355,913
28	30,001	35,000	913,838
39	35,001	40,000	1,502,074
27	40,001	45,000	1,127,108
34	45,001	50,000	1,662,734
9	50,001	55,000	469,985
12	55,001	60,000	700,352
8	60,001	65,000	511,152
3	65,001	70,000	206,240
9	70,001	75,000	655,445
6	75,001	80,000	467,500
11	80,001	85,000	896,926
11	90,001	95,000	1,010,032
16	95,001	100,000	1,583,816
3	100,001	105,000	305,619
5	105,001	110,000	542,500
5	115,001	120,000	586,840
5	120,001	125,000	620,960
3	125,001	130,000	382,684
5	130,001	135,000	656,324
2	135,001	140,000	277,088
5	140,001	145,000	715,145
3	145,001	150,000	441,504
4	150,001	155,000	608,900
2	155,001	160,000	319,000
6	160,001	165,000	973,140
1	165,001	170,000	168,391
2	170,001	175,000	346,360
1	175,001	180,000	177,500
1	180,001	185,000	181,647
2	185,001	190,000	375,545
1	190,001	195,000	192,000
2	195,001	200,000	400,000
3	200,001	205,000	607,044
2	205,001	210,000	416,600
2	210,001	215,000	426,560
4	215,001	220,000	872,620
3	225,001	230,000	679,596
2	240,001	245,000	481,944
1	245,001	250,000	249,000
1	255,001	260,000	259,500
2	260,001	265,000	520,796
2	265,001	270,000	538,000
1	270,001	275,000	270,200
2	280,001	285,000	564,480
2	295,001	300,000	600,000
1	320,001	325,000	322,560
1	325,001	330,000	326,000
1	340,001	345,000	342,672
1	345,001	350,000	350,000
1	365,001	370,000	368,000
1	385,001	390,000	388,500
2	400,001	405,000	800,800
1	405,001	410,000	410,000
1	420,001	425,000	424,500
1	425,001	430,000	425,344
1	430,001	435,000	434,524
3	445,001	450,000	1,346,000
2	455,001	460,000	917,011
1	475,001	480,000	479,450
1	500,001	505,000	504,138
1	510,001	515,000	514,000
1	535,001	540,000	537,500
1	590,001	595,000	592,600
1	600,001	605,000	602,400
1	680,001	685,000	685,000
1	720,001	725,000	724,659
1	730,001	735,000	735,000
1	745,001	750,000	750,000
2	820,001	825,000	1,649,808
2	850,001	855,000	1,705,500
1	855,001	860,000	858,500
1	1,125,001	1,130,000	1,129,500
1	1,195,001	1,200,000	1,200,000
1	1,200,001	1,205,000	1,200,800
1	1,300,001	1,305,000	1,300,192
1	1,395,001	1,400,000	1,396,000
1	1,580,001	1,585,000	1,584,070
1	1,825,001	1,830,000	1,828,000
1	1,840,001	1,845,000	1,843,815
1	2,010,001	2,015,000	2,015,000
1	2,040,001	2,045,000	2,041,000
1	3,965,001	3,970,000	3,969,000
1	20,155,001	20,160,000	20,160,000
1	21,990,001	21,995,000	21,993,294
1	24,110,001	24,115,000	24,112,990
1	58,345,001	58,350,000	58,348,438
4,910			201,600,000

EDGE WITHIN THE SECTOR

Credit Rating

During the year, rating of FHM has been maintained to AA+ for long term and A1+ for short term (A1+ is the highest level in PACRA rating scale for short term rating). FHM is maintaining A category rating for last 14 years from Pakistan Credit Rating Agency (Private) Ltd.

Highest Equity and Sound Profitability

Maintaining Highest Equity and Sound Profitability, within Modaraba sector since last several years.



Unbroken Dividend Payout History

Since the beginning of operation the FHM has been paying dividend to its certificate holders every year without any fail.

Profitable Venture since Inception

By the grace of God, due to unmatched business & finance skills of the management, FHM remain profitable venture since the beginning. By applying strict risk management policies and best business practices Allhamdolillah, FHM has never incurred losses in any year during the business operation of last 28 years. No doubts, it is a very remarkable achievement of FHM, which is rarely available within the sector of non-banking financial institutions.

Excellent Investment Portfolio

So far, FHM has developed a very lucrative investment portfolio, which is yielding good and stable return.

ACHIEVEMENTS

Best performing Modaraba award from NBFi and Modaraba Association of Pakistan

For the financial year ended 30th June, 2012, the NBFi and Modaraba Association of Pakistan, has awarded best performing Modaraba award to FHM within the Modaraba sector.

So far FHM has received 12 awards from Modaraba Association of Pakistan within last 14 years.

Best Corporate Report Award from ICAP/ICMAP

The joint committee of ICAP/ICMAP has given "Best Corporate Report Award" to FHM under the category of Non-Banking Financial Institutions (NBFIs) in their award ceremony held in October, last year. The award was given on annual audited accounts of FHM for the period ended 30th June, 2011.

Alhamdulillah, so far FHM is the first Modaraba who has awarded for best corporate report award within the entire Modaraba sector since last three consecutive years.

Best Presented Account Award from "SAFA"

South Asian Federation of Accountants (SAFA) in its Award Ceremony held in Colombo Sri Lanka, on 22th March, 2013 awarded a "Certificate of Merit" award to FHM for "Best Presented Account" and "Corporate Governance Disclosure" within the category of Non-Banking Financial Institutions (NBFi) sector of Pakistan.

This is third consecutive "Certificate of Merit" award to Habib Modaraba from SAFA committee.

SAFA is an Apex Body of South Asian Association for Regional Co-operation (SAARC) and represents membership of the national chartered accountancy and cost and management accountancy institutions in South Asian Countries namely Bangladesh, India, Nepal, Sri Lanka and Pakistan.

By the grace of God, this is again a great achievement not only for FHM but certainly an honor for entire Modaraba and NBFi sector.



CORPORATE MEMBERSHIPS



First Habib Modaraba (FHM) having affiliation with well-reputed International and Local Associations



**ISLAMIC FINANCIAL
SERVICES BOARD
(Malaysia)**

The Islamic Financial Services Board (IFSB), is based in Kuala Lumpur, Malaysia, was officially inaugurated in 2002. The Islamic Financial Services Board (IFSB) is an international standard-setting organization that promotes and enhances the soundness and stability of the Islamic financial services industry by issuing global prudential standards and guiding principles for the industry, broadly defined to include banking, capital markets and insurance sectors. The IFSB also conducts research and coordinates initiatives on industry related issues, as well as organizes roundtables, seminars and conferences for regulators and industry stakeholders.



**السوق المالية
الإسلامية الدولية
International Islamic
Financial Market
(Bahrain)**

IIFM is the global standardization body for the Islamic Capital & Money Market segment of the IFSI. Its primary focus lies in the standardization of Islamic financial products, documentation and related processes.

IIFM was founded with the collective efforts of the Central Bank of Bahrain, Bank Indonesia, Central Bank of Sudan, Labuan Financial Services Authority (Malaysia), Autoriti Monetari Brunei Darussalam and the Islamic Development Bank (a multilateral institution based in Saudi Arabia).



**NBF & Modaraba
Association of Pakistan**

NBF & Modaraba Association Of Pakistan was incorporated on 29th July, 2010 by merging Modaraba Association of Pakistan (MAP) and Leasing Association of Pakistan (LAP). The total numbers of members of the Association are 36 (thirty six) which includes 24 modarabas, 12 leasing companies and investment banks.

The Association provides a forum to all members to confer on all issues of common interest and to formulate joint strategies for their operation.



**Management Association
of Pakistan**

Management Association of Pakistan was formed in 1964. MAP is the apex management association of the country. Its mandate is to further strengthen management thought, practice and advocacy. MAP provides a platform for exchange of management knowledge and acts as a bridge between the public and private sectors, management practitioners and the government. The MAP is a forum at which national and international economic issues are discussed in their various events through out the year.



**MARKETING
ASSOCIATION OF
PAKISTAN**

Marketing Association of Pakistan promotes the business interest of its members and drives growth of the marketing association industry.

To enhance the appreciation of marketing discipline, provision of a forum to Pakistani marketers for interaction with fellow professionals and development of a voluntary code of ethics. MAP brings together persons interested and connected with marketing activities by arranging professional meetings each month.



**INSTITUTE OF
BANKER OF
PAKISTAN**

The Institute of Bankers Pakistan (IBP) is Pakistan's only recognized Institute dedicated to providing technical training services for the banking industry in the country. The Institute's mission is to train and develop a sound human resource base for the financial sector and to work for continuous learning and professional development of bankers.

Awards Received

- 1999** Best Performing Modaraba Award by The Modaraba Association of Pakistan
- 2000** Best Performing Modaraba Award by The Modaraba Association of Pakistan
- 2001** Best Performing Modaraba Award by The Modaraba Association of Pakistan
- 2002** Best Performing Modaraba Award by The Modaraba Association of Pakistan
- 2005** Best Performing Modaraba Award by The Modaraba Association of Pakistan
- 2006** Best Performing Modaraba Award by The Modaraba Association of Pakistan
- 2007** Best Performing Modaraba Award by The Modaraba Association of Pakistan
Corporate Excellence Certificate Award by The Management Association of Pakistan
- 2008** Best Performing Modaraba Award by Modaraba Association of Pakistan
Corporate Excellence Certificate Award by The Management Association of Pakistan
- 2009** Best Performing Modaraba Award by The Modaraba Association of Pakistan
Corporate Excellence Trophy Award by The Management Association of Pakistan
- 2010** Best Performing Modaraba Award by The Modaraba Association of Pakistan
Corporate Excellence Certificate Award by The Management Association of Pakistan
Best Corporate Report Award by The Joint Committee of ICAP and ICMAP
Best Presented Accounts and Corporate Disclosure Award by SAFA
- 2011** Best Performing Modaraba Award by The NBFi's & Modaraba Association of Pakistan
Corporate Excellence Certificate Award by The Management Association of Pakistan
Best Corporate Report Award by The Joint Committee of ICAP and ICMAP
Best Presented Accounts and Corporate Disclosure Award by SAFA
Brand of the Year Award by The Brands Foundation of Pakistan
- 2012** Best Performing Modaraba Award by The NBFi's & Modaraba Association of Pakistan
Best Corporate Report Award by The Joint Committee of ICAP and ICMAP
Best Presented Accounts and Corporate Disclosure Award by SAFA

Committed to **“PERFORM”**

Performance is deemed to be the fulfillment of an obligation in a manner that releases the performer from all liabilities. The performance is the accomplishment of given task. Well targeted business performance is critical for every organization.

Alhamdulillah, our performance of last 28 years remained satisfactory with growing business volume and profits every year since beginning of our business operation.

FHM has been maintaining its status as leading Modaraba within the Modaraba sector and rank in top ranking position within its peer group.

In recognition of outstanding performance, the NBF and Modaraba Association of Pakistan has been awarding FHM as “Best Performing Modaraba Award” within Modaraba sector of Pakistan, since last 14 years. So far FHM has secured 12 awards of best performance from said Association.



NBFBI & Modaraba
Association of Pakistan

Best Performing Modaraba Awards



2012



2011



2010



2009



2008



2007



2006



2005



2002



2001



2000



1999

Committed for **“EXCELLENCE”**

Success may be of one dimensions but excellence is of multiple dimensional in the company.

Excellence in any organization cannot be achieved without good corporate governance culture.

At FHM, we are committed to achieve the highest standards of corporate governance, integrity and business ethics across all our operations.

Our long and sustainable efforts for Corporate Excellence have been continuously recognized by the Management Association of Pakistan (MAP). By the grace of God, since last 5 consecutive years FHM has been receiving Corporate Excellence Certificate and Trophy award.

No doubt, this is a great achievement not only for FHM but also for entire Modaraba sector. The recognition of above awards by MAP acknowledges the strong commitment of FHM for promotion of good governance and corporate excellence.

28th



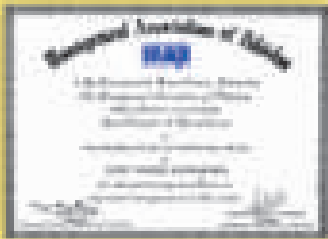
**Corporate
Excellence Award**

**Management Association of Pakistan
has given the
Corporate Excellence Certificate
TO
First Habib Modaraba**

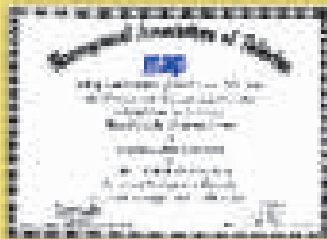


2011

Award Received in Previous years



2007



2008



2010



2009

Committed to **“PRUDENT”**

To be prudent, remain an important corporate objective throughout of business tenor of FHM. Efforts have always been made to enlarge the area of business in a prudent manner and execute funding transactions judiciously on selective basis with in-depth assessment of client.

Our prudent and proactive risk management approach well supported us in building a good assets portfolio. This has also enhanced our ability to manage and sustain our existence and even made progress despite of tough and unexpected turbulences of the businesses.

Keeping in view of our careful and risk-averse approach our credit rating has been maintaining within the rating scale of AA+ for long term. This rating has been awarded by M/s Pakistan Rating Agency Ltd (PACRA). Due to our continue sound and stable business position, we have been maintaining AA+ category rating scale since last several years.



Press Release

PACRA MAINTAINS RATING OF FIRST HABIB MODARABA

Lahore: February 14, 2013

The Pakistan Credit Rating Agency Limited (PACRA) has maintained the long-term and short-term rating of "AA+" (Double A plus) and "A1+" (A One Plus) respectively of First Habib Modaraba (FHM). These ratings denote a very low expectation of credit risk emanating from a very strong capacity for timely payment of financial commitments.

The ratings reflect demonstrated efficacy of FHM's strategy engendering consistent profitability without compromising quality of its financing book. The management has a focus on strengthening core infrastructure industry, including technological and risk management systems - pre-requisites to withstand the dynamic landscape of financial industry in the country. Despite continuing difficult operating environment, FHM intends to follow an aggressive growth strategy targeting to sizably expand its financing portfolio; however, the team's demonstrated risk management ability lends confidence. Moreover, the ratings draw comfort from FHM's strong risk absorption capacity emanating from a sound equity base. Meanwhile, FHM's association with the House of Habib remains a key factor.

The ratings require FHM to sustain its competitive positioning while maintaining the profitability. At the same time, cohesiveness and stability in the management team would be important. Meanwhile, strengthening of systems and processes while maintaining sound asset quality in the volatile operating environment is critical.

About the Modaraba First Habib Modaraba, established in 1985 and listed on all the bourses of the country, is a perpetual, multipurpose Modaraba engaged in Islamic modes of financing, mainly Ijarah (lease). FHM is managed by Habib Modaraba Management Company (Pvt.) Limited.

The board of directors of FHM comprises professionals having vast experience of banking and finance. The MD, Mr. Muhammad Shoaib, Ex-Chairman of Modaraba Association of Pakistan, has been associated with the Modaraba since its inception. The management team is composed of seasoned professionals who have been associated with the Modaraba for a long period.

Rating growth during last 14 years



Committed to be **“TRANSPARENT”**

Today, more than ever, transparency and disclosure (T & D) are critical for business information and appropriate decision. T&D are fundamental components of corporate governance. Greater transparency and better disclosure keep corporate stakeholders better informed about the way a company is being managed.

We realize our responsibility for T &D. We are committed to provide our investors and other stakeholders with transparent information and better disclosure around our structure and operations.

Since last three consecutive years FHM has been receiving Best Corporate Report award from Joint Committee of ICAP/ICMAP and Best Presented Account and Corporate Governance Disclosure award from South Asian Federation of Accountant (SAFA), at SAARC level.



1st



Non Banking Islamic Financial Institution in Pakistan

First Habib Modaraba

receive for 3 consecutive years **Certificate of Merit Award**

For Best Presented Annual Report Awards & Corporate Governance Disclosures 2011

from **SOUTH ASIAN FEDERATION OF ACCOUNTANTS (SAFA)**

in the category of **Financial Services Sector**



2011



2010



2009



Institute of
Chartered Accountants
of Pakistan



Institute of Cost &
Management Accountants
of Pakistan

JOINT COMMITTEE OF ICAP AND ICMAP
has given
BEST CORPORATE REPORT AWARD - 2012
to
FIRST HABIB MODARABA

2012



2010



2011



First Habib Modaraba
(An Islamic Financial Institution)



**The Institute of
Chartered Accountants
of Pakistan**



**Institute of
Cost and Management Accountants
of Pakistan**

The Joint Committee of ICAP & ICMAP has selected annual report of First Habib Modaraba for the year ended 30th June 2011 as a best corporate report and given “Best Corporate Award” under the category of Non-Banking Financial Institutions (NBFI) which comprising on Insurance, Leasing, Investment banks, Mutual Funds and Modarabas. This ceremony was held on October 8, 2012 at Karachi.

Alhumdullilah, Habib Modaraba is the First Modaraba who has awarded for best corporate award of last three consecutive years.

PRODUCT RANGE

LEASE (IJARAH)



Ijarah is a contract of renting/ hiring/leasing for usufruct of the assets under which Modaraba arrange finances for moveable fixed assets at agreed rental and period with an undertaking to purchase the assets by the customer. Rental and Purchase price is fixed in Advance.

DIMINISHING MUSHARAKA



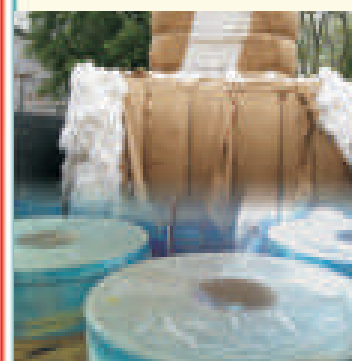
(Shirkatul Mutanqish) is a type of Shirkah where one partner purchases the other partner's share gradually. Two partners acquire any asset (vehicle/ machinery/property) with an intention that one or both partner will use this asset or any one rent out its share in the property to another and sharek undertakes to purchase the share of other partner until it acquires the complete ownership.

CAR-NAMA



The rise in the cost of vehicles has made buying the car of a difficult reality. Now we bring a package which reduces your worries for your huge investment in the car of your choice. FHM is offering a very flexible and affordable car Ijarah-financing scheme for corporate employees and self-employed persons who fulfill required criteria of FHM.

MURABAHA



It is contract of sales of goods on deferred payment basis in which Modaraba buys the goods and sell them to the customer of deferred payment basis. In this transaction, seller i.e. Modaraba disclose the cost and profit thereon.

PRODUCT RANGE



SALAM



Salam means a contract in which whole payment made in advance for goods to be delivered later; thus the contract creates a liability for the seller. Amount given, as Salam cannot be called back, unlike Qard.



ISTISNA



This is a contractual agreement for manufacturing goods and commodities, allowing cash payment in advance and future delivery or a future payment and future delivery.



MUSHARAKA



It is a partnership where profit is shared as per agreed ratio at the inception of shirkah, while the loss is shared in proportion of capital investment of each partner. All the partners are entitled to participate in the management of the business.



CERTIFICATE OF MUSHARAKA



It is on the basis of this expertise and know-how that FHM presents a prime investment opportunity in the form of Certificate of Musharaka (COM) and promises best possible returns to investors with complete security.

Amulagam a Kalkulam Ma Kalkumalathu Ma Barukathathu

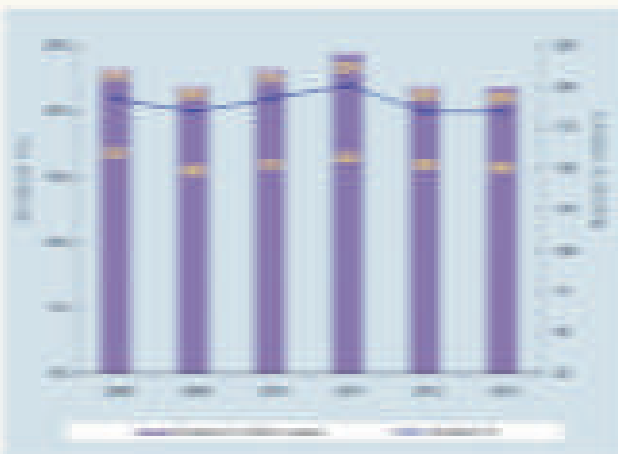
Director's Report to Shareholders

In pursuance of the Board of Directors' commitment to present the audited accounts of the Company for the year ended June 30, 2011.

Particulars	Rs. in Lakhs
Particular management remuneration	110
Particular Company remuneration	110
Other fees	40
Particular Reserve	40
Provisioned profit/CF	0
Profit available for appropriation	200

APPROPRIATION

Cash dividend of 2%	20
Transfer to General Reserve of 2%	40
Transfer to Special Reserve	80
Provisioned profit/CF	0
	200



Dividend

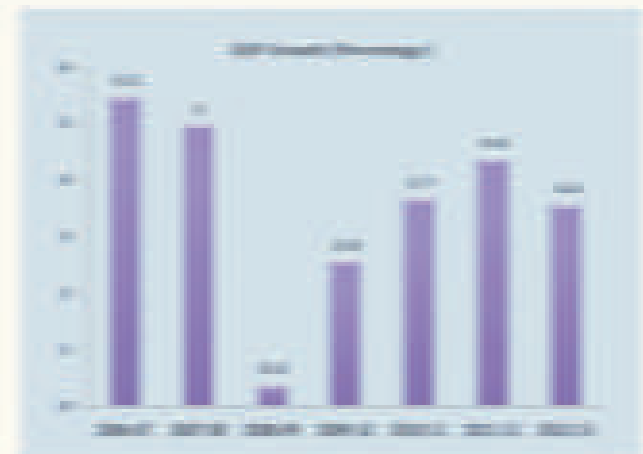
The Board has proposed a cash dividend of 2% i.e. Rs. 11 of certificate of Rs. 50 each and accordingly proposed amount is available for payment.

Director's Review

This year (2011) was one the most difficult year for the economy of India and country again almost met the budgetary targets with high margin. GDP growth year to year has been a slight dip against the target of 8.5 percent and 8.6 percent in the previous year. The average growth rate of population was 1.9 percent in 2011 against GDP growth rate of 7.8 percent in the same period which is sufficient to support growth in employment.

High energy shortage, increasing non-renewable fossil fuel prices, inflation for increasing PPI, regional security environment, uncertainty surrounding political transition for most part of the year etc., greatly affected growth prospects. The industrial growth was badly affected due to the strong rupee, foreign exchange reserves, weak oil prices, budget deficit was average with growth of GDP and credit and investment declined for year.

The investment in GDP was 64 to 62 percent in 201111 than 68 percent last year with domestic investment being contributing to the decline. Trade sector was particularly affected to extent due to non-availability of working capital long cycle of power outage, a deteriorating law and order situation and overall unfavourable investment climate. The GDP decline to near recession policy for 40 weeks during the last year and half year has not impacted positively on

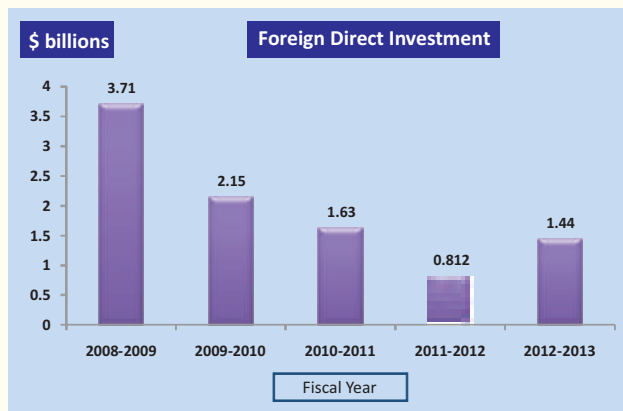


investment climate which suggests that the problem lie with other determinants of investment.

The factors that affected all sectors of the economy were poor government. One of another most important negative factor is decline investment in GDP which was the core of the decline of the direction in GDP year.

The macroeconomic numbers released in the Pakistan Economic Survey 2012-13, portray a very bleak picture of the economy. Economic growth has plunged to 3.6pc, fiscal deficit has blown to Rs2 trillion or 8.3pc. Deficit financing and external account is key concerns for the government. Persistence of structural bottlenecks, mainly due to severe energy shortage and a sensitive law and order conditions have become impediments for economic growth.

Power shortage remained the main constraint for economic growth, as load-shedding has intensified and has become unpredictable. The key factors that have caused this crisis include bad energy mix, with heavy reliance on very expensive imported furnace oil, huge gap between cost and recovery of power, large line losses, inefficient generation plants and unresolved circular debt. Pakistan's overall debt

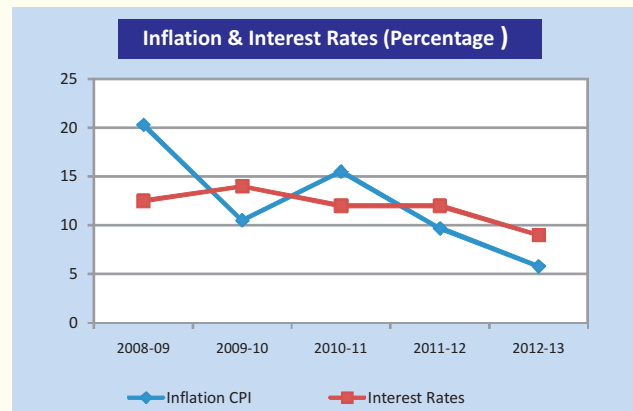


has reached to in excess of Rs.15.0 trillion which is now on very high and mounting pressure on budget deficit due to debt servicing.

The new government has presented budget for 2013-14 last month. The total outlay of the budget was Rs.3.98 trillion which was around 25% higher than the budget estimates of corresponding year. A huge amount of Rs.1.2 trillion has been allocated for the public sector development program (PSDP).

Recently the government of Pakistan and IMF has reached an agreement for a three year program of at least \$5.3 billion loan under an extended fund facility. One of the conditions of this loan was that the Pakistan should bring down its budget deficit to six percent. The successful conclusion of talks comes at a time when Pakistan's central bank has only about \$6.25 billion left in reserves, hardly enough to cover less than six weeks of imports.

In recent monetary policy the State Bank of Pakistan has reduced the policy rate by 50 bps to bring it down to 9%. In the statement, the SBP has given higher weight to declining inflation and low private sector credit. An expansionary



monetary policy stance has been adopted by the SBP through a phased reduction aggregating to 450 basis points since August 2011.

An almost continuous and broad-based deceleration in inflation over the last year has had a favorable impact on inflation outlook – a key variable in monetary policy decisions. In May 2013, the year-on-year CPI inflation was 5.1 per cent while trimmed measure of core inflation was 6.7 per cent; the lowest levels since October 2009.

However, due to recent budgetary measures which are mostly inflationary in nature are likely to push the inflation numbers in the upcoming month. Implementation of enhanced GST, greater taxation on unregistered tax payers along with recent petroleum price would contribute towards inflation numbers.

After the election of 2013, the new government has come in power and trying to address the macro economic problems. In order to set the trouble economy at right track it is necessary that the new leadership map out a strategy for promotion of investment and industrialization, strengthen the good governance and develop human capital. In recent budgetary measures the new government has come out with more taxes to increase revenue which may not prove good for economic development and government would continue to depend on bank borrowings for fiscal operations. As we see new stage of maturity in the democratic process, we can expect and look forward to heightened sense of responsibility in the management and progress of the economy.

Financial Sector

For the year ended 31st December, 2012, the performance of banking sector has remained satisfactory and good growth has been reported in profit, size of deposit and overall assets. During the years, growth has been remarkable and profitability of banks has risen to an exceptional level.

Portfolio is fairly diversified and bank-wide system risks are well-contained

So far Pakistan's banking sector has shown a lot of resilience over the past many years. It emerged unscathed when the world was hit by the financial meltdown in 2008. This was made possible because of its less than significant global exposure and resultant integration. At present banking in Pakistan is quite mature in terms of supply and product range including Shariah-compliant products.

Within the banking system there are continuous surge in non-performing loans (NPL). However, sector is sufficiently resilient to face shocks. The results of stress tests reflect system's strong capacity to endure extraordinary shocks in major risk factors and avert the emergence of any systemic risk.

The performance of Non-Bank Financial Companies is gradually improving particularly Mutual Fund, Leasing Companies and Modarabas. According to analysis made by NBF and Modaraba Association of Pakistan, the profitability of overall Modaraba sector remained excellent for the period ended 30th June, 2012. Out of 24 Modarabas 22 declared profits and amongst them 18 Modarabas distributed dividends to their Certificate Holders between the ranges of 1% to 65%.

The NBF reform committee which was constituted last year, the recommendation of the committee was finalized and the Securities and Exchange Commission of Pakistan (SECP) has invited comments of industry players and general public on the draft recommendation. At present SECP is in process of finalizing the regulation in light with recommendation of public feedback. As per SECP the major recommendations of the Committee was as follows.

- Introduction and implementation of the concept of activity based regulatory regime.
- Revision of existing investment finance services model.
- Introduction of separate regulatory regime with reduced equity requirements to encourage non-deposit taking leasing, investment finance and housing finance companies.

Pakistan's financial sector is banking centric and share of NBF sector is very small. This dependence on the banking sector makes our financial system vulnerable to risks through lack of diversification and also restricts the scope of product innovation. A strong NBF sector would not only promote savings by offering different asset classes to the investors but



will also provide alternative fund raising opportunities to the market players.

We are confident that implementation of the suggestions would make a significant contribution in providing the impetus for growth and will Insha'Allah support for encouraging business environment for promotion of entire NBF sector. We are hopeful that with the commitment and active participation of industry player along with the support and guidance of SECP, these reform measures will achieve desire goal.

Business Review of FHM

During the year, by the blessing of Allah Subhanahuwata'ala the management of FHM has again full filled their commitment and given satisfactory financial result and better return in the shape of cash dividend to Certificate Holders. FHM has demonstrated operational and managerial strength which well reflected both in business volume and profitability despite of very difficult operating environment and slowdown of economic activities across the country along with political challenges.

FHM strategic focus on growth in prudent manner, commitment to deliver customer centric solutions, well define corporate policies and coordinate action with team work is continuously delivering positive results and gives long term sustainable development.

During the year under review the disbursements with respect to lease financing and Diminishing Musharaka financing were made of Rs. 1,890 million and Rs 364 million respectively. In terms of profitability of Modaraba, we can say it was an exceptional year of Modaraba. The net profits of Rs.992 million were made. The reason of high profits was disinvestment of shares from shares portfolio.



Due to deterioration of profit as defined by law (10% of TDR) is not qualifying for income tax exemption as per income tax ordinance. However, due to capital gain exemption and available losses, there is no income tax liability for the period ended 30th June 2013. There is no provision of income tax has been made in the accounts. Furthermore, Director General has also not provided for a provision of Income Tax expense of Income Tax Ordinance.

The decision of disbursement of loans portfolio was based on regulation of Deposit and Audit Department for Cambodia, Monetary Office of Kingdom Cambodia and also by internal and external guidelines for particular loans movement was not meeting the requirement of such regulations and as per Director of MR Office and Deposit Advisor. TDR was left with no other action except to disburse the loans. We are Director of State Advisor we have learned all related procedure of loans movement in GDP and based on the State complete movement for stable and continued state.

The year TDR received more commitment on Depository Mutualized Obligation in the amount of \$1,200 million, which was given to TDR over the financing of corresponding amount of net new funds, good corporate culture, trust and been called when loan financing portfolio particularly from urban and rural areas market.

Other assets which was provided last year, and has been fully functional and gradually enhancing business income before financing portfolio activities.

The management is determined to work on developing good asset quality portfolio for sustainable earning, trust and long term relations from new financing and investments. Being our customer and product approach as our corporate objective (TDR) and based good value of the services during the year when it may continue generation of operating cash flows and good business growth. Due to our excellent service of customer, good assets quality and strong follow up by our recovery department, our recovery remained satisfactory within the overall financial sector of the country particularly within MR sector of Phnom Penh. By the State of TDR, this year we did not provide any amount appropriate to requirements in our performing facility.

The corporate strategy is derived from our vision and mission statements and its primary objective is to make long term and sustainable development. The key elements of our corporate strategy have been to effectively manage available resources, develop business segments and maximize business opportunities backed by innovative technology solutions with management and ongoing activities.

The strategic decisions and actions are being continuously aligned to maximum achieve our corporate objective. We are continuously striving to improve our governance, internal control and business processes systems, to enhance operational capacity for better and efficient services to customer. We endeavor to achieve high standards of excellence in all areas of financial services in order to build a sound and strong bank. Financial inclusion.

Credit Rating

We received Credit Rating Agency general credit (RCC) in their rating update dated 19th February, 2013. We again received their confidence in sound and stable position of TDR and maintain rating level of A++ for long term and A++ for short term for the period ended 30th June 2013. It is a highest rating in the short term scale assigned by RCC. These ratings denote a very low expectation of credit risk, indicating that it has strong capacity for timely payment of financial commitment.

As per RCC's assessment the rating reflects demonstrated efficacy of TDR's strategy regarding consistent profitability without compromising quality of its financing work. The management has a focus on strengthening core infrastructure including technological and risk management systems - particularly to address the specific business of financial industry in the country.



By the grace of God, FHM is maintaining AA+ rating since last several years and sound rating assessment must be great source of comfort for worthy investor and certificate holders.

Awards

Best performing Modaraba award from NBFBI and Modaraba Association of Pakistan

For the financial year ended 30th June, 2012, the NBFBI and Modaraba Association of Pakistan, has awarded best performing Modaraba award to FHM within the Modaraba sector. FHM has secured 2nd position in above award category.

So far FHM has received 12 awards from Modaraba Association of Pakistan within last 14 years.

Best Corporate & Sustainability Report Award from ICAP/ICMAP

The joint committee of Institute of Chartered Accountant of Pakistan (ICAP) and Institute of Cost & Management Accountant Pakistan (ICMAP) in their ceremony held on 8th October, 2012, has awarded "Best Corporate Report Award" to First Habib Modaraba (FHM) under the category of NBFCs.

According to sector segmentation of above committee, the NBFCs sector consisting on Insurance, Leasing, Investment banks, and Modarabas. Within the NBFCs sector five listed entities were selected and awarded for best report. Alhamdulillah, FHM is one of them, secured "Second Position".

By the grace of God, this is third consecutive years for best corporate award and FHM is the only Modaraba in entire Modaraba sector who has been receiving this award since last three consecutive years. We thank Almighty Allah for his continuous blessing and bestowing upon us of this success.

Best Presented Account Award from "SAFA"

South Asian Federation of Accountants (SAFA) in its Award Ceremony held in Sri Lanka, on 22nd March, 2013, awarded a "Certificate of Merit" award to FHM for "Best Presented Account" and "Corporate Governance Disclosure" within the category of Non-Banking Financial Institutions (NBFI) sector of Pakistan.

Within this sector, FHM was only nominee from Pakistan. This is third consecutive "Certificate of Merit" award to Habib Modaraba from SAFA committee.

SAFA is an Apex Body of South Asian Association for Regional Co-operation (SAARC) and represents membership of the national chartered accountancy and cost and management accountancy institutions in South Asian Countries namely Bangladesh, India, Nepal, Sri Lanka and Pakistan.

By the grace of God, this is again a great achievement not only for FHM but certainly an honor for entire Modaraba and NBFI sector.

Market Information

Following table shows the market share of FHM as per the MAP Year Book 2012 (NBFI & Modaraba Association of Pakistan) for the financial year ended 30th June, 2012.

	(Rupees in million)		
	Combine position of 24 Modarabas	FHM Share	% of FHM share to All Modarabas
Total Equity	13,186.35	3,127.20	24
Total Assets	29,195.70	4,565.64	16
Ijarah Assets	9,092.96	2,182.34	24
Net Profit	1,310.77	345.04	26

Risk Management Framework

Risk Management Framework support an organization to identify and understand the risks to which it is exposed. It involves setting the most appropriate course of action under uncertainty by identifying, assessing, understanding, communicating and addressing.

Risk management is an essential pillar of our business strategy. Risk management department (RMD) is actively measuring, controlling and reporting the risks across the organizations.

Risk Management Framework in FHM is based on sound organizational structure, policies and procedures, risk



assessment techniques, monitoring tools and reporting mechanism are closely aligned with the FHM's overall business strategy.

Modern analytical tools are used in combination with traditional techniques to assess credit, operational and market risks. Risk Management activities broadly take place at all levels of FHM.

Credit Risk

Credit risk is biggest threat in any financial institution. While financial institutions have faced difficulties over the years for a various reasons, the major cause of serious problems continues to be directly or indirectly related to inadequate credit standards and risk management tools. The impact of slow and uncertain economic conditions of the country has diluted safe credit granting avenues and reduced overall advances portfolio of the banking and non-banking financial sector towards private sector. It has also impacted repayment ability of the borrower.

Keeping in view the management of FHM has been given their utmost importance and priority for effective management of credit risk. We have been pursuing a holistic approach towards the implementations of sound risk management framework in this area and update/improve all procedures and processes in accordance with requirement

Under the guidance of the Board, the scope of Risk Management Department (RMD) has been widened, focusing on capacity building, development of new policies, procedures, and increase in awareness about risk management concepts and practices.

Specialized committees i.e. Credit Committee and Asset Liability Management Committee comprising of senior management team members with relevant experience and

expertise perform their functions in line with the strategic direction in accordance with risk management framework.

At FHM, we have been continuously up dating and improving and our procedures and manuals of various Risk Management particularly Credit. During the year, for further improvement of policies and manuals a job was given to a reputable consultant firm for further refining the credit risk manuals & procedures.

Since last two years we have implemented procedures and analysis sequences such as appraisals of financials of borrower through quantitative and qualitative analysis and its scoring for credit appraisal of customer's proposals, assessment of standalone performance of the company/client, assessment of Industry/Sector, and performance of the sector and onsite visits and market assessments of customers through market information These tools have greatly supported us for accurate credit appraisals and identification of potentials risk therein.

This year we have upgraded our Facility Origination System (FOS) through automation. This system help our branches for updating customers proposals with credit main server and support centralized credit department for speedy analyzing and moving credit proposal to credit committee. This speedy process not only reduce turnaround time of credit proposal but help for accurate and fast information of customer for right decision making by Credit Committee.

Operational Risk

Operational risk is defined as the risk of loss, whether direct or indirect, to which the FHM is exposed due to inadequacy or failure of processes, procedures, systems or controls and external events. Operational risk, in some form, exists in each of the FHM's business and support activities and can result in direct and indirect financial loss, regulatory sanctions, customer dissatisfaction and damage to the FHM's reputation.

The day-to-day management of operational risk exposures is through the development and maintenance of comprehensive internal controls and procedures based on segregation of duties, independent checks, segmented system access control and multi-tier authorization processes. An incident reporting process is also going to establish to capture and analyze frauds and control lapses. The framework of operational risk management has been categorized in two broader segments:

1. Effective internal control processes and periodically updating strategy. Such strategy is an integral part of

FHM's day to day business and transactions activities which is based on self-controlled assessment.

2. Strike adherence of compliance function of policies and procedures for effective monitoring and mitigating through internal audit function.

With improvements in other areas, more emphasis is given on further strengthening of internal controls. The management is continuously focusing on improving governance structure of FHM in line with future business strategies and upcoming challenges.

Market risk

Market risk is typically measured using a Value at Risk methodology. Value at risk is well established as a risk management technique, but it contains a number of limiting assumptions that constrain its accuracy. Normally the market risk is associated with Equity Risk, Interest Rate Risk, Currency Risk and Commodity Risk.

Being Non-Bank Islamic Financial Institutions, the FHM is not fully exposed with above all four risks. However, control of below mentioned two risks are well adopted and implemented.

1. Equity Risk
2. Interest rate risk

In order to evaluate and control above risk , following committees are established

1. Market investment committee
2. Assets and liability management committee (ALCO)

Both committees are effectively managing equity and interest rate risk. At FHM, although the transactions of equity market are not very regular, but all the transactions went through with SOPs of investment approved by the committee. Being an Islamic Financial Institutions, FHM is not engaged in any business activities where a fixed rate of interest is involved. However, credit facilities are being extended in approved Islamic mode of financing which are linked with market floating rate of profit. The ALCO committee regularly reviews liquidity position and lending rate management through their standard procedures and market feedback.

Training and development

Human Resource Development (HRD) is a strategic and comprehensive management area that involves establishing



policies, practices, and administrative structures that focus on an organization's most valuable resource i.e. their people. The management of FHM is always believe that by investing on human resource for upgrading their professional knowledge support us for enhancement of their professional capacity which ultimately benefit to FHM.

During the year review, the HR department arranged various training and learning workshops for staff members. The learning sessions were comprises on Islamic Finance, Credit management, information technology etc. The focus of staff training was remained to upgrade their professional competencies in such way to enhance operational efficiency within FHM and also help them future career development.

FHM is continuously striving to make such policies for employees which should be more customized and competitive to foster team work, to encourage creativity and to ensure career progression. We believe to manage them by leading rather than by driving. We hire the best people for the job and strive to retain, motivate, empower and reward them for their contribution. We are committed to provide an ideal professional environment to enable our employees to pursue the highest possible level of performance and supportive in fulfillment of their personal goals which ultimately lead to growth of institutions.

Technology

We being financial institution strongly believe that for quality and speedy financial services to our customer, we should have sound stable support of information technology.

In order to achieve sophisticated product development, better market infrastructure, implementations of sound techniques for controls of risks and enhancement of market share, the role of system support department is very critical.

During the year we have made huge investment on replacement of entire client system and servers. This change has brought operational efficiency and supported for quality



and fast service delivery to our customers. The system support department is well targeted for technology focused services that increase productivity and enhance efficiency.

Now department is working on Multan branch to deploy VPN and connect the branch with main server. Besides, department is also working on other key application i.e. control management, human resource management, risk management, and enterprise general ledger, and customer relationship management.

We are hopeful that by above developments, the operational capabilities of relevant department of FHM will be improved and this will support for improvement of internal controls and effective management information system

Internal Controls

Internal Control is an important function for any institution, which need progress through proactive approach toward improving and updating its infrastructure from any vulnerable threat and events.

Internal control is a key process of any organization which ensures effective working at all levels. It is integral to effective risk management for overall operations, a system to ensure that institutions are managed efficiently and effectively with appropriate policies and procedures that promote the achievement of its goals and objectives.

At FHM we have the legacy of making the finest mechanism of penetrating a good corporate environment and mitigate the potential risk and threats within our operations.

The control index matrix at FHM primarily demonstrate through

1. Quality human resource induction
2. Better infrastructure.
3. Well define policies and processes of operations.

The Management having clear views on internal control without isolating the other important area i.e economic and

legal environment The Shariah aspect also embedded in the internal control function, where every process flow keep an strong eye of Shariah compliance and audit in order to avoid the risk of involved in any unauthorized transaction which trigger charity and loss of income.

We believe that effective internal control system supports for sustainable growth and performance. We feel that at FHM, we have adequate controls and they are well in placed. This can also reflected from our long business operation consisting on 28 years, where by the grace of God, we have successfully conducting our business operations at entire satisfaction of our all stakeholders,

However, management of FHM is continuously improving control environment in line with need and requirement for better governance and control.

Looking ahead

Recently the International Monetary Fund (IMF) forecast slower global growth for 2013 and 2014 and warned against a more protracted recession in Europe. The fund now projected that the world economy will grow at 3.1 per cent this year, down from its April projection of 3.3 per cent.

According to IMF the growth in the Asia-Pacific region



showed signs of improvement and had gradually absorbed the extreme risks emanating from advanced economies. Domestic demand in this region remained resilient, supported by relatively easy financial conditions and robust labor markets.

Pakistan being south Asian country could have been benefited with the growth of other counties in region such as India, Bangladesh and Sri Lanka. However, since last several years due to various reasons our overall economic scenario did not remain satisfactory. The main impediment of economy growth are continuous energy crisis, weak law &

order situation, and low FDI & investment which create fiscal disorders and slow down economic activities.

However, if we looking ahead, we being attached with Islamic Finance Service Industry (IFSI) feel that IFSI is a potential sector and despite of challenging economic environment globally, the leading Islamic Financial Institutions (IFIs) have been able to sustain their growth. The industry with its increasingly international footprint continues to demonstrate its resilience. The range of Shari'ah-compliant products and services available globally has significantly widened and capturing the market share.

Products offered by IFIs range from commercial and investment banking, to Takaful, mutual and Modaraba funds and capital markets. Moreover, there are dedicated regulatory, accountings, Shariah and academic institutions at the global level that are providing support in establishing sound foundations for the Islamic Financial System. The significant growth of Islamic finance is reflective of increasing acceptability worldwide.

In Pakistan, the size of Islamic Finance assets is also growing with good pace. According to SBP Islamic Bulletin the assets base of Islamic banks has reached to Rs.847.0 billion as on 31st March, 2013 constituting 8.67 percent share of the overall banking industry. The State Bank of Pakistan (SBP) is playing very vibrant role for Promotion of Islamic finance within the country. Likewise, on other front, the SECP is also putting its strenuous efforts for developing of Islamic finance within the non-banking financial sector (NBFIs) and capital market. Various steps have been taken for promotion of Modarabas, Takaful, Islamic Mutual Fund and Islamic capital market.

A significant move was made from Registrar Modaraba, SECP, through issuance of detailed guidelines for Shariah Compliance and Shariah Audit Mechanism for Modarabas first time since inception of Modaraba sector. This was a remarkable effort from the office of Registrar of Modaraba for promotion of Modaraba sector as an Islamic Financial Institutions and it is expected that this sector will further progress.

Going forward in our opinion that the challenges to the operating environment are likely to persist on account of fiscal vulnerabilities, power crisis, law and order issues, low FDI attached with external inflows and risk of inflationary pressures. However, with coming up new government we feel that new leadership will be able to resolve some issues by the passage of time and this support for enhancement business opportunities within the country.

We being part of IFSI, will play our due role to tap the benefit and opportunities of this potential sector. However, our strategic focus would remain on steady growth with cautiousness. We would continue to adopt proactive and cautious approach in building quality assets portfolio through prudent lending and investment

Future Strategy

We have divided our strategy at three levels i.e. Corporate, Business and Operation. From time to time we review our strategies of various segments falling in under above broad categories and refresh them as per requirement of business development and operational efficiency. Our main focus is always remain on business development strategy.



Our overall strategy is derived from our vision and mission statements and its primary objective is to make sound and stable institution. The key elements of our corporate strategy are to effectively use available resources and develop business segments.

Over the years, Islamic finance industry has experienced significant growth with substantial increase in number of financial institutions offering wide range of services such as financial services, investment banking, fund management Takaful and capital market. Islamic banking industry in Pakistan is growing at a fast pace and maintaining an average growth rate of 30 percent over the past six years.

Keeping in view of good progress of Islamic Finance industry, we have been aligning our all strategies particularly our business development strategy in such way to take the benefit of this potential industry. As we look to the future, we have put in place go-forward strategy for our Modaraba. We remain optimistic despite the difficult operating environment

and firmly believe that we can tap good opportunities which are available within our reach.

Therefore, in line with our corporate objective and our business need, we Insha'Allah continue to execute upon both our broad strategic roadmap as well as our specific priorities in order to deliver results at entire satisfaction of our all stakeholders.

Development Activity

As we mentioned in earlier Para that size of Islamic Finance in Pakistan is enhancing. However, the total share of Islamic finance is around 9% of the conventional size. We see that there is still untapped market and has good potential to grow. As our business strategy, we are concentrating on two major areas of balance sheet i.e. enhancement of deposit size and building quality assets through financing and investment.

For deposit generation, we are gradually enhancing our customer base particularly targeting small savers in order to increase numbers instead of volume for stable growth of deposit base. Recently, in the launching ceremony of NBF and Modaraba Association year book, 2012, on 8th July, 2013, Mr. Jawed Hussain, Registrar of Modaraba announced two new products for i.e. Certificate of Investment (Modaraba) (COIM) and Commodity Finance Certificate (CFC). I am confident that these two new products will help us for resource mobilization through variety of deposit scheme available at the counter of FHM.

During the year under review, we have successfully added good assets in our financing portfolio through financing of Ijarah and Diminishing Musharkah (DM) to sound and good quality customer. As a diversification we are enhancing our DM mode of finance and this year we had disbursed around Rs.365.0 million as compared to last year of Rs.281.0 million. Our total financing size at the end of the year was Rs.3,488.0 million as compared to outstanding amount of Rs.2,883.0 million of corresponding period of last year reflect the growth of 21%.

With coming up of new government in power, we foresee that energy issue of Punjab will settled to some extent and this will bring good rate of growth in this province due to its agriculture and industrial base particularly textile. The industrial growth is linked with resolution of power crisis and we are hopeful that present government will overcome this issue within some passage of time. Keeping in view, besides other areas, our focus will also be remained in Punjab area as potential market for our future business.

Performance of our newly opened Multan branch remained satisfactory during the period. Although asset building was not up to desire level due to our stringent credit assessment criteria for new market, however, reasonable amount of deposits from corporate and retail side were added by in branch.

We are also studying to open one more branch in Punjab area in current year preferably in Sialkot city. The motivation of opening of this branch is to cater the needs of Islamic financial services within this city as well neighbor cities such as Gujrat, Gujranwala and Sheikhpura. This entire belt is benefited by Industrial Zones and good crops. We expect that by offering Shariah compliant financial products we can generate good business.

The price of vehicles is rising day by day due to depreciation in the value of Pak Rupees against US Dollar. Therefore number of good corporates has shifted to car allowance policy instead of providing car to their employees. To cater this corporate consumer market recently corporate employee we planning to introduce car financing scheme to facilitate to those corporate employees having good credential and job experience. Initially, we will market the said product on selective basis and thereafter, it will be marketed at large level if the outcome is satisfactory.

We are studying the business of operating lease of Generators and other equipment. Owing to heavy equipment costs, the rental business in this segment is growing. However, this business needs different expertise and infrastructure. We are carefully assessing this segment and if found feasible, we initially we will initially start the same on small scale.

The IT department has started developing Documents Management System and Independent Branch Accounting Module which will support for good internal control and also enhance operational efficiency.

Shariah Compliance and Audit Mechanism

This is the first full year after issuance of Shariah guidelines from the office of Registrar Modaraba. The Shariah compliance and audit mechanism



has made good impact on sector image building. This was a remarkable effort from the office of Registrar of Modaraba for promotion of Modaraba sector as an Islamic Financial Institutions.

As per requirement of Shariah guidelines last year we had established Shariah Compliance department and this department is fully functional in line with directive of circular under the monitoring of internal Shariah auditor and supervision of Shariah Advisor.

Within the HR training, the training and learning of Islamic finance main area of overall learning of staff members. The training focus always remains on enhancement of Islamic Finance knowledge. Alhamdulillah, at present around seven staff members have completed Post Graduate Diploma (PGD) in Islamic Banking & Finance from reputable institutions. No doubt, it is great comfort for FHM that HR expertise of Islamic Finance is available and support to maintain Shariah compliance culture smoothly.

The management of FHM is fully committed for Shariah governance and Shariah compliance culture within the Modaraba. Strong and effective Shariah governance and compliance culture within the Modaraba is the prime objective of FHM. A complete Shariah Audit report of Shariah Advisor for the period ended 30th June, 2013, is also attached with annual report.

It is pertinent to note that Leading Modarabas including FHM is now part of KMI 30 Index as Shariah Compliant institutions. This acknowledgment will not only support individual Modaraba to gain the confidence of investors but also strengthen the sector reputation within the Islamic Finance Industry.

CORPORATE SOCIAL RESPONSIBILITY

Corporate social Responsibility (CSR) is undertaking the role of "Corporate Citizen". It ensures that business values and policies are align in such a way to balance between improving and developing the wealth of business and contributing for betterment of society in a effective manner. We always emphasis on culture of excellence, good governance, transparency, integrity and accountability.

We ensure that best business practices should be followed diligently and all activities carried out in accordance with prevailing regulations.

FHM, being a socially responsible corporate entity, has been a regular contributor to the society and communities. It has been our primary concern to ensure that contributing to community development should be continuously carried



out. Our belief is that positive contribution not only redresses human suffering but also address human development as well. Sustainability is the goal of maintaining a good quality of life for those who presently experiencing it, while enhancing the quality of life to those who lack it. Therefore, we conduct our business with a view for long term environmental and social sustainability. When making our business decisions we do consider environmental and social impacts in it for sustainable performance within whole society and at national level as well.

Since last several years FHM has been donating non-profit organization working for improvement educations, healthcare etc. FHM continues to encourage events and projects which focus on children, health and education in under privileged members of society.

FHM having the ambition to serve the community with great professionalism and zeal has been always emphasizing on following areas for better environment and sustainability.

1. Encourage staff members for avoiding of unnecessary wastage of resources such as excessive consumption of energy, less paper printing etc. Besides, an office of FHM is being made no smoking zone in order to make available better atmosphere within the premises and also support pollution free environment.
2. Motivate staff members for participation in activities which are beneficial for better environment at large.
3. Contribution on social community projects by staff members which are indeed a catalyst for any good corporate institution.
4. FHM believe in customer satisfaction has a prime concern and their association with the FHM for longer term witnesses the quality in itself. In order to keep customer interest safe, FHM, from time to time address their grievances through their feedback and regular visits.



1. HRM encourages equal opportunity employment without any discrimination whether it is gender or any disability, we follow the every human right including those who work under hardship in the institution.
2. Health and safety always remain an utmost concern of the management of NBP. After the COVID-19, the staff of NBP are covered under health and safety. We have also worked with various health insurance companies. Besides, NBP has also provided best working infrastructure and safety arrangements.
3. Strong internal controls are the core of the main business activities. NBP provides equal ethical practices within the staff members with fair & honest concept. HRM also designs checks on the staff working and immediately take if any member found any unethical practice. Various departments report any given or unethical performance and practices.
4. NBP being financial institution, extend various types of financial services. While going with services, we always make sure that business model of each customer should not involve in activity which may be harmful to investment and the society as a whole.

We must say that NBP is continuously striving for better prosperity of country, society and other stakeholders. We are aim to create more value for prosperity of the society and nation.

Report Of Certificate Issuing

A Statement showing pattern of Certificate Issuing of the Pakistan and additional information as at June 30, 2021 is included in the report.

The Director, CSD, CSE, Company Secretary and their spouses and minor children did not carry out any transaction in the securities of the business during the year.

Investment Fund Asset Liability

The value of investments of investment fund and equity fund in audited accounts as at December 31, 2021 are Rs. 1248 million and Rs. 16,778 million respectively.

Attendance Of Board Meeting

Four meetings of Board of Director were held during the year attendance by each director is as under:-

Name of Director	Number of meeting attended
Mr. Saif Usman Ahmed	4
Mr. Muhammad Shabbir	4
Mr. Akbar Ali Muhammad	4
Mr. Saif Usman Ahmed	4

Auditor

Present auditor Mr. Saif Usman Ahmed & Co. Chartered Accountants, are being eligible to offer themselves for reappointment as auditor for the financial year ending 30th June 2024.

Conclusion

During financial year, NBP remains determined in maintaining its focus on leading Pakistan under the prevailing circumstances as outlined committed to our strategy of steady growth and building quality assets portfolio. In line with the strategic priorities, NBP continue building solid foundations and setting high standards of performance. All these will give more better results based on Islamic principles.

Acknowledgment

The Board would like to express its sincere thanks and gratitude for the continued support and guidance provided by Securities & Exchange Commission of Pakistan, Reserve Bank of Pakistan, Financial Institutions and Bank Staff of Pakistan from time to time customers and investors of the Pakistan for their patronage and business. Certificate holder who have remained committed to their Islamic Principles.

In the end, the Board appreciates dedication, high level of professionalism and hard work of employees of your business for achieving excellent results.

On behalf of the Board of Director,

March 14, 2022

Muhammad Shabbir Shabbir
Chief Executive Officer



NOTICE OF ANNUAL REVIEW MEETING

Notice is hereby given that the Annual Review Meeting of certificate-holders of First Habib Modaraba will be held on August 07, 2013 at 9.00 a.m. at Institute of Cost and Management Accountants of Pakistan (ICMAP) Building, ST-18/C Block-6, Gulshan-e-Iqbal, Karachi. to review the performance of the Modaraba for the year ended June 30, 2013.

The certificate-holders whose names appear on the register of Certificate-Holders of FHM as on August 03, 2013 will be eligible to attend the Annual Review Meeting.

By order of the Board

Adnan Thanwey
Company Secretary

Karachi: July 17, 2013

Whistle Blowing is the requirement of new Code of Corporate Governance (CCG). This mechanism encourages and enables employees to raise serious concerns within the management rather than overlooking a problem or 'blowing the whistle' outside. Some time employees are often realize that there is something seriously wrong with the organization.. However, they may not express their concerns as they feel that speaking up would be disloyal to their colleagues or to the management.

First Habib Modaraba (FHM) having its corporate objective to work in most transparent manner, address the needs of each and every staff in fulfilling his or her official duties. Since beginning the culture of openness and freedom of speech is well functional at all level of FHM. At FHM, senior management having direct relationship with each and every staff and any grievance directly understand by top tier and prompt action taken accordingly.



We also have the culture of monthly staff meeting where all the staffs are willfully speak out their problem without any discrimination and top tier management taken strong and concrete steps without single exception.

However, keeping in view of new CCG requirement, the Board of Directors has formulated the mechanism of Whistle Blowing. The policy encourages open discussion of these issues and no one will be disadvantaged as a result of raising in good faith any concerns about compliance with the FHM's Code of Conduct. Under the policy, all disclosures are kept confidential and the identity of the individual making the allegation may be kept confidential so long as it does not hinder or aggravate any investigation.

We have documented whistle blower policy in hand where each staff knows procedures to be adopted in utilizing the whistle blower mechanism. Internal Auditor at times coordinated the whistle blower in investigating the gravity of the incident and assesses the incident report mechanism for getting resolution of the problem without any further delayed.

The HR department having excellent appraisal and monitoring system in which regular session with respect to dealing with the situation in which whistle blower can be encouraged and benefited for his/her courage. Pre Format Application forms available at each employee desktop in the form of soft copy for easy and prompt access to high management.

All the information kept confidential and shall not be used as against the interest of whistle blower



STATEMENT OF COMPLIANCE WITH THE BEST PRACTICES OF CODE OF CORPORATE GOVERNANCE – YEAR ENDED JUNE 30, 2013

In connection with your review of Statement of Compliance with the Best Practices of the Code of Corporate Governance (the Code) prepared by the Board of Directors of Habib Modaraba Management (Private) Limited (the Management Company) in respect of First Habib Modaraba (the Modaraba) for the year ended June 30, 2013, we confirm, to the best of our knowledge and belief, as of the date of this letter, the following representations made to you during your review:

The statement is being presented to comply with the code of Corporate Governance (CCG) contained in Regulation 35 of Listing Regulations of Karachi Stock Exchange (Guarantee) Limited, the Chapter XIII of Listing Regulations of Lahore Stock Exchange (Guarantee) Limited and Chapter XI of Listing Regulations of the Islamabad Stock Exchange Guarantee Limited for the purpose of establishing a frame of good governance, whereby a listed company is managed in compliance with the best practice of corporate governance.

The Modaraba has applied the principles contained in the CCG in the following manner;

1. The Management Company encourages representation of independent non-executive directors and directors representing minority interests on its Board of Directors. At present the Board includes:

Category	Names
Independent Directors	Due in next election
Executive Director	Mr. Muhammad Shoaib
Non-executive Directors	Mr. Wazir Mumtaz Ahmed
	Mr. Abbasali Muhammad
	Mr. Wazir Husain Jafree

2. The Directors have confirmed that none of them is serving as a director on more than seven listed companies, including this Management Company.
3. All the resident directors of the Management Company are registered as taxpayers and none of them has defaulted in payment of any loan to a banking company, a DFI or an NBFIs or, being a member of a stock exchange, has been declared as a defaulter by that stock exchange.
4. During the year, no casual vacancy occurred on the Board of Directors.
5. The Modaraba has prepared a "Code of Conduct" and has ensured that appropriate steps have been taken to disseminate it throughout the Modaraba along with its supporting policies and procedures.
6. The Board has developed a vision/mission statement, overall corporate strategy and significant policies of the Modaraba. A complete record of particulars of significant policies along with the dates on which they were approved or amended has been maintained.
7. All the powers of the Board have been duly exercised and decisions on material transactions, including appointment and determination of remuneration and terms and conditions of employment of the CEO, other executive and non-executive directors, have been taken by the Board.
8. The meetings of the Board were presided over by the Chairman and, in his absence, by a director elected by the Board for this purpose and the Board met at least once in every quarter. Written notices of the Board meetings, along with agenda and working papers, were circulated at least seven days before the meetings. The minutes of the meetings were appropriately recorded and circulated.
9. The Modaraba will arrange for certification under "The Board Development Series" program offered by Pakistan Institute of Corporate Governance for their directors to acquaint them with their duties and responsibilities as per timelines provided by Securities and Exchange Commission of Pakistan. In this connection, the CEO of FHM has completed Director Training Program arranged by ICAP in April and May 2013

10. The Board has approved appointment of CFO, Company Secretary and Head of Internal Audit, including their remuneration and terms and conditions of employment.
11. The directors' report for this year has been prepared in compliance with the requirements of the CCG and fully describes the salient matters required to be disclosed.
12. The financial statements of the Modaraba were duly endorsed by CEO and CFO before approval of the Board.
13. The directors, CEO and executives do not hold any interest in the shares of the company other than that disclosed in the pattern of shareholding.
14. The Modaraba has complied with all the corporate and financial reporting requirements of the CCG.
15. The Board has formed an Audit Committee. It comprises three members, of whom all are non-executive directors including the Chairman of the committee.
16. The meetings of the audit committee were held at least once every quarter prior to approval of interim and final results of the Modaraba and as required by the CCG. The terms of reference of the committee have been formed and advised to the committee for compliance.
17. The Board has formed an HR and Remuneration Committee. It comprises three members, of whom all are non-executive directors including the Chairman of the committee.
18. The Board has set up an effective internal audit function.
19. The statutory auditors of the Modaraba have confirmed that they have been given a satisfactory rating under the quality control review program of the ICAP, that they or any of the partners of the firm, their spouses and minor children do not hold certificates of the Modaraba and that the firm and all its partners are in compliance with International Federation of Accountants (IFAC) guidelines on code of ethics as adopted by the ICAP.
20. The statutory auditors or the persons associated with them have not been appointed to provide other services except in accordance with the listing regulations and the auditors have confirmed that they have observed IFAC guidelines in this regard.
21. The 'closed period', prior to the announcement of interim/final results, and business decisions, which may materially affect the market price of Modaraba's securities, was determined and intimated to directors, employees and stock exchange(s).
22. Material/price sensitive information has been disseminated among all market participants at once through stock exchange(s).
23. We confirm that all other material principles enshrined in the CCG have been complied with except for induction of independent director which will be due in the next election of Board of Directors.

Karachi
Date: July 16, 2013

Muhammad Shoaib Ibrahim
Chief Executive Officer

Committed to **“SHARIAH GOVERNANCE”**

The basic requirement for Islamic financial institutions (IFIs) is to carry out their activities in accordance with the principles of Shariah. It is necessary to have comprehensive and well functioning Shariah control system to ensure that all products and services provided by the IFI are being Shariah compliant.

The management of FHM is fully committed for Shariah governance and Shariah compliance culture within the Modaraba. Shariah control and compliance mechanism system are well in place in FHM. Each and every transactions have been gone through with Shariah screening and Shariah process flow approved by the Shariah Advisor of FHM.

Our Shariah compliance department is fully functional under the monitoring of Internal Shariah Advisor and under supervision of Shariah Advisor



بنك فيصل الإسلامي - بنك التوفير والتمويل الإسلامي
First Habib Modaraba (FHM) in Islamic financing

Shariah Advisor's Review Report FOR THE FINANCIAL YEAR Ended June 30, 2013

By the Grace of Allah, the year under review was the twenty eighth year of First Habib Modaraba (FHM) in Islamic financing.

During this year, the FHM executed already established Islamic financing products and transactions after due approval from the Shariah Compliance Department (SCD)/ Shariah Advisor.

As part of the Shariah-compliance framework a full-fledged Shariah Compliance department is working under my supervision. The role of this function is facilitating product development activities, refining existing products & procedures, performing Shariah audit & compliance reviews of departments, coordinating with FHM's Shariah Compliance Department.

Following were the major developments that took place during the year:

Research & New Product Development

Alhamdulillah, during the year, significant improvements were made in the processing, product and Liability side operations. The adherence with Shariah and continue growth of FHM adding value to the Islamic financial institutions palette of the Pakistan.

Keeping in view the FHM's increasing focus on Musharakah based financing, i.e. (Diminishing Musharika-DM) was offered to a larger number of clients compared to last year.

Training & Development

During the year Islamic finance training sessions were held in which good number of FHM's employees participated. Such type of training enhances the Islamic financing expertise of the FHM's employees. Besides this, the FHM also participated in advanced-level training programs conducted by high class qualified scholars especially for Branch Managers, and senior officers on regular basis throughout the year.

It is also great comfort that within the FHM staff members, there are Seven (7) PGD Holders in Islamic Finance including CEO and most of them completed their PGD from CIE a division of Darul-Aloom Korangi Karachi.

Alhamdulillah, after issuance of shariah guidelines by Registrar Modaraba, Shariah Compliance and Governance culture have further strengthened at FHM

Review of Assets

The FHM primarily used Ijarah and Diminishing Musharika for its financing activities during the year. It is encouraging to note that the share of Diminishing Musharakah and Ijarah moved to 16% and 84% respectively of the financing portfolio. The FHM's total financing portfolio reached more than Rs. 3.0 billion (gross) as of June 30, 2013. All these transactions were executed using Shariah-compliant financing agreements approved by the office of Registrar Modaraba.

Review of Liabilities

On the liability side, the FHM offered a scheme of Certificate of Maturity (COM) Product based on the deposit mode. Total deposits of the FHM increased by 4.7% and reached a sum of Rp. 1.2 trillion as at June 30, 2023. During the year, the FHM accepted deposits on the mode of Maturity from individuals as well as corporate clients. It is to observe that the further improvement has been made in profit sharing mechanism for Certificate of Maturity (COM) under direction of Shariah Advisor.

Throughout the year, announcement of overall profit rates, regular quarterly allocation of surpluses and distribution of profit was monitored and reviewed in accordance with Shariah rules and principles.

Shariah Audit & Compliance Review

The Shariah Audit function plays a vital role in achieving this objective by ensuring Shariah-compliance in each and every activity undertaken by the FHM. The Shariah Audit function keeps a continuous check on all activities.

In addition to the above-mentioned compliance measures, Shariah audit & compliance review of all branches and departments was conducted during the year to get first-hand understanding of the activities being carried out at the branches and departments. An exercise of gauging the basic understanding of the staff about the structure and concepts of Islamic Banking & Finance was also conducted and on-the-spot training sessions were conducted to address any shortcomings during the course of such reviews. Moreover, most of FHM's staff including senior management having Islamic Banking qualification and certifications.

As per my directives in line with SCMB (issued by Regulator Indonesia), the FHM has also disseminated the commercial bank's share. I have also reviewed the process of disposal of such shares as per SCF Shariah Guidelines. It is to certify that Indonesia has disseminated complete 100% shares of said banks. Further to note that all related amount have been invested in permissible mode as SCF (saham Syariah) etc.

To the best of my information and according to the explanations given to me, the business transactions undertaken by the Indonesia and all other matters incidental thereto are in conformity with the Shariah requirements and the Shariah Compliance and Shariah Audit Regulations for Indonesia. The audit covered overall Shariah-compliance of the FHM's operation and their alignment with the guidelines given by Shariah Advisor and the Regulator Indonesia of SCF.

Charity

An amount of Rp.1.7 million was transferred to the Charity Specific Account an account of non-interest payments to customers in various financial transactions and an amount of Rp.1.5 million was sent from the account to approved charitable institutions.

Observations

Either on some occasions following investigations has been witnessed that, Banks in forms and documents are not properly filed; execution of sale & lease back transactions on some occasions, Shariah checklist, credit checklist, process flow and respective approvals omitted. Telephonic verbal client request received therefore, for more assurance, Lease Request must be on Client's Letter Head instead of email, more efforts to be made in implementation of Agreement to joint contract, most important client education regarding Islamic Finance and specific product to be used in Finance should continue, products and process to be scrutinized more carefully. Besides above FHM has two companies' shares in its portfolio which need to screen due to its membership in NBT (Screened list). The shares are (1) Cahari Industries (100 Shares) (2) Aca Nabal Polymer Limited (200 shares). Aca Nabal Polymer Limited emerged after split of IC which is already exist in NBT list. FHM is still insured its assets with conventional insurance of some of the Client

which need to be address on priority basis. However the management has opinion that all the Takaful Companies are not on sound footing and few of them cannot have risk appetite to protect huge volume of Ijarah and Diminishing Musharakah assets.

Recommendation

Based on the review of various transactions, I recommend that:

Modaraba's IT system should be improved and strengthened to facilitate customers. In this regard, pool management system should be given immediate priority so that profit distribution is made to the customers in the most efficient manners and with utmost accuracy.

The FHM should focus on new innovations and explore the possibility of entering into more specialized Shariah compliant financing modes.

Due care regarding the mind set and commitment towards the cause of Islamic Financing should be taken during the process of hiring of new staff. Moreover, it is recommended to increase the scope of Islamic Financing knowledge. Assessment process already implemented for Branch Managers, Department Heads and new joiners at senior level.

The FHM should continue its policy for enhancement of Islamic Finance and awareness at mass level and in this regard continue its focus on employees' training related to Islamic finance products and services offered by the FHM with specific focus on frontline staff.

Conclusion

It is mandatory on the management and employees to ensure application of Shariah principles and guidelines issued by the Registrar Modaraba and Shariah Advisor and also make sure that all the activities of FHM should be in line with sharaih principle. The prime responsibility for ensuring Shariah-compliance of the FHM's operations thus lies with the commitment of management.

Based on the extensive reviews of sample cases for each class of transaction, related documentation, processes, the profit distribution mechanism for the depositors and management's representation made in this regard, in my opinion, the affairs, activities and transactions, performed by the FHM during the year comply with the rules & principles of Islamic Shariah in line with of the guidelines and directives given by the SECP and Shariah Advisor of FHM.

May Allah bless us with the best Tawfeeq to accomplish His cherished tasks, make us successful in this world and in the Hereafter, and forgive our mistakes?

الخاطمني والصواب من منهم الصواب



Mufti Abdul Sattar Laghari
Shariah Advisor
First Habib Modaraba

Dated: July 09, 2013

Committed to **“PROGRESS”**

Journey of continuous improvement always remain a corporate motto and main driving force for progress within the FHM.

Alhamdulillah, since business inception progress has been made at all levels of organizations.

FHM commenced its business operations in 1985, with initial capital of Rs.25.0 million.

Continuing with solid, dynamic and prudent approach, now FHM has a total equity base of around Rs.3.0 billion which is at present the highest in entire Modaraba sector. The assets base has also been grown over the year and for the period ended 30th June, 2013 it stood at around Rs.4.700 billion.

The progress is not only limited with better financials but also well reflected in other areas of operations such as Operations, Credit Appraisals, Risk Management, and Information Technology and branch networking.



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REVIEW REPORT TO THE CERTIFICATE HOLDERS ON STATEMENT OF COMPLIANCE WITH THE BEST PRACTICES OF CODE OF CORPORATE GOVERNANCE

We have reviewed the Statement of Compliance with the best practices contained in the Code of Corporate Governance for the year ended June 30, 2013 prepared by the Board of Directors of HABIB MODARABA MANAGEMENT (PRIVATE) LIMITED (the Management Company) in respect of FIRST HABIB MODARABA (the Modaraba) to comply with the Listing Regulation of Karachi Stock Exchange (Guarantee) Limited, Lahore Stock Exchange (Guarantee) Limited and Islamabad Stock Exchange (Guarantee) Limited, where the Modaraba is listed.

The responsibility for compliance with the Code of Corporate Governance is that of the Board of Directors of the Management Company. Our responsibility is to review, to the extent where such compliance can be objectively verified, whether the Statement of Compliance reflects the status of the Modaraba's compliance with the provisions of the Code of Corporate Governance and report if it does not. A review is limited primarily to inquiries of the Modaraba personnel and review of various documents prepared by the Modaraba to comply with the Code of Corporate Governance.

As part of our audit of the financial statements we are required to obtain an understanding of the accounting and internal control systems sufficient to plan the audit and develop an effective audit approach. We have not carried out any special review of the internal control system to enable us to express an opinion as to whether the Board's statement on internal control covers all controls and the effectiveness of such internal controls.

Further, the Listing Regulation of Karachi Stock Exchange (Guarantee) Limited, Lahore Stock Exchange (Guarantee) Limited and Islamabad Stock Exchange (Guarantee) Limited require the Management Company to place before the Board of Directors for their consideration and approval, related party transactions distinguishing between transactions carried out on terms equivalent to those that prevail in arm's length transactions and transactions which are not executed at arm's length price recording proper justification for using such alternate pricing mechanism. Further, all such transactions are also required to be separately placed before the Audit Committee. We are only required and have ensured compliance of requirement to the extent of approval of related party transactions by the Board of Directors and placement of such transactions before the Audit Committee. We have not carried out any procedures to determine whether the related party transactions were undertaken at arm's length price or not.

Based on our review, nothing has come to our attention which causes us to believe that the Statement of Compliance does not appropriately reflect the Modaraba's compliance, in all material respects, which the best practices contained in the Code of Corporate Governance, for the year ended June 30, 2013.

Karachi July 16, 2013

Muniff Ziauddin & Co.
Chartered Accountants
Engagement Partner
Muhammad Moin Khan

AUDITORS' REPORT TO THE CERTIFICATE HOLDERS



We have audited the annexed balance sheet of FIRST HABIB MODARABA (the Modaraba) as at June 30, 2013 and the related profit and loss account, statement of comprehensive income, cash flow statement and statement of changes in equity together with the notes forming part thereof (hereinafter referred to as the financial statements), for the year then ended and we state that we have obtained all the information and explanations which, to the best of our knowledge and belief, were necessary for the purpose of our audit.

These financial statements are the Modaraba Company's [Habib Modaraba Management (Private) Limited] responsibility who is also responsible to establish and maintain a system of internal control, and prepare and present the above said statements in conformity with the approved accounting standards as applicable in Pakistan and the requirements of the Modaraba Companies and Modaraba (Floatation and Control) Ordinance, 1980 (XXXI of 1980), and the Modaraba Companies and Modaraba Rules, 1981. Our responsibility is to express an opinion on these statements based on our audit.

We conducted our audit in accordance with the auditing standards as applicable in Pakistan. These standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of any material misstatement. An audit includes examining on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting policies and significant estimates made by the Modaraba Company, as well as, evaluating the overall presentation of the financial statements. We believe that our audit provides a reasonable basis for our opinion and, after due verification, we report that:

- a) In our opinion proper books of account have been kept by the Modaraba Company in respect of the Modaraba as required by the Modaraba Companies and Modaraba (Floatation and Control) Ordinance, 1980 (XXXI of 1980), and the Modaraba Companies and Modaraba Rules, 1981;
- b) In our opinion:
 - i) the balance sheet and profit and loss account together with the notes thereon have been drawn up in conformity with the Modaraba Companies and Modaraba (Floatation And Control) Ordinance, 1980 (XXXI of 1980) and the Modaraba Companies and Modaraba Rules, 1981, and are in agreement with the books of account and are further in agreement with accounting policies consistently applied;
 - ii) the expenditure incurred during the year was for the purpose of the Modaraba's business, and
 - iii) the business conducted, investments made and expenditure incurred during the year were in accordance with the objects, terms and condition of the Modaraba;
- c) In our opinion and to the best of our information and according to the explanations given to us, the balance sheet, profit and loss account, statement of comprehensive income, cash flow statement and statement of changes in equity together with the notes forming part thereof conform with the approved accounting standards as applicable in Pakistan and give the information required by the Modaraba Companies and Modaraba (Floatation and Control) Ordinance, 1980 (XXXI of 1980), and the Modaraba Companies and Modaraba Rules, 1981, in the manner so required and respectively give a true and fair view of the state of the Modaraba's affairs as at June 30, 2013 and of the profit, its cash flows and changes in equity for the year then ended; and
- d) In our opinion, Zakat deductible at source under the Zakat and Ushr Ordinance, 1980 (XVIII of 1980), was deducted by the Modaraba and deposited in the Central Zakat Fund established under Section 7 of that Ordinance.

KARACHI : July 16, 2013

Muniff Ziauddin & Co.
Chartered Accountants
Engagement Partner
Muhammad Moin Khan



BALANCE SHEET

AS AT JUNE 30, 2013

ASSETS		2013	2012
NON-CURRENT ASSETS	Note	Rupees	Rupees (Re-stated)
Fixed assets - tangible			
Ijarah (lease) assets	5	2,941,637,969	2,501,152,946
Assets in own use	5.2	13,427,992	8,039,208
		<u>2,955,065,960</u>	<u>2,509,192,154</u>
Intangible assets	6	1,409,165	2,125,559
Diminishing musharaka financing	7	355,467,154	234,071,492
Long term advances, deposits and prepayments	8	2,492,650	1,516,850
		<u>3,314,434,929</u>	<u>2,746,906,055</u>
CURRENT ASSETS			
Investments	9	997,145,487	1,486,001,027
Current portion of diminishing musharaka financing	7	191,350,842	148,365,839
Ijarah (lease) installments receivable	10	3,520,410	3,417,703
Advances and short term prepayments	11	11,318,384	5,090,731
Other receivables	12	32,973,716	24,849,608
Tax refund due from Government	13	37,903,024	28,470,714
Cash and bank balances	14	130,639,915	122,394,087
		<u>1,404,851,777</u>	<u>1,818,589,709</u>
		<u>4,719,286,707</u>	<u>4,565,495,764</u>
TOTAL ASSETS			
EQUITY AND LIABILITIES			
CAPITAL AND RESERVES			
Certificate capital :			
Authorized			
220,000,000 (2012: 220,000,000)			
certificates of Rs. 5/- each		1,100,000,000	1,100,000,000
Issued, subscribed and paid-up capital	15	1,008,000,000	1,008,000,000
Reserves	16	2,044,859,984	2,118,493,306
Certificate holders' equity		<u>3,052,859,984</u>	<u>3,126,493,306</u>
NON-CURRENT LIABILITIES			
Certificates of musharaka	17	-	-
Security deposits against ijarah (lease) assets	18	264,938,447	209,078,717
		<u>264,938,447</u>	<u>209,078,717</u>
CURRENT LIABILITIES			
Certificates of musharaka - current portion	17	-	3,000,000
Certificates of musharaka	19	1,007,807,729	966,290,959
Security deposits - current portion	18	54,685,080	57,881,505
Unearned ijarah (lease) and diminishing musharaka installments		27,255,215	17,501,347
Advance ijarah (lease) and diminishing musharaka installments		19,804,076	18,705,457
Trade and other payables	20	249,034,004	112,229,719
Profit payable on certificate of musharaka		18,602,889	31,712,221
Taxation		2,790,833	2,790,833
Unclaimed profit distribution		21,508,450	19,811,700
		<u>1,401,488,276</u>	<u>1,229,923,741</u>
CONTINGENCIES AND COMMITMENTS	21	-	-
TOTAL EQUITY AND LIABILITIES		<u>4,719,286,707</u>	<u>4,565,495,764</u>

The annexed notes 1 to 43 form an integral part of these financial statements.

CHIEF EXECUTIVE

DIRECTOR

DIRECTOR

PROFIT AND LOSS ACCOUNT

FOR THE YEAR ENDED JUNE 30, 2013



	2013 Rupees	2012 Rupees
Income from operations	20,000,000	20,000,000
Profit on financing activities	40,000,000	40,000,000
	<u>60,000,000</u>	<u>60,000,000</u>
Administrative expenses	20,000,000	20,000,000
	<u>40,000,000</u>	<u>40,000,000</u>
Other income	20,000,000	20,000,000
Other operating charges	20,000,000	20,000,000
	<u>40,000,000</u>	<u>40,000,000</u>
Financial charges	20,000,000	20,000,000
	<u>60,000,000</u>	<u>60,000,000</u>
Income Management Company's contribution	20,000,000	20,000,000
	<u>80,000,000</u>	<u>80,000,000</u>
Income available for Management Company's contribution	20,000,000	-
	<u>1,00,000,000</u>	<u>1,00,000,000</u>
Income (before tax)	1,00,000,000	1,00,000,000
Profit before tax	<u>1,00,000,000</u>	<u>1,00,000,000</u>
Tax	-	-
Profit for the year	<u>1,00,000,000</u>	<u>1,00,000,000</u>
Earnings per ordinary share (one share held)	<u>100</u>	<u>100</u>

The amount under 'Tax' is an integral part of these financial statements.

CHIEF EXECUTIVE

DIRECTOR

DIRECTOR



STATEMENT OF COMPREHENSIVE INCOME

FOR THE YEAR ENDED JUNE 30, 2013

	2013 Rupees	2012 Rupees (Re-stated)
Profit for the year	992,389,585	344,341,947
Movement in available for sale investments	(864,422,907)	(55,713,088)
Total comprehensive income for the year	<u>127,966,678</u>	<u>288,628,859</u>

The annexed notes 1 to 43 form an integral part of these financial statements.

CHIEF EXECUTIVE

DIRECTOR

DIRECTOR

CASH FLOW STATEMENT

FOR THE YEAR ENDED JUNE 30, 2013



	Note	2013 Rupees	2012 Rupees (Re-stated)
Cash flow from operating activities			
Cash generated from operations	39	1,491,382,034	1,413,024,983
Purchase of ijarah (lease) assets		(1,889,712,152)	(1,465,277,523)
Proceeds from transfer of ijarah (lease) assets		302,262,670	289,569,162
Diminishing musharaka financing - net		(164,380,665)	(149,086,469)
Musta'jir's security deposits:			
Received		134,367,098	99,759,668
Refunded / adjusted		(81,703,793)	(73,273,510)
Net Musta'jir's security deposits		52,663,305	26,486,158
Financial charges paid		(115,521,249)	(88,524,170)
Gratuity paid		(1,868,594)	(1,322,567)
Net cash inflow from operating activities		(325,174,651)	24,869,574
Cash flow from investing activities			
Purchase of owned assets (including intangibles)		(9,845,156)	(7,560,662)
Proceeds from disposal of owned assets		364,950	358,500
Purchase of investments - available for sale		(12,338,388)	(12,337,365)
Investment in Islamic investment certificate		300,000,000	(250,000,000)
Investment in Ijarah Sukuk bonds		(800,160,000)	-
Redemption of Sukuk bonds		-	20,000,000
Proceeds from disposal of investments		916,923,747	13,518,314
Dividend received		100,837,606	84,765,791
Long-term advances, deposits and prepayments		(975,800)	1,320,000
Net cash used in investing activities		494,806,959	(149,935,422)
Cash flow from financing activities			
Profit distribution paid		(199,903,250)	(220,069,047)
Certificates of musharaka		38,516,770	356,001,067
Net cash inflow / (outflow) from financing activities		(161,386,480)	135,932,020
Net increase / (decrease) in cash and cash equivalents		8,245,828	10,866,172
Cash and cash equivalents at the beginning of the year		122,394,087	111,527,915
Cash and cash equivalents at the end of the year		130,639,915	122,394,087

The annexed notes 1 to 43 form an integral part of these financial statements.



STATEMENT OF CHANGES IN EQUITY

FOR THE YEAR ENDED JUNE 30, 2013

	Capital reserves			Revenue Reserves		Total reserves	Total
	Certificate capital	Certificate premium	Statutory reserve	General reserve	Unrealized gain on investments		
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	3,059,624,447
Profit distribution for the year ended June 30, 2011 at 22%	-	-	-	-	-	(221,760,000)	(221,760,000)
Total comprehensive income for the year (Re-stated)	-	-	-	-	(55,713,088)	344,341,947	288,628,859
Transfer to statutory reserve at 40 %	-	-	138,017,874	-	-	(138,017,874)	-
Balance as on June 30, 2012 (Re-stated)	1,008,000,000	378,000,000	578,891,321	50,000,000	901,105,975	210,496,010	3,126,493,306
Balance as on July 01, 2012	1,008,000,000	378,000,000	578,891,321	50,000,000	901,105,975	210,496,010	3,126,493,306
Profit distribution for the year ended June 30, 2012 at 21%	-	-	-	-	-	(201,600,000)	(201,600,000)
Total comprehensive income for the year	-	-	-	-	(864,422,907)	992,389,585	127,966,678
Transfer to statutory reserve at 20%	-	-	198,477,917	-	-	(198,477,917)	-
Balance as at June 30, 2013	1,008,000,000	378,000,000	777,369,238	50,000,000	36,683,068	802,807,678	3,052,859,984

The annexed notes 1 to 43 form an integral part of these financial statements.

CHIEF EXECUTIVE

DIRECTOR

DIRECTOR

NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED JUNE 30, 2013



1 STATUS AND NATURE OF BUSINESS

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 financial statements have been prepared in accordance with approved accounting standards as applicable in Pakistan and the requirements of Modaraba Companies and Modarabas (Floatation and Control) Ordinance, 1980, Modaraba Companies and Modaraba Rules, 1981 and Prudential Regulations for Modarabas (hereinafter referred to as the relevant laws). Approved accounting standards comprise such International Financial Reporting Standards (IFRS) / International Accounting Standards (IAS) as notified under the provisions of the Companies Ordinance, 1984. Wherever, the requirements of relevant laws or directives issued by the Securities and Exchange Commission of Pakistan (SECP) differ with the requirements of these standards, the requirements of the relevant laws and the said directives take precedence.

The SECP has issued directive (vide SRO 431 (I) / 2007 dated May 22, 2007) that Islamic Financial Accounting Standard 2 (IFAS-2) shall be followed in preparation of the financial statements by Companies and Modarabas while accounting for Ijarah (Lease) transactions as defined by the said standard. The Modaraba has adopted the said standard.

2.2 Basis of measurement

These financial statements have been prepared on the historical cost basis except for the measurement at fair value of certain financial instruments in accordance with the requirements of IAS-39 "Financial Instruments: Recognition and Measurement", wherever applicable.

Permissible Islamic financial products including Murabaha (as a liability) and Musharaka have been used by the Modaraba, in line with similar industry practices. The accounting and presentation of the same are in line with the substance of the transaction and are limited to the extent of actual amount of facility utilized and mutually agreed mark-up / profit thereon. Accordingly, purchases, sales and Musharaka profits / reserves are not reflected in these financial statements except for Murabaha facility (as an asset) which has been accounted for in line with Islamic Financial Accounting Standard - 1.

The Securities and Exchange Commission of Pakistan (SECP) has directed that Islamic Financial Accounting Standard 2 shall be followed in regard to the financial statements by companies and modarabas while accounting for Ijarah (Lease) transactions as defined by the said standard.

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

2.3 Functional and presentation currency

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

2.4 Significant accounting estimates and judgments

The preparation of financial statements in conformity with approved accounting standards requires the use of certain critical accounting estimates. It also requires management to exercise its judgment in the process of applying the Modaraba's accounting policies. Estimates and judgments are continually evaluated and are based on historic experience and other factors, including expectations of future events that are believed to be reasonable under the circumstances. Revisions to accounting estimates are recognized in the period in which the estimate is revised and in any future period effected. In the process of applying the Modaraba's accounting policies, management has made the following estimates and judgments which are significant to the financial statements:

Useful lives, pattern of flow of economic benefits and impairment

Estimates with respect to residual values and depreciable lives and pattern of flow of economic benefits are based on

the analysis by the management of the Modaraba. Further, the Modaraba reviews the value of the assets for possible impairment on an annual basis and any change in the estimates in the future might affect the carrying amount of respective item of property, plant and equipment, with a corresponding effect on the depreciation charge and impairment.

Staff retirement benefits

Certain actuarial assumptions have been adopted as disclosed in note 20.3 to the financial statements for valuation of present value of defined benefit obligations and fair value of plan assets. Any changes in these assumptions in future years might effect unrecognized gains and losses in those years.

Provisions against non performing financing (Suspense income)

The Modaraba reviews its overdue Ijarah (lease) installments at each reporting date to assess whether provision should be recorded in the profit and loss account, in addition to the mandatory provisions required in accordance with the Prudential Regulations issued by the SECP. In particular, judgment by management is required in the estimation of the amount and timing of future cash flows when determining the level of provision required. Such estimates are based on assumptions regarding a number of factors and actual results may differ, resulting in future changes to the provisions.

3 NEW STANDARDS, INTERPRETATIONS AND AMENDMENTS TO PUBLISHED APPROVED ACCOUNTING STANDARDS

3.1 Amendments that are effective in current year but not relevant to the Company

The Modaraba has adopted the amendments to the following accounting standards which became effective during the year:

		Effective date (annual periods beginning on or after)
IFRS 1	First time Adoption of International Financial Reporting Standards	July 01, 2011
IFRS 7	Financial Instruments: Disclosures	July 01, 2011
IAS 24	Related Party Disclosures	January 01, 2011
IFRIC 14	The Limit on a Defined Benefit Asset, Minimum Funding Requirements and their Interaction	January 01, 2011
IAS 12	Income Taxes - Limited scope amendment (recovery of underlying assets)	January 01, 2012
IAS 1	Presentations of Financial Statements - Amendments to revise the way other comprehensive income is presented	July 01, 2012

In May 2010, International Accounting Standards Board issued amendments to various accounting standards primarily with a view to removing inconsistencies and clarifying wording. These improvements are listed below: Issued in May 2010.

IFRS 1	First time Adoption of International Financial Reporting Standards	January 01, 2011
IFRS 7	Financial Instruments: Disclosures	January 01, 2011
IAS 1	Presentation of Financial Statements	January 01, 2011
IAS 34	Interim Financial Reporting	January 01, 2011
IFRIC 13	Customer Loyalty Programmes	January 01, 2011

3.2 Amendments not yet effective

The following amendments and interpretations with respect to the approved accounting standards as applicable in Pakistan would be effective from the dates mentioned below against the respective standard or interpretation:

Effective date	(annual periods beginning on or after)
IFRS 1	First-time Adoption of International Financial Reporting Standards - Amendments for government loan with a below-market rate of interest when transitioning to IFRSs and amendments resulting from Annual Improvements

NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED JUNE 30, 2013



IFRS 7	2009-2011 Cycle (repeat application, borrowing costs)	January 01, 2013
	Financial Instruments Disclosures - Amendments related to the offsetting of assets and liabilities and deferral of mandatory effective date of IFRS 9 and amendments to transition disclosures	January 01, 2013
IFRS 9	Financial Instruments - Reissue to include requirements for the classification and measurement of financial liabilities and incorporate existing derecognition requirements	January 01, 2015
IFRS 9	Financial Instruments - Deferral of mandatory effective date of IFRS 9 and amendments to transition disclosures	January 01, 2015
IAS 1	Presentation of Financial Statements - Amendments to revise the way other comprehensive income is presented	July 01, 2012
IAS 1	Presentation of Financial Statements - Amendments resulting from Annual Improvements 2009-2011 Cycle (comparative information)	January 01, 2013
IAS 16	Property, Plant and Equipment - Amendments resulting from Annual Improvements 2009-2011 Cycle (servicing equipment)	January 01, 2013
IAS 19	Employee Benefits - Amended standard resulting from the post-employment benefits and termination benefits projects	January 01, 2013
IAS 32	Financial Instruments: Presentation - Amendments relating to the offsetting of assets and liabilities	January 01, 2014
IAS 32	Financial Instruments: Presentation - Amendments resulting from Annual Improvements 2009-2011 Cycle (tax effect of equity distributions)	January 01, 2013
IAS 34	Interim Financial Reporting - Amendments resulting from Annual Improvements 2009-2011 Cycle (interim reporting of segment assets)	January 01, 2013
IAS 36	Impairment of Assets - Amendments arising from Recoverable Amount Disclosures for Non Financial Assets	January 01, 2014
IAS 39	Financial Instruments: Recognition and Measurements - Amendment for the novations of derivatives	January 01, 2014

Standards or interpretations not yet effective

The following International Financial Reporting Standards or interpretations issued by IASB would be effective from the dates mentioned below against the respective standard or interpretation:

Effective date	(annual periods beginning on or after)	
IFRS 10	Consolidated Financial Statements	January 01, 2013
IFRS 11	Joint Arrangements	January 01, 2013
IFRS 12	Disclosure of Interests in Other Entities	January 01, 2013
IFRS 13	Fair Value Measurement	January 01, 2013
IAS 27	Separate Financial Statements	January 01, 2013
IAS 28	Investments in Associates and Joint Ventures	January 01, 2013
IFRIC 20	Stripping Costs in the Production Phase of a Surface Mine	January 01, 2013

The Modaraba expects that the adoption of the above amendments and interpretations of the standards will not affect the Modaraba's financial statements in the period of initial application.

4 SIGNIFICANT ACCOUNTING POLICIES

The principal accounting policies applied in the presentation of these financial statements are set out below. These policies have been consistently applied for the year presented, unless otherwise stated.

4.1 Revenue recognition

Ijarah (lease) installments are recognized on accrual basis.

Income from Murabaha is accounted for on consummation of Murabaha transaction. However, profit on that portion of revenue not due for payment (deferred Murabaha income) is deferred and recognized on a time proportionate basis. Income on diminishing musharaka financing is recognized on accrual basis.

Income on Sukuk bond is recognized on accrual basis.

Dividend income is recognized when the right to receive the dividend is established.

Return on deposit accounts is recognized on accrual basis.

"Gain / (loss) on available-for-sale investments is recognized at the time of disposal of investment.

4.2 Fixed assets – Tangible

(a) Ijarah (lease) assets

Ijarah (lease) assets are stated at cost less accumulated depreciation. Depreciation is charged to income applying the straight line method whereby the cost of an asset less salvage value is written off over the ijarah (lease) period, which is considered to be the estimated useful life of the asset. In respect of additions and disposals during the year, depreciation is charged proportionately from the date of delivery of assets to the date of its maturity / termination.

(b) Assets in own use

These are stated at cost less accumulated depreciation. Depreciation is charged to income applying the straight line method whereby the cost of an asset is written off over its estimated useful life. In respect of additions and disposals during the year, depreciation is charged proportionately for the period of use.

Maintenance and normal repairs are charged to income as and when incurred. Major renewals and improvements are capitalized if the recognition criteria are met.

The carrying values are reviewed for impairment when events or changes in circumstances indicate that the carrying value may not be recoverable

The assets' residual values, useful lives and depreciation methods are reviewed, and adjusted if appropriate, at each year end.

(c) Gain or loss on disposal

Gain or loss on disposal of assets, if any, is recognized as and when incurred.

(d) Impairment

The Modaraba assesses at each balance sheet date whether there is any indication that assets excluding inventory may be impaired. If such indication exists, the carrying amounts of such assets are reviewed to assess whether they are recorded in excess of their recoverable amounts. Where the carrying value exceeds the recoverable amount, assets are written down to the recoverable amount and the difference is charged to the profit and loss account.

4.3 Intangible assets

These are stated at cost less accumulated amortization and impairment, if any.

Amortization is charged to income applying the straight line method whereby the cost of an asset is written off over its estimated useful life. In respect of additions and disposals during the year, amortization is charged proportionately for the period of use.

4.4 Financial assets

Financial assets in the scope of IAS 39, are classified as either financial assets at fair value through profit or loss, loans and receivables, held-to-maturity investments and available-for-sale financial assets, as appropriate. When financial assets are recognized initially, they are measured at fair value, plus, in the case of investments not at fair value through profit or loss, directly attributable transaction cost. The Modaraba determines the classification of its financial assets after initial recognition and, where allowed and appropriate, re-evaluates this designation at each financial year-end.

i) Financial assets at fair value through profit or loss

Financial assets classified as held for trading are included in the category 'Financial assets at fair value through



profit or loss. Financial assets are classified as held for trading if they are acquired for the purpose of selling in the near term. Derivatives, if any, are also classified as held for trading unless they are designated as effective hedging instruments. Gains or losses on investments held for trading are recognized in profit or loss as incurred.

4. Intangible assets

Non-derivative financial assets with fixed or determinable payments and fixed maturity are classified as held for trading when the institution has the intention to sell and ability to readily convert to cash. Investments in debt securities held for an extended period are not included in this classification. Other long-term investments, but not investments held for trading, are subsequently measured at amortized cost.

The gain or loss is computed as the amount initially recognized, less any principal payments, plus or minus the cumulative amortization using the effective interest rate method, if the difference between the initially recognized amount and the maturity amount. This calculation includes all fees and charges paid or received between contract date and the contract date as an integral part of the effective interest rate. Amortization commences at the purchase date. For investments carried at amortized cost, gains and losses are recognized in profit or loss as incurred when the investment is derecognized or impaired, as well as, through the amortization process.

4.2 Loans and receivables

Loans and receivables are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market. Such assets are carried at amortized cost using the effective interest rate method. Gains and losses are recognized in profit or loss as incurred when the loans and receivables are derecognized or impaired, as well as, through the amortization process.

4.3 Available-for-sale

Available-for-sale financial assets are those non-derivative financial assets that are designated as available-for-sale or are not classified in any of the three preceding categories. After initial recognition, available-for-sale financial assets are measured at fair value with gains and losses being recognized in a separate component of equity until the investment is derecognized or until the investment is determined to be impaired at which time the cumulative gain or loss previously recognized is reclassified to the profit or loss account.

The fair value of investments that are actively traded in organized financial markets is determined by reference to quoted market bid prices at the close of business on the balance sheet date. For investments where there is no active market, value is determined using valuation techniques.

4.4 Trade debt accounting

All regular way purchases and sales of securities are recognized on the trade date or, if earlier, the date that the contracts settle to purchase or sell the asset. Regular way purchases or sales of quoted securities require delivery within three working days after the transaction date as per trade settlement agreements.

4.5 Financial liabilities

Financial liabilities are classified according to the substance of the contractual arrangements entered into. Significant financial liabilities are security deposits against bank loans, assets received under loan distribution and other liabilities.

4.7 Recognition and derecognition of financial instruments

Financial assets are recognized initially at fair value or, in case of financial assets that are not carried at fair value through profit or loss, at fair value plus transaction costs.

All financial assets and liabilities are recognized at the time when the entity becomes party to the contractual provisions of the instrument and are derecognized in case of assets, when the contractual rights under the instrument are transferred, expires, cancelled or otherwise discharged, or when the obligation is discharged, cancelled or expired.

Any gain or loss on the recognition and derecognition of the financial assets and liabilities is included in the profit or loss for the period unless otherwise stated.

Assets and liabilities that are not at contractual value and that are created as a result of security requirements imposed by the Government of Ontario are disclosed in the footnotes.

4.8 Offsetting of financial assets and financial liabilities

Financial assets and liabilities are offset and the net amount is reported in the balance sheet when there is a legally enforceable right to set-off the recognized amounts and the Modaraba intends to either settle on a net basis, or to recognize the asset and settle the liability simultaneously.

4.9 Ijarah (lease) installments and Murabaha finance receivables

Ijarah (lease) installments and Murabaha finance receivables are stated net of provision and suspense income. Provision is recognized for Ijarah (lease) installments receivable, in accordance with the Prudential Regulations for Modarabas. Bad debts are written-off when identified.

4.10 Cash and cash equivalents

Cash and cash equivalents are carried at cost.

For the purpose of the cash flow statement, cash and cash equivalents consist of cash in hand, balances at banks in current and deposit accounts and stamps in hand.

4.11 Finance arrangements including certificates of musharaka

These are carried on the balance sheet at their principal amount.

Profits on these arrangements are recognized as expense in the period in which they are incurred.

Profit on Musharaka finance is accounted for on the basis of the projected rate of profit. The effect of adjustments, if any, between actual rate and projected rate of profit is accounted for at the end of each year after determination of the actual rate.

4.12 Staff retirement benefits

(a) Gratuity scheme

The Modaraba operates a gratuity scheme for all eligible employees who have completed the minimum qualifying period of service. The scheme is administered by the Trustees nominated under the Trust Deed. The contributions to the scheme are made in accordance with actuarial valuation using Projected Unit Credit Method.

Actuarial gains and losses arising at each valuation date are recognized immediately.

(b) Provident fund

The Modaraba also operates an approved funded contributory provident fund scheme for all its employees who are eligible under the scheme. Equal monthly contributions at the rate of 10 percent of basic salary are made by the Modaraba and the employees.

4.13 Compensated absences

The Modaraba accounts for these benefits in the period in which the absences are earned.

4.14 Taxation

Current

The income of the Modaraba is exempt from income tax under clause 100 of Part I of the Second Schedule to the Income Tax Ordinance, 2001 subject to the condition that not less than 90 percent of its total profits in the year as reduced by the amount transferred to a mandatory reserve, as required under the provisions of the said Ordinance or the rules made thereunder, are distributed amongst the certificateholders. The Modaraba is also exempt from the provisions of section 113 (minimum tax) under clause 11 of Part IV of the Second Schedule to the Income Tax Ordinance, 2001.

Deferred

The Modaraba accounts for deferred taxation on all material temporary differences using the liability method arising

NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED JUNE 30, 2013



between the amounts attributed to assets and liabilities for financial reporting purposes and financial statements used for taxation purposes. However, deferred tax liability has not been provided in these financial statements as the management believes that the future income of Modaraba will not be taxable in the foreseeable future due to the fact that the Modaraba intends to continue availing the tax exemption through profit distribution to the extent of 90 percent of distributable profit.

4.15 Provisions

Provisions are recognized when the Modaraba has a present legal or constructive obligation as a result of past events and it is probable that an outflow of resources embodying economic benefits will be required to settle the obligation and a reliable estimate of the obligation can be made.

4.16 Profit distribution and other appropriations of profit

Profit distribution and other appropriations of profit are recognized in the year in which these are approved. Transfer to statutory reserve and any of the mandatory appropriations as may be required by law are recognized in the period to which these relate.

4.17 Related party transactions

All transactions with the related parties are priced on arm's length basis. Prices for those transactions are determined on the basis of admissible valuation methods.

5 IJARAH (LEASE) ASSETS	Note	2013 Rupees	2012 Rupees
Ijarah (lease) assets	5.1	2,502,492,870	2,182,335,126
Advance against ijarah (lease) assets	5.1.1	439,145,099	318,817,820
		<u>2,941,637,969</u>	<u>2,501,152,946</u>

5.1 Ijarah (lease) assets

Particulars	June 30, 2013								
	C O S T			D E P R E C I A T I O N			Impairment	Written down value as at June 30, 2013	Rate of depreciation %
	As at July 01, 2012	Additions / (disposals) during the year	As at June 30, 2013	As at July 01, 2012	Charge / (adjustments) for the year	As at June 30, 2013			
Plant, machinery and equipment	1,061,709,906	234,030,076 (406,997,004)	888,742,978	576,915,350	274,606,437 (353,980,147)	497,541,640	8,028,061	383,173,277	8.33 to 50
Vehicles	3,054,755,930	1,535,354,797 (1,064,116,574)	3,525,994,153	1,349,187,299	891,404,724 (833,917,462)	1,406,674,561	-	2,119,319,592	15 to 33.33
	<u>4,116,465,836</u>	<u>1,769,384,873</u> <u>(1,471,113,578)</u>	<u>4,414,737,131</u>	<u>1,926,102,649</u>	<u>1,166,011,161</u> <u>(1,187,897,609)</u>	<u>1,904,216,201</u>	<u>8,028,061</u>	<u>2,502,492,869</u>	

Particulars	June 30, 2012								
	C O S T			D E P R E C I A T I O N			Impairment	Written down value as at June 30, 2012	Rate of depreciation %
	As at July 01, 2011	Additions / (disposals) during the year	As at June 30, 2012	As at July 01, 2011	Charge / (adjustments) for the year	As at June 30, 2012			
Plant, machinery and equipment	1,168,486,320	282,741,584 (389,517,998)	1,061,709,906	638,814,111	281,444,153 (343,342,914)	576,915,350	8,028,061	476,766,495	8.33 to 50
Vehicles	2,837,890,273	1,033,357,384 (816,491,727)	3,054,755,930	1,158,689,068	791,143,905 (600,645,674)	1,349,187,299	-	1,705,568,631	15 to 33.33
	<u>4,006,376,593</u>	<u>1,316,098,968</u> <u>(1,206,009,725)</u>	<u>4,116,465,836</u>	<u>1,797,503,179</u>	<u>1,072,588,058</u> <u>(943,988,588)</u>	<u>1,926,102,649</u>	<u>8,028,061</u>	<u>2,182,335,126</u>	

5.1.1 Advance against ijarah (lease) assets

The ijarah (lease) assets cost includes an amount of Rs. 439.145 million (2012: Rs. 318.818 million) relating to advance against ijarah (lease) assets which have not yet been delivered to Mustajirs.

5.2 Assets in own use

Particulars	June 30, 2013							Rate of depreciation %
	C O S T			D E P R E C I A T I O N			Written down value as at June 30, 2013	
	As at July 01, 2012	Additions / (disposals) during the year	As at June 30, 2013	As at July 01, 2012	Charge / (adjustments) for the year	As at June 30, 2013		
Rupees								
Office equipment	9,624,902	4,283,087 (1,417,380)	12,490,609	5,718,105	2,314,317 (1,402,082)	6,630,340	5,860,269	25 to 33.33
Furniture and fixture	8,257,446	813,269 (443,800)	8,626,915	6,753,472	656,073 (443,786)	6,965,759	1,661,156	20
Vehicles	9,782,063	4,660,628 (5,939,342)	8,503,349	7,153,626	1,382,490 (5,939,334)	2,596,782	5,906,567	16.67
	27,664,411	9,756,984 (7,800,522)	29,620,873	19,625,203	4,352,880 (7,785,202)	16,192,881	13,427,992	

Particulars	June 30, 2012							Rate of depreciation %
	C O S T			D E P R E C I A T I O N			Written down value as at June 30, 2012	
	As at July 01, 2011	Additions / (disposals) during the year	As at June 30, 2012	As at July 01, 2011	Charge / (adjustments) for the year	As at June 30, 2012		
Rupees								
Office equipment	7,332,849	2,445,053 (153,000)	9,624,902	4,812,105	1,048,373 (142,373)	5,718,105	3,906,797	25 to 33.33
Furniture and fixture	8,004,045	514,235 (260,834)	8,257,446	6,427,093	594,611 (268,232)	6,753,472	1,503,974	20
Vehicles	7,977,718	2,356,120 (551,775)	9,782,063	6,471,814	1,228,610 (546,798)	7,153,626	2,628,437	16.67
Plant and machinery	1	- (1)	-	-	-	-	-	
	23,314,613	5,315,408 (965,610)	27,664,411	17,711,012	2,871,594 (957,403)	19,625,203	8,039,208	

NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED JUNE 30, 2013



5.3 Disposal of assets in own use

	Cost	Accumulated depreciation	Net book value	Sale proceeds	Mode of disposal	Particulars of purchaser
	Rupees					
Motor vehicle (Toyota)	953,342	953,341	1	-	As per Company policy	Fayyaz Hussain Qazi
Motor vehicle (Suzuki)	632,000	631,999	1	-	As per Company policy	Tehsin Abbas
Motor vehicle (Suzuki)	632,000	631,999	1	-	As per Company policy	Intisar Muhammad Usmani
Motor vehicle (Coure)	519,000	518,999	1	-	As per Company policy	Adnan Thanwey
Motor cycle (Habib)	39,000	38,999	1	12,000	Quotation	Saqib Mehmood
Computer Equipment	1,337,990	1,337,940	50	43,500	Quotation	Design Evolution
Computer Equipment	29,490	29,489	1	1,000	Quotation	World Tech. Faisalabad
Computer Equipment	49,900	34,653	15,247	-	Scrap	
Air Conditioner	43,150	43,149	1	8,000	Quotation	Mr. Mohammad Akhtar
Furniture and fixture	102,600	102,595	5	-	As per Company policy	Fayyaz Hussain Qazi
Furniture and fixture	107,750	107,746	4	-	As per Company policy	Amir Kaleem
Furniture and fixture	65,300	65,298	2	-	As per Company policy	Tehsin Abbas
Furniture and fixture	125,000	124,998	2	-	As per Company policy	Intisar Muhammad Usmani
	<u>7,800,522</u>	<u>7,785,204</u>	<u>15,318</u>	<u>364,500</u>		

6 INTANGIBLE ASSETS

Particulars	COST			AMORTIZATION			Rate of depreciation %	
	As at July 01, 2012	Additions / (disposals) during the year	As at June 30, 2013	As at July 01, 2012	Charge / (adjustments) for the year	As at June 30, 2013		Written down value as at June 30, 2013
	Rupees							
Computer software - 2013	<u>2,890,608</u>	<u>88,172</u>	<u>2,978,780</u>	<u>765,049</u>	<u>804,566</u>	<u>1,569,615</u>	<u>1,409,165</u>	33.33
Computer software - 2012	<u>645,354</u>	<u>2,245,254</u>	<u>2,890,608</u>	<u>550,109</u>	<u>214,940</u>	<u>765,049</u>	<u>2,125,559</u>	33.33



NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED JUNE 30, 2013

	Note	2013 Rupees	2012 Rupees
7 DIMINISHING MUSHARAKA FINANCING			
Secured			
Diminishing musharaka financing	7.1	369,309,326	332,323,877
Less: Current portion shown in current assets		(191,350,842)	(148,365,839)
		<u>177,958,484</u>	<u>183,958,038</u>
Advance against diminishing musharaka financing		<u>177,508,670</u>	<u>50,113,454</u>
		<u><u>355,467,154</u></u>	<u><u>234,071,492</u></u>

7.1 This represents diminishing musharaka financing for a term of 1 to 5 years.

8 LONG-TERM ADVANCES, DEPOSITS AND PREPAYMENTS

	Note	2013 Rupees	2012 Rupees
Advances	8.1	508,800	508,800
Long-term deposits			
Security deposit to Central Depository Company of Pakistan Limited		150,000	150,000
Security deposit of Lahore office		120,000	120,000
Security deposit of Islamabad office		130,000	130,000
Security deposit to Habib Metropolitan Bank for locker		70,000	70,000
Miscellaneous deposits		64,850	18,050
		<u>534,850</u>	<u>488,050</u>
Prepayments			
Prepaid rent		1,449,000	520,000
		<u>2,492,650</u>	<u>1,516,850</u>

8.1 This represents the amount advanced for the development and implementation of ERP II Application Software.

	Note	2013 Rupees	2012 Rupees
9 INVESTMENTS			
Available for sale			
Investment in shares	9.1	96,985,487	1,086,001,027
Investment in Ijarah Sukuk bonds	9.2	900,160,000	100,000,000
Held to maturity			
Investments in Islamic Investment Certificates	9.3	-	300,000,000
		<u>997,145,487</u>	<u>1,486,001,027</u>

9.3 Investment in Islamic Investment Certificates

The investment in Islamic Investment Certificates carry projected profit at a rate ranges between 10.44 % to 11.52 % per annum (2012: 11.50% per annum)

	Note	2013 Rupees	2012 Rupees
10 IJARAH (LEASE) INSTALLMENTS RECEIVABLE			
Secured - considered good			
Ijarah (lease) installments due		5,415,105	7,821,269
Suspense ijarah (lease) installments	10.1	(1,894,695)	(4,403,566)
		<u>3,520,410</u>	<u>3,417,703</u>
10.1 Suspense ijarah (lease) installments represent amounts overdue on ijarah (lease) assets.			
11 ADVANCES AND SHORT TERM PREPAYMENTS			
Advances		9,466,145	1,149,265
Short term prepayments		<u>1,852,239</u>	<u>3,941,466</u>
		<u>11,318,384</u>	<u>5,090,731</u>
12 OTHER RECEIVABLES			
Unsecured - considered good			
Profit receivable on modaraba deposit accounts		7,369,198	5,534,993
Ijarah (lease) insurance receivable		-	-
Profit receivable on Ijarah Sukuk bond		11,693,762	1,517,030
Profit on Islamic Investment Certificate		-	4,193,836
Advance tax		13,663,843	13,493,637
Registration charges receivable		212,867	58,000
Other receivables		34,046	52,112
		<u>32,973,716</u>	<u>24,849,608</u>
13 TAX REFUND DUE FROM GOVERNMENT			
			(Re-stated)
Income tax refundable	20.2	37,903,024	24,306,337
Sales tax refundable from Sindh Revenue Board		-	4,164,377
		<u>37,903,024</u>	<u>28,470,714</u>

NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED JUNE 30, 2013



	Note	2013 Rupees	2012 Rupees
14 CASH AND BANK BALANCES			
Stamps in hand		117,521	50,421
Cash at banks			
Current account			
State Bank of Pakistan		126,215	93,481
With other banks		446,994	341,707
Deposit accounts			
Modaraba Deposit account Burj Bank Limited	14.1	51,782	118,436
Modaraba Deposit account HMB Islamic branch	14.2	129,880,712	121,788,670
Redemption fund for Certificates of Musharaka	14.3	16,692	1,372
		<u>129,949,185</u>	<u>121,908,478</u>
		<u>130,639,915</u>	<u>122,394,087</u>

14.1 The profit on the above modaraba deposit account ranges between 5.25 % to 5.75 % per annum (2012: 5.00% to 5.50% per annum).

14.2 The profit on the above modaraba deposit account ranges between 8.25 % to 10.50 % per annum (2012: 10.50% to 11.00% per annum).

14.3 The profit on the above redemption fund account is 8.25% to 10.50 % per annum (2012: 10.50% to 11.00 % p.a)

	2013 (Number of certificates)	2012 (Number of certificates)	Note	2013 Rupees	2012 Rupees
	193,900,000	193,900,000	Certificates of Rs. 5/- each issued for cash	969,500,000	969,500,000
	<u>7,700,000</u>	<u>7,700,000</u>	Certificates of Rs. 5/- each issued as bonus	<u>38,500,000</u>	<u>38,500,000</u>
	<u>201,600,000</u>	<u>201,600,000</u>		<u>1,008,000,000</u>	<u>1,008,000,000</u>

16 RESERVES

Capital reserves

Premium on issuance of certificates		378,000,000	378,000,000
Statutory	16.1	777,369,238	578,891,321
		<u>1,155,369,238</u>	<u>956,891,321</u>

Revenue reserves

General		50,000,000	50,000,000
Unrealized gain on available-for-sale investments		36,683,068	901,105,975
Unappropriated profit		802,807,678	210,496,010
		<u>889,490,746</u>	<u>1,161,601,985</u>
		<u>2,044,859,984</u>	<u>2,118,493,306</u>

16.1 This represents profit set aside to comply with requirement of Prudential Regulations for Modarabas issued by SECP, which is not available for distribution.

NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED JUNE 30, 2015

	Note	2015 \$千元	2014 \$千元
17	CERTIFICATES OF DEPOSIT		
Unsecured			
Certificates of deposits	17.1	-	3,000,000
Less: Current maturity shown under current liabilities		-	(3,000,000)
		<u>-</u>	<u>-</u>

17.1 The estimated share of profit (and / or) payable on the above unsecured finance is 12.50% per annum (2014: 12.50% per annum).

18	SECURITY DEPOSITS AGAINST LIABILITIES (LIABILITIES)		
Bank's security deposits	18.1	26,000,000	26,000,000
Less: Current portion shown under current liabilities		(24,000,000)	(21,000,000)
		<u>2,000,000</u>	<u>5,000,000</u>

18.1 These represent interest-free deposits receivable at the maturity of respective bank loans/terms.

19	CERTIFICATES OF DEPOSIT		
Unsecured			
Certificates of deposits	19.1	1,000,000,000	990,000,000

19.1 The estimated share of profit (and / or) payable on the above unsecured finance ranges between 0.25% to 1.75% per annum.

20	TRADE AND OTHER RECEIVABLES		2014
Accounts receivable		14,000,000	12,000,000
Advances against bank (fixed) contracts	20.1	42,000,000	40,000,000
Advances against sale of developing residential units		7,000,000	1,400,000
Bankers' (bills) Payable		(2,000,000)	(2,000,000)
Management remuneration payable		10,000,000	8,000,000
Other tax or management fee payable	20.2	2,000,000	4,000,000
Others payable	20.3	-	2,000,000
		<u>74,000,000</u>	<u>75,000,000</u>

Balance of working capital

Bank (fixed) assets has been included above in order to depict a true picture of the gap between the assets and liabilities of the Bank.

The expected rates of profit for financial assets and liabilities are mentioned in the respective notes to the financial statements.

21 Fair value of assets

Fair value has been determined from the possibility that changes in price / profit rates will affect the value of financial instruments. All financial instruments of the Bank are denominated in a single currency, and are variable profit rate.

The IFC & Institute Association of Pakistan has challenged the applicability of Debt Tax on remuneration of management Company. The association pointed out that the remuneration is the profit sharing instead of interest.

Therefore, the management went in appeal with the Commissioner of Sindh Revenue Board and this matter is not concluded yet.

NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED JUNE 30, 2013



(ii) Market risk

Modaraba recognizes market risk as the exposure created by potential changes in the market prices and rates.

(iii) Fair values of financial assets and liabilities

The fair values of traded instruments is based on quoted market prices. Fair value of future Ijarah (lease) installments receivable against Ijarah (lease) assets, other assets, other liabilities and other items cannot be

	Note	2013 Rupees	2012 Rupees
b Reconciliation of balance due to defined benefit plan:			
Present value of defined benefit obligation		18,720,102	15,905,347
Fair value of plan assets		(18,720,102)	(15,901,599)
Payable/(Receivable) recognized in the balance sheet		-	3,748
c Amount charged to profit and loss account:			
Current service cost		1,441,954	1,314,892
Interest cost		2,224,899	2,010,369
Expected return on plan assets		(2,224,425)	(2,034,358)
Actuarial loss / (gain) recognized		422,418	212,845
		<u>1,864,846</u>	<u>1,503,748</u>
The charge for the year has been allocated to administrative expenses.			
d Movement in the liability / (asset) recognized in the balance sheet:			
Balance as at July 01		3,748	(177,433)
Net charge for the year		1,864,846	1,503,748
Contribution to the fund		(1,868,594)	(1,322,567)
Balance as at June 30		-	3,748
e Movement in the present value of defined benefit obligation:			
Balance as at July 01		15,905,347	13,452,894
Current service cost		1,441,954	1,314,892
Interest cost		2,224,899	2,010,369
Actuarial (gain) / loss		(156,097)	(364,558)
Actual benefits paid during the year		(696,000)	(508,250)
Balance as at June 30		<u>18,720,103</u>	<u>15,905,347</u>
f Movement in the fair value of plan assets:			
Balance as at July 01		15,901,599	13,630,327
Expected return		2,224,425	2,034,358
Contributions		1,868,594	1,322,567
Actuarial (loss) / gain		(578,516)	(577,403)
Actual benefits paid during the year		(696,000)	(508,250)
Balance as at June 30		<u>18,720,102</u>	<u>15,901,599</u>



NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED JUNE 30, 2013

	2013 Rupees	2012 Rupees
9 Principal actuarial assumptions used are as follows:		
Expected rate of long term salary increase per annum	13.35%	13.50%
First year salary increase	12.30%	14.60%
Valuation discount rate	11.00%	13.50%
Expected rate on plan assets	14.00%	14.50%

	2013	2012	2011 Rupees	2010	2009
h Comparisons for past years:					
As at June 30					
Present value of defined benefit obligation	18,720,102	15,905,347	13,452,894	10,910,565	9,665,996
Fair value of plan assets	(18,720,102)	(15,901,599)	(13,630,327)	(11,098,664)	(9,870,245)
Deficit / (surplus)	-	3,748	(177,433)	(188,099)	(204,249)
Experience loss / (gain) on obligation	156,097	364,558	113,585	447,437	(753,697)
Experience (loss) / gain on plan assets	(578,516)	(577,403)	134,610	47,519	(208,739)

	2013 Rupees	2012 Rupees
Major categories / composition of plan assets are as follows:		
Bank Deposit	18,275,493	13,818,436
calculated with sufficient reliability due to absence of current active market for such assets and liabilities.		

37 CREDIT RISK AND CONCENTRATION OF CREDIT RISK

Credit risk is the risk that one party to a financial instrument will fail to discharge an obligation and cause the other party

Defined benefit plan

Contribution for the year allocated to administrative expenses to incur a financial loss.	1,864,846	1,503,748
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The Modaraba has established procedures to manage credit exposure including credit approvals, credit limits and obtaining collaterals.

Concentration of credit risk arises when a number of counterparties are engaged in similar business activities or have similar economic features that would cause their ability to meet contractual obligations to be similarly affected by changes in economic, political or other considerations. Concentration of credit risk indicates the relative sensitivity of

	2013 Rupees	2012 Rupees
20.4 The reconciliation of charity payable is as follows:		
Balance as at July 01	-	-
Addition during the year	1,711,857	535,322
Less: Paid to recognized charitable organisations	(750,000)	(535,322)
Balance as at June 30	961,857	-

NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED JUNE 30, 2013



the Modaraba's performance to developments affecting a particular industry.

The Modaraba manages concentration of credit risk exposure through diversification of portfolio of its customers to avoid undue concentration of risk with specific industry, sector, or group as follows:

38 EARNINGS PER CERTIFICATE

38.1 Basic

Basic earnings per certificate are calculated by dividing the net profit for the year by the weighted average number of

		2013 Rupees	2012 Rupees
22 INCOME FROM IJARAH (LEASING)			
Ijarah (leasing) installments		1,482,694,942	1,405,982,435
Less: Depreciation on ijarah (lease) assets		<u>(1,166,011,160)</u>	<u>(1,072,588,058)</u>
		<u>316,683,782</u>	<u>333,394,377</u>
23 ADMINISTRATIVE EXPENSES			
Salaries, allowances and other benefits	28	41,183,558	34,192,045
Printing, stationery and advertising		3,006,358	3,264,090
Travelling and conveyance		1,036,321	1,016,341
Insurance		557,373	435,836
Utilities		826,655	536,677
Postage		485,268	476,410
Newspapers and periodicals		39,853	67,202
Repairs and maintenance		1,340,293	2,533,421
Telecommunication		820,217	740,236
Entertainment		-	352,935
Fees and subscriptions		3,517,906	3,638,235
Legal and professional charges		1,266,038	848,180
Donations	23.1	936,000	936,000
Depreciation on fixed assets in own use	5.2	4,352,880	2,871,594
Amortization on intangible assets	6	804,566	214,940
Certificate registrar expenses		1,489,751	1,375,964
Vehicle running expenses		1,300,498	1,098,433
Office expense		1,012,533	803,989
Staff training and workshop		292,500	193,365
Staff Hajj expenses		800,456	667,800
Rent expense		1,821,000	1,524,500
I.T expenses		1,214,483	-
Miscellaneous		<u>41,712</u>	<u>94,385</u>
		<u>68,146,219</u>	<u>57,882,578</u>

23.1 The Directors of the Modaraba Management Company do not have any interest in any donees' fund to which donations were made.

NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED JUNE 30, 2015

		2015 \$千元	2014 \$千元
20. OTHER INCOME			
Dividend on shares		15,027,000	14,352,701
Gain on transfer of joint (bank) assets		15,946,710	27,246,021
Gain on sale of shares		17,502,715	15,272,775
Gain on sale of owned bank assets - net		38,000	38,000
Profit on insurance deposit accounts		15,750,407	15,242,800
Profit on redemption reserve fund - (CDB)		48	70
Profit on Cash		22,752,000	12,117,000
Profit on Islamic Investment Certificate		17,284,210	8,471,704
Realization income		20,000	127,000
Reversal of impairment on joint (bank) assets		-	(257,100)
		<u>104,713,030</u>	<u>103,730,001</u>
21. OTHER OPERATING CHARGES			
Impairment of joint (bank) assets	2015	-	(228,001)
Professional fee		20,000	-
Auditor's remuneration	2014	14,000	(71,000)
		<u>14,000</u>	<u>(299,001)</u>
Expenses incurring during the year as follows:			
21.1. Share			
21.2. Auditor's remuneration			
Auditor fee		20,000	20,000
Fee for review of half yearly financial statements and Statement of Compliance with Code of Corporate Governance		17,000	17,000
SEC working compliance		(1,000)	(1,000)
Cost of audit expenses		(2,000)	(4,000)
		<u>34,000</u>	<u>32,000</u>
22. FINANCIAL CHARGES			
Profit on certificate of investments		12,471,007	11,242,000
Bank commission and charges		(7,470)	(8,000)
		<u>12,463,537</u>	<u>11,234,000</u>
23. SERVICES PAID TO OR BY MANAGEMENT FEE			
Current year		15,402,740	-
Prior year		(1,944,277)	-
		<u>13,458,463</u>	<u>-</u>

NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED JUNE 30, 2013

No T-Notes for Global Savings Plan certificate has been presented as the Holders has not issued any instruments which would have an impact on net asset value certificate when exercised.

4.11.1 MOST SIGNIFICANT ACCOUNTING APPROXIMATIONS

	2012			2011		
	Share	Per employee	Total	Share	Per employee	Total
	Rm			Rm		
Salaries	15,720	14,420	201,720	15,520	13,997	212,017
House rent	2,710	2,710	20,940	2,200	2,200	20,000
Consumption of other services	4,120	3,800	28,020	2,470	2,270	20,170
Other insurance	1,874	1,874	14,107	1,820	1,820	13,600
Gratuity Fund	1,910	1,910	14,440	1,700	1,700	12,700
Provision tax	1,420	1,420	10,540	1,220	1,220	9,170
	<u>23,154</u>	<u>21,234</u>	<u>179,867</u>	<u>23,930</u>	<u>23,007</u>	<u>187,657</u>
Number of persons	1	2	3	1	2	3

Subsequent to the year ended June 30, 2012 the Board of Directors of the Management Company has announced the distribution of the 11th year certificate amounting to total profit distribution of Rs.201,880 million 2012. The 11th year certificate amounting to total profit distribution of Rs.201,880 million. The Board has also confirmed transfer of Rs.14,100 million general reserve, in its meeting held on July 19, 2012.

4.11.2 DATE OF AUTHORIZATION FOR ISSUE

These financial statements were authorized for issue on 19th July 2013 by the Board of Directors of the Holders Management Company.

4.11.3 CORRECTING ERRORS

Correcting Entries have been recognized and included, wherever necessary, to the purpose of comparison. However no significant misstatements have been made in the following:

Particulars	Name of Provision	2012 Rm	2011 Rm
Balance at the beginning:			
The Holders Management Gratuity Fund	Provision for gratuity and gratuity fund	-	174
Holders Management Company	Provision for holders management contract	<u>11,70,714</u>	<u>8,12,120</u>
Holders Management Company	Balance in management fee payable	<u>2,28,120</u>	<u>4,20,120</u>
The Holders Management Provision Fund	Provision for Certificate of Guarantee	<u>1,94,146</u>	<u>1,94,146</u>
Balance for the year:			
Holders Management Company	Holders company management fee	<u>11,70,714</u>	<u>8,12,120</u>
The Holders Management Gratuity Fund	Gratuity fund	<u>1,94,146</u>	<u>1,94,146</u>
The Holders Management Provision Fund	Provision fund	<u>1,94,146</u>	<u>1,94,146</u>



NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED JUNE 30, 2013

Payments made during the year		2013 Rupees	2012 Rupees
First Habib Modaraba Gratuity Fund	Contribution to staff gratuity fund	<u>1,868,594</u>	<u>1,322,567</u>
First Habib Modaraba Provident Fund	Contribution to staff provident fund	<u>3,818,910</u>	<u>3,331,472</u>
Modaraba Management Company	Dividend paid	<u>100,501,732</u>	<u>109,596,324</u>
Modaraba Management Company	Management fee	<u>38,338,298</u>	<u>30,880,220</u>

43 GENERAL

Figures have been rounded off to the nearest rupee.

	Rupees	Rupees
Diminishing musharaka financing	546,817,996	382,437,331
Ijarah (lease) installments receivables	3,520,410	3,417,703
Investments	997,145,487	1,486,001,027
Deposits	534,850	488,050
Other receivables	19,309,873	11,355,971
Bank balances	<u>130,639,915</u>	<u>122,343,666</u>
	<u>1,697,968,531</u>	<u>2,006,043,748</u>

NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED JUNE 30, 2013



	2013 Rupees	2012 Rupees
The aging of Ijarah (lease) installments receivables at the reporting date is:		
Past due 1-30 days	2,177,958	1,849,996
Past due over 30-90 days	1,342,452	1,567,707
	<u>3,520,410</u>	<u>3,417,703</u>

Particulars	Average Cost 2013	Fair Value 2013	Average Cost 2012	Fair Value 2012
	Rupees			
Equity securities	60,302,420	96,985,487	184,895,047	1,086,001,027
Ijarah Sukuk bonds	900,160,000	900,160,000	100,000,000	100,000,000
	<u>960,462,420</u>	<u>997,145,487</u>	<u>284,895,047</u>	<u>1,186,001,027</u>



NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED JUNE 30, 2013

	2013 Rupees	2012 Rupees
Variable rate instruments		
Ijarah Sukuk bonds	900,160,000	100,000,000
Islamic deposits	129,932,493	421,907,106
Diminishing musharaka financing	369,309,326	332,323,877
Liability		
Certificate of musharaka	(1,007,807,729)	(969,290,959)
	<u>391,594,090</u>	<u>(115,059,976)</u>

Asset / liability class (Having variable interest rates)	(Increase / Decrease) (+/-)	Changes in profit / (loss)	
		2013 Rupees	2012 Rupees
Assets			
Ijarah Sukuk bonds	100 basis points	9,001,600	1,000,000
Diminishing musharaka financing	100 basis points	3,693,093	3,323,239
Islamic deposits	100 basis points	1,299,325	4,219,071
Liability			
Certificate of musharaka	100 basis points	(10,078,077)	(9,692,910)

NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED JUNE 30, 2013





NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED JUNE 30, 2013

	2013			
	Total	Up to one year	Over one year to five years	Over five years
Rupees				
Assets				
Ijarah (lease) fixed assets - tangible	2,941,637,969	247,725,896	2,693,912,073	-
Owned fixed assets - tangible	13,427,992	-	13,427,992	-
Intangible assets	1,409,165	-	1,409,165	-
Long term advances, deposits and prepayments	2,492,650	-	2,492,650	-
Diminishing musharaka financing	546,817,996	191,350,842	355,467,154	-
Investments	997,145,487	997,145,487	-	-
Ijarah (lease) installments receivable	3,520,410	3,520,410	-	-
Advances and short term prepayments	11,318,384	11,318,384	-	-
Other receivables	32,973,716	32,973,716	-	-
Tax refund due from Government	37,903,024	37,903,024	-	-
Cash and bank balances	130,639,915	130,639,915	-	-
	<u>4,719,286,707</u>	<u>1,652,577,673</u>	<u>3,066,709,033</u>	<u>-</u>
Liabilities				
Security deposits against ijarah (lease) assets	319,623,527	54,685,080	264,938,447	-
Certificates of musharaka	1,007,807,729	1,007,807,729	-	-
Unearned ijarah (lease) and diminishing musharaka installments	27,255,215	27,255,215	-	-
Advance ijarah (lease) and diminishing musharaka installments	19,804,076	19,804,076	-	-
Trade and other payables	249,034,004	249,034,004	-	-
Profit payable on certificate of musharaka	18,602,889	18,602,889	-	-
Taxation	2,790,833	2,790,833	-	-
Unclaimed profit distribution	21,508,450	21,508,450	-	-
	<u>1,666,426,723</u>	<u>1,401,488,276</u>	<u>264,938,447</u>	<u>-</u>
	<u>3,052,859,984</u>	<u>251,089,398</u>	<u>2,801,770,586</u>	<u>-</u>
Represented by:				
Issued, subscribed and paid-up capital	1,008,000,000			
Reserves	2,044,859,984			
	<u>3,052,859,984</u>			

NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED JUNE 30, 2013



	2012			
	Total	Up to one year	Over one year to five years	
Rupees				
Assets				
Ijarah (lease) fixed assets - tangible	2,501,152,946	282,144,418	2,219,008,528	-
Owned fixed assets - tangible	8,039,208	-	8,039,208	-
Intangible assets	2,125,559	-	2,125,559	-
Long term advances, deposits and prepayments	1,516,850	-	1,516,850	-
Diminishing musharaka financing	382,437,331	148,365,839	234,071,492	-
Investments - available for sale	1,486,001,027	1,486,001,027	-	-
Investments - held to maturity	-	-	-	-
Ijarah (lease) installments receivable	3,417,703	3,417,703	-	-
Advances and short term prepayments	5,090,731	5,090,731	-	-
Other receivables	24,849,608	24,849,608	-	-
Tax refund due from Government	28,395,755	28,395,755	-	-
Cash and bank balances	122,394,087	122,394,087	-	-
	4,565,420,805	2,100,659,168	2,464,761,637	-
Liabilities				
Security deposits against ijarah (lease) assets	266,960,222	57,881,505	209,078,717	-
Certificates of musharaka	969,290,959	969,290,959	-	-
Unearned ijarah (lease) and diminishing musharaka installments	17,501,347	17,501,347	-	-
Advance ijarah (lease) and diminishing musharaka installments	18,705,457	18,705,457	-	-
Trade and other payables	112,229,719	112,229,719	-	-
Profit payable on certificate of musharaka	31,712,221	31,712,221	-	-
Taxation - net	2,790,833	2,790,833	-	-
Unclaimed profit distribution	19,811,700	19,811,700	-	-
	1,439,002,458	1,229,923,741	209,078,717	-
	3,126,418,347	870,735,427	2,255,682,920	-
Represented by:				
Issued, subscribed and paid-up capital	1,008,000,000			
Reserves	2,118,493,306			
	3,126,493,306			

35 SEGMENT BY CLASS OF BUSINESS OF MAJOR IJARAH (LEASE) ASSETS

	Ijarah (lease) assets			
	2013		2012	
	Rupees	%	Rupees	%
Auto and allied	47,300,983	1.89	71,171,950	3.29
Financial institutions	44,482,924	1.78	74,451,441	3.44
Cable and electric goods	121,276,761	4.85	60,173,860	2.78
Fertilizer	84,442,649	3.37	-	0.00
Chemical and pharmaceutical	759,355,495	30.34	782,185,792	36.19
FMCG	43,527,781	1.74	-	0.00
Construction	24,770	0.00	998,541	0.05
Consumer	42,271,628	1.69	46,248,456	2.14
Education	41,036,884	1.64	46,577,288	2.15
Engineering	40,690,174	1.63	46,063,447	2.13
Food and allied	127,117,870	5.08	163,717,937	7.57
Fuel and energy	102,495,659	4.10	120,089,194	5.56
Glass and ceramics	17,032,859	0.68	19,906,173	0.92
Health	43,884,601	1.75	32,995,170	1.53
Information technology	130,842,677	5.23	64,610,308	2.99
Paper and board	14,828,469	0.59	19,680,875	0.91
Services	482,336,665	19.27	382,200,003	17.68
Sugar and allied	114,505,213	4.58	109,455,636	5.06
Synthetic and rayon	977,350	0.04	1,931,357	0.09
Textile	118,313,762	4.73	100,253,260	4.64
Transport	45,074,211	1.80	697,500	0.03
Industrial Gases	24,331,445	0.97	-	0.00
Agriculture	7,021,590	0.28	-	0.00
Leather and Tanneries	11,178,384	0.45	-	0.00
Lubricant	20,207,480	0.81	-	0.00
Miscellaneous	17,934,586	0.72	17,994,035	0.83
	<u>2,502,492,870</u>	<u>100.00</u>	<u>2,161,402,223</u>	<u>100.00</u>

35.1 Modaraba's operations are restricted to Pakistan only.

NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED JUNE 30, 2013



36 FINANCIAL ASSETS AND LIABILITIES

	Profit bearing			Non-Profit bearing			Total
	Maturity upto one year	Maturity after one year upto five years	Sub-total	Maturity upto one year	Maturity after one year and upto five years	Sub-total	
Financial assets							
Cash and bank balances	129,949,185	-	129,949,185	690,730	-	690,730	130,639,915
Other receivables	-	-	-	19,309,873	-	19,309,873	19,309,873
Investments	900,160,000	-	900,160,000	96,985,487	-	96,985,487	997,145,487
Ijarah (lease) installments receivables	-	-	-	3,520,410	-	3,520,410	3,520,410
Advances	-	-	-	9,466,145	-	9,466,145	9,466,145
Long term deposits	-	-	-	-	534,850	534,850	534,850
Diminishing musharaka financing	191,350,842	355,467,154	546,817,996	-	-	-	546,817,996
	<u>1,221,460,027</u>	<u>355,467,154</u>	<u>1,576,927,181</u>	<u>129,972,645</u>	<u>534,850</u>	<u>130,507,495</u>	<u>1,707,434,676</u>
Financial liabilities							
Security deposits against ijarah (lease) assets	-	-	-	54,685,080	264,938,447	319,623,527	319,623,527
Certificates of musharaka	1,007,807,729	-	1,007,807,729	-	-	-	1,007,807,729
Trade and other payables	-	-	-	152,654,356	-	152,654,356	152,654,356
Unclaimed profit distribution	-	-	-	21,508,450	-	21,508,450	21,508,450
	<u>1,007,807,729</u>	<u>-</u>	<u>1,007,807,729</u>	<u>228,847,886</u>	<u>264,938,447</u>	<u>493,786,333</u>	<u>1,501,594,062</u>
On balance sheet gap	213,652,298	355,467,154	569,119,452	(98,875,241)	(264,403,597)	(363,278,838)	205,840,614
Ijarah (lease) assets	<u>247,725,896</u>	<u>2,693,912,073</u>	<u>2,941,637,969</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>2,941,637,969</u>



NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED JUNE 30, 2013

2013		2012	
Advances, deposits, prepayments and other receivables	Ijarah (lease) installments receivables	Advances, deposits, prepayments and other receivables	Ijarah (lease) installments receivables
Rupees			

Segment by class of business

Financial institutions	19,062,960	86,689	11,245,859	43,412
Textile	-	177,578	-	100,000
Chemical and pharmaceutical	-	12,905	-	55,845
Communications	46,800	695,769	46,000	-
Consumer	-	23,029	-	-
Food and allied	1,050	-	1,050	3,158,773
Fuel and energy	8,000	-	8,000	-
Insurance companies	-	-	1,313,495	-
FMCG	-	2,341,959	-	-
Others	1,445,239	182,481	4,255,615	59,673
Services	-	-	1,093,533	-
	<u>20,564,049</u>	<u>3,520,410</u>	<u>17,963,552</u>	<u>3,417,703</u>

(Re-stated)

Profit for the year	<u>992,389,585</u>	<u>344,341,947</u>
Weighted average number of certificates	<u>201,600,000</u>	<u>201,600,000</u>
Earnings per certificate	<u>4.92</u>	<u>1.71</u>

NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED JUNE 30, 2013



		2013 Rupees	2012 Rupees
39 CASH GENERATED FROM OPERATIONS			(Re-stated)
Profit for the year		992,389,585	344,341,947
Adjustment for:			
Gain on disposal of assets			
Ijarah (lease)		(19,046,700)	(27,548,025)
In own use - net		(349,200)	(350,296)
Depreciation fixed assets			
Ijarah (lease) assets		1,166,011,160	1,072,588,058
In own use		4,352,880	2,871,594
Impairment of ijarah (lease) assets		-	8,028,061
Owned assets sold / written off		-	-
Amortization of intangible assets		804,566	214,940
Reversal of impairment on ijarah (lease) assets		-	(5,557,188)
Provision for gratuity		1,864,846	1,503,748
Dividend income		(100,837,606)	(84,765,791)
Gain on disposal of investments		(779,993,176)	(11,572,775)
Profit on certificates of musharaka		102,411,937	91,643,343
Movement in working capital	39.1	123,773,742	21,627,367
		<u>1,491,382,034</u>	<u>1,413,024,983</u>
39.1 Movement in working capital			
Decrease / (increase) in current assets:			
Ijarah (lease) installments receivable		(102,707)	885,518
Advances and short term prepayments		(6,227,653)	(153,875)
Tax refund due from Government		(9,432,310)	(10,983,097)
Other receivables		(8,124,108)	(4,157,489)
Increase / (decrease) in current liabilities:			
Advance ijarah (lease) and diminishing musharaka installments		1,098,619	(1,890,731)
Unearned ijarah (lease) and diminishing musharaka installments		9,753,868	7,615,444
Trade and other payables		136,808,033	30,311,597
		<u>123,773,742</u>	<u>21,627,367</u>



NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED JUNE 30, 2013

Reclassification from components	Reclassification to components	Note	in "Rupees"
Other operating charges		25	7,027,387
	Workers Welfare Fund		7,027,387

CHIEF EXECUTIVE

DIRECTOR

DIRECTOR