

Growth + Prosperity

First Punjab Modaraba

(An Islamic Financial Institution)

First Punjab Modaraba
ANNUAL REPORT
June 30, 2018

ACCELERATING GROWTH



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Corporate Profile

Board of Directors

Punjab Modaraba Services (Pvt.) Ltd.

Khalid Siddiq Tirmizey	Chairman
Aamir Malik	Chief Executive
Khawaja Farooq Saeed	Director
Nadeem Amir	Director
Ijaz ur Rehman Qureshi	Director
Mahboob-ul-Hassan	Director

Chief Financial Officer & Company Secretary

Mudassar Kaiser Pal

Audit Committee

Khawaja Farooq Saeed	Chairman
Nadeem Amir	Member
Ijaz ur Rehman Qureshi	Member

Human Resource Committee

Mahboob-ul-Hassan	Chairman
Nadeem Amir	Member
Aamir Malik	Member

Auditors of the Modaraba

Delloite Yousuf Adil
Chartered Accountants

Auditors of the Management Company

Hameed Chaudhry & Co.
Chartered Accountants

Bankers

The Bank of Punjab
Bank Alfalah Limited

Registrar

Hameed Majeed Associates (Pvt) Ltd.
H.M. House, 7-Bank Square,
The Mall, Lahore
Tel: (+92-42) 37235081-2

Registered Office

BOP Tower, 1st Floor, 10-B Block E-II, Main
Boulevard, Gulberg III, Lahore.
Postal Code No. 54600
PABX: (+92-42) 35783676
Fax: (+92-42) 35784068
E-mail: info@punjabmodaraba.com.pk
URL: www.punjabmodaraba.com.pk



First Punjab Modaraba

Our Vision

Connect the Community to
Islamic Mode of Financing.



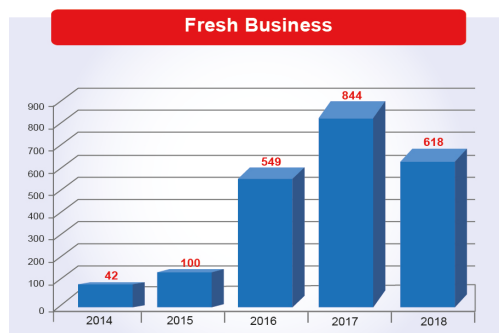
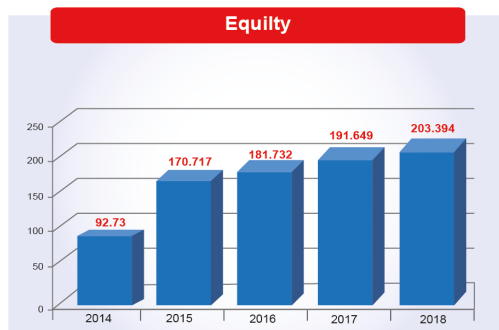
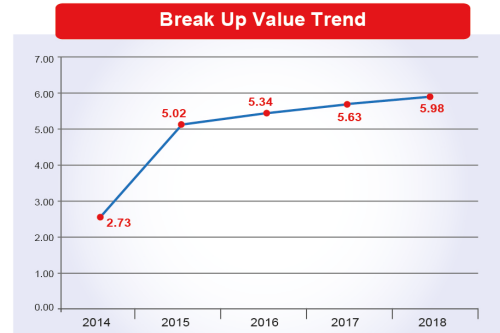
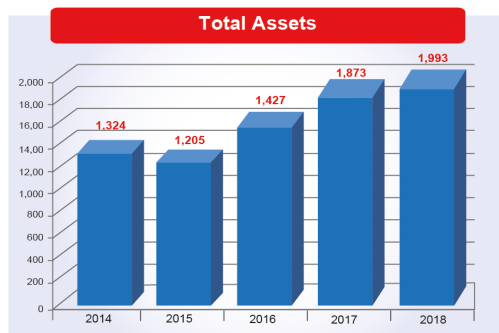
Our Mission

We have committed
to progressively
enhance fully
researched Islamic
Financing Products
and shall continue to
meet our customers'
needs.





Financial Highlights














Products of First Punjab Modaraba

- Ijarah
- Murabaha
- Musharaka
- Fast Processing
- No Pre-payment penalty
- Option to choose Tenure
- Hassle Free



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regulatory actions)
-  Jamapunji application for
mobile device
-  Online Quizzes



Jama Punji is an Investor
Education Initiative of
Securities and Exchange
Commission of Pakistan

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*Mobile apps are also available for download for android and ios devices.

Six Years at a Glance

	(Amounts in '000)					
	June-13	June-14	June-15	June-16	June-17	June-18
BALANCE SHEET						
Authorized Capital	500,000	500,000	500,000	500,000	500,000	500,000
Equity:						
Issued, Subscribed & Paid Up Capital	340,200	340,200	340,200	340,200	340,200	340,200
Reserves	127,366	151,347	198,613	204,119	209,697	215,447
Loss on re-valuation of Investment	-	-	-	-	-	-
Un-appropriated Profit	(436,490)	(398,817)	(368,096)	(362,587)	(358,247)	(352,254)
Total	31,076	92,730	170,717	181,732	191,650	203,394
Liabilities:						
Redeemable Capital	301,000	100,000	100,000	100,000	400,000	400,000
Musharikhah Arrangements	971,664	896,954	734,133	955,925	1,101,205	1,193,495
Morabaha Arrangements	-	-	-	-	-	-
Diminishing Musharikhah	-	-	-	-	-	-
Accrued, Deferred & Other Liabilities	264,214	234,733	200,890	189,704	180,964	195,971
Total	1,536,879	1,231,687	1,035,024	1,245,629	1,682,169	1,789,466
Total Equity & Liabilities	1,567,955	1,324,417	1,205,741	1,427,361	1,873,819	1,992,860
Operating Assets:						
Ijarah Assets	519,560	351,330	203,641	208,430	178,858	225,738
Deferred tax	-	25,373	38,175	48,144	56,069	61,834
Musharikhah Investment	89,689	131,704	127,510	458,781	889,074	896,722
Morabaha Investment	477,384	378,566	364,378	309,143	276,995	275,416
Sub Total	1,086,633	886,973	733,704	1,024,498	1,400,996	1,459,710
Other Assets:						
Assets in own use	53,051	10,584	9,914	9,914	2,561	3,390
Investment in Subsidiary	-	-	-	-	50,000	76,500
Shares-Available for sale	9,351	9,353	9,816	10,309	-	-
Deposits, Prepayments & other receivables	328,401	353,343	340,397	352,570	378,509	406,090
Cash & Bank Balances	90,519	64,166	111,910	30,065	41,753	47,169
Sub Total	481,322	437,446	472,037	402,858	472,823	533,149
Total Assets	1,567,955	1,324,419	1,205,745	1,427,356	1,873,819	1,992,860
PROFIT & LOSS ACCOUNT						
Operating Income	339,695	263,244	339,520	135,358	167,525	166,204
Other Income	7,558	34,291	13,685	4,124	6,114	10,749
Total Income	347,252	297,535	353,205	139,482	173,639	176,954
Operating Expenses	318,611	148,518	187,461	58,813	66,948	52,658
Financial Charges	139,612	86,972	63,171	57,792	79,970	93,504
Management Fee	-	3,102	4,103	1,716	2,672	3,079
Total Expenses	458,223	238,592	254,735	118,321	149,590	149,241
Profit before Taxation	(110,970)	58,943	98,470	21,161	24,048	27,713
Taxation	(651)	15,353	(3,938)	6,371	3,836	1,041
Profit for the year	(110,319)	74,296	94,532	27,532	27,884	28,754
DISTRIBUTION:						
Cash Dividend(%)	-	5.00	5.00	5.00	5.00	5.00
Bonus (%)	-	-	-	-	-	-
RATIOS:						
Breakup Value (Rs.)	0.91	2.73	5.02	5.34	5.63	5.98
Earning per Certificate (Rs.)	(3.28)	2.18	2.78	0.81	0.82	0.85
Return on Equity (Rs.)	(359.19)	80.12	55.37	15.15	14.55	14.14

Chairman's Review

The year under consideration was full of economic as well as political challenges including weakening of Pak Rupee, rising inflation and interest rates and volatile capital market. The operations of the Modaraba remained under control and posted slight increase in after tax profits, which stood at Rs. 28.754 million as compared to previous year's Rs. 27.884 million. An earning per certificate of Rs.0.85 was achieved against Rs.0.82 last year. Greater challenges are expected to face in the next financial year as companies across all sectors are bearing higher cost of operations amid the prevailing political uncertainty. The dividend pay-out of the Modaraba remained consistent with the recent history.

The Modaraba represents a financially sound, fast growing and sustainable financial services group led by The Bank of Punjab. It serves our country, community, and people, both clients and employees with integrity and best possible service. We are also mindful about environment impact and ensure our transactions do not affect the environment or the society in a negative way. The responsibility about social uplift of the society and compliance with Shariah principles are basic part of Modaraba's vision and mission. We understand that the respective roles of the Board and the Management are equally important and each have their contribution towards successful performance of the Modaraba. The Board has inculcated its vision in the policy making, while the Management has delivered results by operating within a risk management policy framework approved by the Board.

The Board of Directors comprises of professionals with diversified backgrounds and rich experiences in the field of banking, finance, taxation, risk assessment and regulatory side. The Board received appropriate and adequate management reports for their decisions which were discussed by Board members openly and freely. The members deliberated on various matters presented to the Board in their meetings. The annual review of Board performance in respect of its effectiveness and performance was carried out on a self-assessment basis. The assessment is based on a well-defined questionnaire that encompasses the basic principles of fairness, integrity and accountability with prime focus to enhance Modaraba's performance. The Board greatly appreciates the continuous guidance and support extended by the Registrar Modaraba and Securities & Exchange Commission of Pakistan and looks forward to the same in future as well.

October 08, 2018



KHALID S. TIRMIZEY
Chairman

Directors' Report

The Board of Directors of Punjab Modaraba Services (Pvt.) Limited, the Management Company of First Punjab Modaraba (the Modaraba) is pleased to present the 25th Directors' Report of the Modaraba, together with audited financial statements and auditors' report for year ended June 30, 2018.

Composition of the Board

During the year under review, the Board comprised of following directors:

Mr. Khalid Siddiq Tirmizey	Chairman
Khawaja Farooq Saeed	Director
Mr. Nadeem Amir	Director
Mr. Ijaz ur Rehman Qureshi	Director
Mr. Mahboob-ul-Hassan	Director
Mr. Aamir Malik	Chief Executive

Economic Outlook and Future Prospects

According to the economic review given by the State Bank of Pakistan, the real GDP Growth maintained its upward trajectory, with a benign inflationary environment. However, deterioration in external balances and high fiscal deficit remained a major source of concern.

On remedial side, immediate concerted efforts could be made to rationalize fiscal expenditures given the tax relief measures approved in budget FY19. In the medium term, reforms would be needed to expand tax base besides enhancing efficiency of the existing system. Simultaneously, there is a need to arrange external financing in the short term. Also, more policy measures are required to contain the widening trade deficit. It is now more crucial to resolve structural issues affecting exports competitiveness.

Principal activities and performance of Modaraba

The Modaraba is a perpetual and multi-dimensional Modaraba and is primarily engaged in the business of Ijarah, Musharikah and Morabaha financing, equity investment and other related businesses in accordance with the injunctions of Islam.

The Modaraba remained successful in maintaining its growth trend by increase in total assets, certificate holders' equity and lending portfolio. The profitable operations were continued on sustainable basis. A net profit of Rs.28.754 million resulted in recording earning per certificate of Rs.0.85 while the breakup value per certificate increased to Rs.5.98. The newly established Brokerage Company is improving gradually with expectation of break-even very soon.

On the basis of improved financial health and performance of the Modaraba during last five years, the Registrar Modaraba, Securities & Exchange Commission of Pakistan granted permission to raise funds from Institutions through issuance of Certificates of Musharikah (COMs). The issuance of COMs will provide an opportunity to Modaraba to bring enhancement and diversification in its funding sources.

Going forward, procurement of fresh assets and recovery from non-performing assets will remain priority of the Modaraba. However, the rising trend in policy rate owing to general macroeconomics policy toward stabilization and fiscal consolidation may decelerate domestic credit demand.



Financial Results

The financial results of the Modaraba are summarized below:

	2018 Rupees	2017 Rupees
Profit / (Loss) for the year	28,754,066	27,884,873
Un-appropriated Profit – Brought Forward	(358,246,791)	(362,587,234)
Other Comprehensive Income	-	(957,455)
Profit available for appropriation	28,754,066	27,884,873
Appropriations:		
Transfer to statutory reserve	5,750,813	5,576,975
Final dividend @ 5.00% (2017: 5.00%)	17,010,000	
Un-appropriated profit / (loss) – Carried Forward	(352,253,538)	(358,246,791)
Earning per certificate - Rs.	0.85	0.82

Profit Distribution and transfer to reserves

The Board at its meeting held on October 08, 2018 has approved cash dividend of Rs.0.50 per certificate and transfer of Rs.5,750,813 to statutory reserve for the year ended June 30, 2018, out of the profit earned.

FPM Financial Strength Rating

The Pakistan Credit Rating Agency (Pvt.) Limited (PACRA) has maintained long term rating of "A-" and short term rating of "A2" with "Stable" outlook, based on annual and interim review. Corporate and Financial Reporting Framework.

- ✓ The financial statements, prepared by the management of the Modaraba, present its state of affairs fairly, the result of its operations, cash flows and changes in equity;
- ✓ Proper books of account of the Modaraba have been maintained;
- ✓ Appropriate accounting policies have been consistently applied in preparation of financial statements and accounting estimates are based on reasonable and prudent judgment;
- ✓ International Financial Reporting Standards, as applicable in Pakistan, have been followed in preparation of financial statements and any departures there from have been adequately disclosed and explained;
- ✓ The system of internal control is sound in design and has been effectively implemented and monitored;
- ✓ There are no significant doubts upon the Modaraba's ability to continue as a going concern;
- ✓ There has been no material departure from the best practices of corporate governance, as detailed in the listing regulations.
- ✓ There were no principal risks or uncertainties facing the Modaraba.
- ✓ There were no significant changes that have occurred during the financial year concerning the nature of the business of the Modaraba or its subsidiary
- ✓ There were no material changes and commitments affecting the financial position of the Modaraba which have occurred between the end of the financial year of the Modaraba to which the financial statement relates and the date of the report
- ✓ Key operating and financial data of the Modaraba for the last six years in summarized form is annexed:
- ✓ There are no outstanding demands of statutory payments on account of taxes, duties, levies and charges as at 30 June 2018, except for those disclosed in financial statements.

Name of Directors	No. of Meetings Attended
Mr.Khalid Siddiq Tirmizey	3
Khawaja Farooq Saeed	4
Mr. Nadeem Amir	4
Mr. Tariq Maqbool	1

- ✓ The value of investments of the staff provident fund, based on un-audited accounts, was Rs.5,185,573/- as at 30 June, 2018.
- ✓ During the year, five meetings of the Board of

Directors were held. Attendance by each director was as follow:

Name of Directors	No. of Meetings Attended
Mr. Khalid Siddiq Tirmizey	4
Khawaja Farooq Saeed	4
Mr. Nadeem Amir	5
Mr. Mahboob-ul Hassan	1
Mr. Ijaz-ur-Rehman Qureshi	5
Mr. Aamir Malik	5

- ✓ Leave of absence was granted to the Directors, who could not attend the Board meetings.
- ✓ No change was made in the Board of Directors during the year..
- ✓ During the year, four meetings of the Audit Committee were held. Attendance by each member was as follow

Name of Directors	No. of Meetings Attended
Khawaja Farooq Saeed	4
Mr. Nadeem Amir	4
Mr. Ijaz-ur-Rehman Qureshi	4

- ✓ No change was made in the Audit Committee during the year.
- ✓ No amount was paid by the Modaraba to any of the directors for attending meetings of the Board of Directors and Audit Committee. The management company paid an amount of Rs.200,000/- to one of the directors.
- ✓ The pattern of the holding by the certificate holders is included in this annual report.
- ✓ No trades in certificates of the Modaraba were carried out by the Directors, Executives or their spouses and minor children during the year ended June 30, 2018.

Role of Certificate-Holders

The Board aims to ensure that the Modaraba's certificate holders are kept informed about major developments affecting the Modaraba's state of affairs. To achieve this objective, information is communicated to certificate holders through quarterly, half-yearly and annual reports. The Board appreciates certificate-holders' active participation at annual review meeting to ensure high level of accountability.

Auditors

M/s EY Ford Rhodes, Chartered Accountants, in compliance of proviso of Clause 34(1) of the Listed Companies (Code of Corporate Governance) Regulations, 2017, have been appointed auditors of the Modaraba for financial year ending June 30, 2019, subject to the approval of Registrar Modaraba.

Compliance with the Code of Corporate Governance

The requirements of the Listed Companies (Code of Corporate Governance) Regulations, 2017, relevant for year ended June 30, 2018 have been duly complied with and any exceptions have been disclosed in the Statement of Compliance with the Best Practices of Corporate Governance.

Statement of Ethics and Business Practices

The Board has adopted a Code of Conduct that sets out core values relating to lawful and ethical conduct of business. All employees have a copy of this code of conduct and are expected to observe high standards of integrity and fair dealing in relation to customers, staff and regulations. This forms a part of the Modaraba's compliance structure.

Social, Ethical and Environmental Responsibilities

The Board is conscious of social, ethical and environmental matters and is planning for its continued participation in these areas of public interest.

Acknowledgments

The Board greatly appreciates the continuous guidance and support extended by the Registrar Modaraba and Securities & Exchange Commission of Pakistan and looks forward to the same in future as well.

For and on behalf of the Board



(Aamir Malik)
CHIEF EXECUTIVE
Lahore: October 08, 2018



(Nadeem Amir)
DIRECTOR

ڈائریکٹرز کی رپورٹ

پنجاب مضاربہ (پرائیویٹ) لمیٹڈ کے بورڈ آف ڈائریکٹرز، فرسٹ پنجاب مضاربہ 30 جون 2018ء کو اختتام پذیر مالی سال کے لئے مضاربہ کی پچیسویں (25 ویں) ڈائریکٹرز رپورٹ بمعہ پڑتال شدہ مالیاتی گوشوارے اور آڈٹ رپورٹ پیش کرنے میں مسرت محسوس کرتے ہیں۔

بورڈ کی ترکیب

زیر جائزہ سال کے دوران، بورڈ مندرجہ ذیل ڈائریکٹرز پر مشتمل تھا:

محترم خالد صدیق ترمذی	چیئرمین
خواجہ فاروق سعید	ڈائریکٹر
محترم ندیم عامر	ڈائریکٹر
محترم اعجاز الرحمن قریشی	ڈائریکٹر
محترم محبوب الحسن	ڈائریکٹر
محترم عامر ملک	چیف ایگزیکٹو

اقتصادی جائزہ اور مستقبل کا نقطہ نظر

اسٹیٹ بینک آف پاکستان کے اقتصادی جائزہ کے مطابق، معمولی افراط زر کے ساتھ مجموعی قومی پیداواری گراف میں اضافہ دیکھا گیا۔ تاہم، بیرونی توازن میں کمی اور مالیاتی خسارہ توجہ طلب رہا۔

اصلاحی نقطہ نظر سے، مالی سال 2019ء کے بجٹ میں ٹیکس چھوٹ کے منظور شدہ اقدامات کو دیکھتے ہوئے مالیاتی اخراجات کو درست کرنے کے لئے فوری ٹیکس کوششیں کی جانی چاہئیں۔ درمیانی مدت میں، موجودہ سسٹم کی کارکردگی کو بڑھانے کے ساتھ ساتھ ٹیکس بیس کو وسیع کرنے کے اصلاحات کی بھی ضرورت ہے۔ اسی طرح سے، قلیل مدت میں بیرونی قرضوں کا حصول بھی اہمیت کا حامل ہے۔ مزید برآں، پھیلتے ہوئے تجارتی خسارہ پر بھی قابو پانے کے لئے پالیسی اقدامات کی ضرورت ہے۔ برآمدی مقابلہ پر اثر انداز ہونے والے بنیادی معاملات کو حل کرنا، بہت ضروری ہے۔

بنیادی سرگرمیاں اور مضاربہ کی کارکردگی

مضاربہ دہائی اور کثیر سستی مضاربہ ہے۔ اور بنیادی طور پر اسلامی اصولوں کے عین مطابق اجارہ، مشارکہ اور مراہتہ قرضوں، ایکویٹی سرمایہ داری اور دیگر متعلقہ کاروبار میں شامل ہے۔

مجموعی اثاثہ جات، ٹھوکیٹ ہولڈرز کی ایکویٹی اور قرضوں کے پورٹ فولیو میں اضافہ سے مضاربہ ترقی کی شرح برقرار رکھنے میں کامیاب رہا ہے۔ منافع بخش آپریشنز مستقل بنیادوں پر جاری رہے۔ 28.754 ملین روپے کا خالص منافع کے نتیجے میں 0.85 روپے فی ٹھوکیٹ آمدنی ریکارڈ کی گئی جب کہ فی ٹھوکیٹ بریک اپ ویلیو 5.98 روپے تک جا پہنچی۔ حالیہ قائم ہونے والی بروکرنگ کمپنی جلد ہی break-even کی توقعات کو پورا کر کے آہستہ آہستہ ترقی کی منازل طے کر رہی ہے۔

گذشتہ پانچ برسوں میں مضاربہ کی بہتر مالیات اور کارکردگی کی بنیاد پر جسٹرار مضاربہ، سیکورٹیز اینڈ اینڈریج کمیشن آف پاکستان نے مشارکہ ٹھوکیٹ (COMs) کے اجراء کے ذریعے دیگر اداروں سے فنڈز اکٹھا کرنے کی اجازت دی ہے۔ COMs کا اجراء مضاربہ کو اپنی مالی ذخائر میں اضافہ اور تنوع کے مواقع فراہم کرے گا۔

مستقبل قریب میں، نئے اثاثہ جات کا حصول اور نادر ہندہ اثاثہ جات کی وصولی مضاربہ کی پہلی ترجیح رہے گی۔ تاہم، معاشی استحکام کی غرض سے عمومی اقتصادی پالیسی کے اعلان کے پیش نظر پالیسی کی شرح میں اضافہ کا رجحان مقامی قرضہ جات کی طلب میں سستی کا باعث بنے گا۔

مالیاتی نتائج

مضاربہ کے مالیاتی نتائج ذیل میں مختصر بیان کئے گئے ہیں:

سال 2017ء (روپے)	سال 2018ء (روپے)	
27,884,873	28,754,066	نفع / (نقصان) برائے سال
(362,587,234)	(358,246,791)	غیر تخصیصی نفع / (نقصان) - آگے لایا گیا
(957,455)	-	دیگر جامع آمدنی
27,884,873	28,754,066	تخصیص کے لئے دستیاب منافع

تصرفات

5,576,975	5,750,813	منظور شدہ ذخائر کو منتقلی
17,010,000	17,010,00	حتمی منافع منقسمہ @ 5.00 فی صد
		(2017: 5.00 فی صد)
(358,246,791)	(352,253,538)	غیر تخصیص شدہ نفع / (نقصان) - منتقل شدہ
0.82	0.85	فی حصص آمدنی - روپے

منافع کی تقسیم اور ذخائر کو منتقلی

08 اکتوبر 2018ء کو منعقدہ اجلاس میں بورڈ نے 0.50 روپے فی سٹوکیٹ نقد ڈیویڈنڈ منظور کیا اور 30 جون 2018ء کو اختتام پذیر سال کے لئے حاصل کئے گئے نفع میں سے 5,750,813 روپے قانونی ذخائر میں منتقل کئے گئے۔

FPM مالی استحکام کی درجہ بندی

پاکستان کریڈٹ ریٹنگ ایجنسی (پرائیویٹ) لمیٹڈ (PACRA) نے سالانہ اور ضمنی جائزہ کی بنیاد پر ”مستحکم“ آؤٹ لک کے ساتھ کمپنی کی طویل مدتی ریٹنگ ”A-“ اور قلیل مدتی ریٹنگ ”A2“ برقرار رکھی ہے۔

کارپوریٹ اور مالیاتی رپورٹنگ فریم ورک

- ✓ مضاربہ کی انتظامیہ کی جانب سے تیار کئے گئے مالیاتی گوشوارے کمپنی کے کاروباری امور، اس کے آپریشنز کے نتائج، کیش فلو اور ایکویٹی میں تبدیلیوں کو مؤثر انداز میں پیش کرتے ہیں۔
- ✓ مضاربہ کے کھاتوں کی کتابیں حسب ضابطہ تیار کی گئی ہیں۔
- ✓ مالیاتی گوشواروں کی تیاری میں متعلقہ اکاؤنٹنگ پالیسیاں مسلسل لاگو کی گئی ہیں اور اکاؤنٹنگ تخمینہ جات موزوں اور دانشمندانہ فیصلوں کی بنیاد پر لگائے گئے ہیں۔
- ✓ مالیاتی گوشوارے پاکستان میں لاگو بین الاقوامی مالیاتی رپورٹنگ معیارات کے عین مطابق تیار کئے گئے ہیں اور ان میں کسی بھی قسم کو تبدیلی کو مناسب انداز میں ظاہر کیا گیا ہے اور ان کی وضاحت کی گئی ہے۔
- ✓ انٹرنل کنٹرول سسٹم مستحکم ہے اور اس کو مؤثر انداز میں نافذ کیا گیا ہے اور ان کی نگرانی کی گئی ہے۔
- ✓ مضاربہ کی کاروبار جاری رکھنے کی صلاحیت میں کوئی ابہام نہیں۔

- ✓ لسٹنگ ضوابط میں بیان کردہ کارپوریٹ گورننس کی بہترین عمل داری میں کوئی تبدیلی نہیں کی گئی ہے۔
- ✓ مضاربہ کو کسی بھی قسم کے بنیادی خطرات یا خدشات لاحق نہ ہیں۔
- ✓ مضاربہ یا اس کی ذیلی کمپنی کے کاروبار کی نوعیت سے متعلقہ مال سال کے دوران کوئی نمایاں تبدیلی واقع نہیں ہوئی ہے۔
- ✓ رپورٹ کی مقررہ تاریخ اور مالی سال کے اختتام کے دوران مضاربہ کے مالیاتی گوشواروں سے متعلقہ مضاربہ کی مالی حالت پر اثر انداز ہونے والی بنیادی تبدیلیاں یا عزم موجود نہیں۔
- ✓ گذشتہ چھ برسوں کے لئے مضاربہ کے بنیادی آپریٹنگ اور مالیاتی اعداد و شمار مختصر اساتھ منسلک ہیں۔
- ✓ 30 جون 2018ء تک مالیاتی گوشواروں میں کئے گئے واجبات کے علاوہ ٹیکس، ڈیوٹی، لیوی اور جرمانہ کی مد میں لازمی ادائیگی کا کوئی مطالبہ نہ ہے۔
- ✓ 30 جون 2018ء کو غیر پڑتال شدہ کھاتوں کی بنیاد پر سٹاف پراویڈنٹ فنڈ کی سرمایہ داری کی رقم 5,185,573 روپے تھی۔

- ✓ سال کے دوران، بورڈ آف ڈائریکٹرز کے پانچ اجلاس منعقد ہوئے، ہر ڈائریکٹر کی حاضری حسب ذیل ہے:
- ✓

ڈائریکٹرز کا نام اجلاس میں حاضری کی تعداد

4	محترم خالد صدیق ترمذی
4	خواجہ فاروق سعید
5	محترم ندیم عامر
1	محترم محبوب الحسن
5	محترم اعجاز الرحمن قریشی
5	محترم عامر ملک

- ✓ بورڈ اجلاس میں شرکت سے محروم رہنے والے ڈائریکٹرز کو غیر حاضری کی رخصت عنایت کی گئی۔
- ✓ سال کے دوران بورڈ آف ڈائریکٹرز میں کوئی تبدیلی نہ گئی۔
- ✓ سال کے دوران، آڈٹ کمیٹی کے چار اجلاس منعقد ہوئے، ہر رکن کی حاضری حسب ذیل ہے:

ڈائریکٹرز کا نام اجلاس میں حاضری کی تعداد

4	خواجہ فاروق سعید
4	محترم ندیم عامر
4	محترم اعجاز الرحمن قریشی



سماجی، اخلاقی اور ماحولیاتی ذمہ داریاں

بورڈ سماجی، اخلاقی اور ماحولیاتی مسائل سے متعلق حساس ہے اور عوام الناس کے بہترین مفاد کے ان شعبوں میں اپنا حصہ ڈالنے کے لئے منصوبہ بندی کر رہا ہے۔

اعترافات

بورڈ، رجسٹرڈ امضاربہ اور سیکیورٹیز اینڈ ایکسچینج کمیشن آف پاکستان کی واضح حمایت اور مسلسل رہنمائی کی بہت زیادہ قدر کرتا ہے اور آئندہ بھی ایسے رویہ کی توقع رکھتا ہے۔

برائے/منجانب بورڈ

(عامر ملک)

چیف ایگزیکٹو

(نذیم عامر)

ڈائریکٹر

لاہور: 08 اکتوبر 2018ء

Statement of Compliance

Statement of Compliance with Listed Companies (Code of Corporate Governance) Regulations, 2017

The company has complied with the requirements of the Regulations in the following manner:

1. The total number of directors are SIX as per the following:

a. Male:	Six
b. Female:	Nil
2. The composition of Board is as follows:

a) Independent Directors	Khawaja Farooq Saeed
b) Other Non-executive Director	Mr. Khalid Siddiq Tirmizey
	Mr. Nadeem Amir
	Mr. Ijaz ur Rehman Qureshi
	Mr. Mahboob –ul-Hassan
c) Executive Directors	Mr. Aamir Malik
3. The directors have confirmed that none of them is serving as a director on more than five listed companies, including this company (excluding the listed subsidiaries of listed holding companies where applicable).
4. The company has prepared a Code of Conduct and has ensured that appropriate steps have been taken to disseminate it throughout the company along with its supporting policies and procedures.
5. The Board has developed a vision/mission statement, overall corporate strategy and significant policies of the company. A complete record of particulars of significant policies along with the dates on which they were approved or amended has been maintained.
6. All the powers of the Board have been duly exercised and decisions on relevant matters have been taken by Board as empowered by the relevant provisions of the Act and these Regulations.
7. 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. The Board has complied with the requirements of Act and the Regulations with respect to frequency, recording and circulating minutes of meeting of Board.
8. The Board of directors have a formal policy and transparent procedures for remuneration of directors in accordance with the Act and these Regulations.
9. During the year, the Board did not arrange any training program for its directors.
10. The Board has approved appointment of CFO, Company Secretary and Head of Internal Audit, including their remuneration and terms and conditions of employment, however the CFO and Company Secretary is the same person. The Modaraba is in the process of appointing separate person as Company Secretary.
11. CFO and CEO duly endorsed the financial statements before approval of the Board.

12. The Board has formed committees comprising of members given below:

- | | |
|----------------------------------|----------|
| a) Audit Committee | |
| Mr. Khawaja Farooq Saeed | Chairman |
| Mr. Nadeem Amir | Member |
| Mr. Ijaz ur Rehman Qureshi | Member |
| b) HR and Remuneration Committee | |
| Mr. Ijaz ur Rehman Qureshi | Chairman |
| Mr. Nadeem Amir | Member |
| Mr. Aamir Malik | Member |
| c) Risk Management Committee | |
| Mr. Ijaz ur Rehman Qureshi | Chairman |
| Mr. Nadeem Amir | Member |
| Mr. Aamir Malik | Member |

13. The terms of reference of the aforesaid committees have been formed, documented and advised to the committee for compliance. However, there is no independent Director on Human Resource Committee.

14. The frequency of meetings (quarterly/half yearly/ yearly) of the committee were as per following:

Committee	Meetings held
a) Audit Committee	Quarterly
b) HR and Remuneration Committee	Yearly
c) Risk Management Committee	wo

15. The Board has set up an effective internal audit function which is considered suitably qualified and experienced for the purpose and is conversant with the policies and procedures of the Modaraba.

16. 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 and registered with Audit Oversight Board of Pakistan, that they or any of the partners of the firm, their spouses and minor children do not hold shares of the company 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

17. The statutory auditors or the persons associated with them have not been appointed to provide other services except in accordance with the Act, these regulations or any other regulatory requirement and the auditors have confirmed that they have observed IFAC guidelines in this regard.

18. We confirm that all other requirements of the Regulations have been complied with.



KHALID S. TIRMIZEY
Chairman

Review Report to the Certificate Holders

on Statement of Compliance with Best Practices of Code of Corporate Governance

We have reviewed the enclosed Statement of Compliance with the Listed Companies (Code of Corporate Governance) Regulations, 2017 (the Regulations) prepared by the Board of Directors of Punjab Modaraba Services (Private) Limited (the Management Company) of First Punjab Modaraba for the year ended June 30, 2018 in accordance with the requirements of regulation 40 of the Regulations.

The responsibility for compliance with the Regulation is that of the Board of Directors of the Management Company. Our responsibility is to review whether the Statement of Compliance reflects the status of the Management Company's compliance with the provisions of the Regulations and report if it does not and to highlight any non-compliance with the requirements of the Regulations. A review is limited primarily to inquiries of the Management Company's personnel and review of various documents prepared by the Management Company to comply with the Regulations.

As a 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 are not required to consider whether the Board of Directors' statement on internal control covers all risks and controls or to form an opinion on the effectiveness of such internal controls, the Management Company corporate governance procedures and risks.

The Regulations require the Modaraba to place before the Audit Committee, and upon recommendation of the Audit Committee, place before the Board of Directors for their review and approval, its related party transactions and also ensure compliance with the requirements of section 208 of the Companies Act, 2017. We are only required and have ensured compliance of this requirement to the extent of the approval of the related party transactions by the Board of Directors upon recommendation of the Audit Committee. We have not carried out procedures to assess and determine the Company's process for identification of related parties and that 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, with the requirements contained in the Regulations as applicable to the Modaraba for the year ended June 30, 2018.

Further, we highlight below instances of non-compliance with the requirements of the Regulations Code as reflected in the note reference where these are stated in the Statement of Compliance.

S.No.	Note Reference	Description
(i)	10	Chief Financial Officer and Company Secretary are the same person.
(ii)	13	There is no independent director on Human Resource Committee.

Lahore
October 08, 2018

Delloite Yousuf Adil
Chartered Accountants
Audit Engagement Partner
Rana M. Usman Khan



Notice of Book Closure & Annual Review Meeting

The Certificate Holders are hereby notified that the Certificate Transfer Books shall remain closed from 23-10-2018 to 29-10-2018 (both days inclusive), for the purpose of entitlement of Cash Dividend and attending Annual Review Meeting. All transfers received in order upto close of business hours on October 22, 2018 with our Registrar's office, M/s. Hameed Majeed Associates (Pvt.) Ltd., H.M House, 7-Bank Square, The Mall, Lahore, will be considered in time.

The Annual Review Meeting of the Certificate holders will be held at 3:00 pm on Monday, October 29, 2018 at Noor Jahan Banquet Hall, 10-A, Aibak Block, Main Boulevard, New Garden Town, Lahore to review the performance of the Modaraba for the year ended June 30, 2018 in terms of Prudential Regulation No.11, Part IV for Modarabas.

The annual audited financial statements of the Modaraba for year ended June 30, 2018 are also available on Modaraba's website: www.punjabmodaraba.com.pk.

By the Order of Board of Directors

Mudassar Kaiser Pal
Company Secretary



Pattern of Certificate Holders

as at June 30, 2018

Number of Share Holders	Shareholdings		Total No. of Share Held	Percentage of Total Capital
	From	To		
929	1 -	100	41,143	0.12
1387	101 -	500	383,638	1.13
1036	501 -	1000	842,926	2.48
567	1001 -	5000	1,256,167	3.69
103	5001 -	10000	766,876	2.25
28	10001 -	15000	359,343	1.06
28	15001 -	20000	503,772	1.48
17	20001 -	25000	391,499	1.15
7	25001 -	30000	192,553	0.57
4	30001 -	35000	132,418	0.39
4	35001 -	40000	148,068	0.44
4	40001 -	45000	170,000	0.50
4	45001 -	50000	198,000	0.58
1	50001 -	55000	51,000	0.15
2	55001 -	60000	115,000	0.34
3	65001 -	70000	206,050	0.61
4	70001 -	75000	293,900	0.86
1	75001 -	80000	80,000	0.24
3	80001 -	85000	250,500	0.74
1	85001 -	90000	87,000	0.26
3	95001 -	100000	296,500	0.87
3	105001 -	110000	322,786	0.95
1	110001 -	115000	111,000	0.33
1	115001 -	120000	117,923	0.35
1	130001 -	135000	135,000	0.40
1	150001 -	155000	151,000	0.44
1	170001 -	175000	175,000	0.51
1	175001 -	180000	178,500	0.52
5	195001 -	200000	996,144	2.93
1	220001 -	225000	225,000	0.66
2	295001 -	300000	600,000	1.76
1	320001 -	325000	325,000	0.96
1	350001 -	355000	351,000	1.03
1	365001 -	370000	367,500	1.08
1	640001 -	645000	642,223	1.89
1	1165001 -	1170000	1,166,100	3.43
1	1265001 -	1270000	1,265,777	3.72
1	1870001 -	1875000	1,874,500	5.51
1	4925001 -	4930000	4,928,500	14.49
1	5230001 -	5235000	5,232,194	15.38
1	8085001 -	8090000	8,088,500	23.78
4,163			34,020,000	100.00



Categories of Certificate Holders

as at June 30, 2018

Categories of Share Holders	No. of Certificate Holders	Certificates Held	Percentage
Individuals	4,104	13,593,060	39.9561
ASSOCIATED COMPANIES, UNDERTAKING AND RELATED PARTIES			
THE BANK OF PUNJAB		4,788	0.0141
PUNJAB MODARABA SERVICES (PVT) LTD.		8,088,500	23.7757
TRUSTEE-THE BANK OF PUNJAB EMPLOYEES GRATUITY FUND		4,928,500	14.4871
PUNJAB MODARABA SERVICES (PVT) LTD.		5,232,194	15.3798
	4	18,253,982	53.6566
MUTUAL FUNDS			
	2		
SECURITY STOCK FUND LTD.		3,100	0.0091
PRUDENTIAL STOCKS FUND LIMITED		100	0.0003
	2	3,200	0.0094
Directors, Chief Executive Officer and their spouse and minor children			
	0	0	0
Executives			
	0	0	0
Public Sector Companies and Corporations			
	1	400	0.0012
Banks, Development Financial Institutions, Non Banking Financial Institutions, Insurance Companies, Takaful, Modarabas and Pension Funds.			
	19	1,650,687	4.8521
Others			
	33	518,671	1.5246
GRAND TOTAL	4,163	34,020,000	100



Financial Statements

as at June 30, 2018







Independent Auditors' Report to the Certificate Holders

We have reviewed the enclosed Statement of Compliance with the Listed Companies (Code of Corporate Governance) Regulations, 2017 (the Regulations) prepared by the Board of Directors of Punjab Modaraba Services (Private) Limited (the Management Company) of First Punjab Modaraba for the year ended June 30, 2018 in accordance with the requirements of regulation 40 of the Regulations.

The responsibility for compliance with the Regulation is that of the Board of Directors of the Management Company. Our responsibility is to review whether the Statement of Compliance reflects the status of the Management Company's compliance with the provisions of the Regulations and report if it does not and to highlight any non-compliance with the requirements of the Regulations. A review is limited primarily to inquiries of the Management Company's personnel and review of various documents prepared by the Management Company to comply with the Regulations.

As a 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 are not required to consider whether the Board of Directors' statement on internal control covers all risks and controls or to form an opinion on the effectiveness of such internal controls, the Management Company corporate governance procedures and risks.

The Regulations require the Modaraba to place before the Audit Committee, and upon recommendation of the Audit Committee, place before the Board of Directors for their review and approval, its related party transactions and also ensure compliance with the requirements of section 208 of the Companies Act, 2017. We are only required and have ensured compliance of this requirement to the extent of the approval of the related party transactions by the Board of Directors upon recommendation of the Audit Committee. We have not carried out procedures to assess and determine the Company's process for identification of related parties and that 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, with the requirements contained in the Regulations as applicable to the Modaraba for the year ended June 30, 2018.

Further, we highlight below instances of non-compliance with the requirements of the Regulations Code as reflected in the note reference where these are stated in the Statement of Compliance.

- a) in our opinion, proper books of accounts have been kept by the modaraba company in respect of First Punjab 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 accounts and are further in agreement with accounting policies consistently applied, except for the changes as stated in note 3.1, with which we concur;



- (ii) the expenditure incurred during the year was for the purpose of the Modaraba's business; and
 - (iii) the business conducted, investments made and the expenditure incurred during the year were in accordance with the objects, terms and conditions 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 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 30 June 2017 and of the profit, its comprehensive income, 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.

Lahore:
October 08, 2018

Delloite Yousuf Adil
Chartered Accountants
Audit Engagement Partner
Rana M. Usman Khan

Annual Shari'ah Advisor's Report

I have conducted the Shari'ah review of First Punjab Modaraba managed by Punjab Modaraba Services (Pvt.) Limited for the financial period ended June 30, 2018 in accordance with the requirements of the Shari'ah Compliance and Shari'ah Audit Mechanism for Modarabas and report that in my opinion:

- i. the Modaraba has introduced a mechanism which has strengthened the Shari'ah compliance, in letter and spirit and the systems, procedures and policies adopted by the Modaraba are in line with the Shari'ah principles;
- ii Staff Training
 - All products are being executed through product policy manual (PPMs) which has been vetted by the Shari'ah Advisor. Before vetting certain changes were proposed and discussed with management which was incorporated in the product policy manual (PPMs).
 - For the effective execution of Products, Shari'ah Advisor arranged a training session to acquaint the staff members with process.
- IV. the agreement(s) entered into by the Modaraba are Shari'ah compliant and the financing agreement(s) have been executed on the formats as approved by the Religious Board of SECP and all the related conditions have been met;
- v Charity amount has been disbursed to Charity organization.

Conclusion:

To the best of my information and according to the explanations given to me, the business transactions undertaken by the Modaraba and all other matters incidental thereto are in conformity with the Shari'ah requirements as well as the requirements of the Prospectus, Islamic Financial Accounting Standards as applicable in Pakistan and the Shari'ah Compliance and Shari'ah Audit Regulations for Modaraba.



Mufti Tayyab Amin
Shariah Advisor
MUFTI TAYYAB AMIN
SHARIAH ADVISOR
FIRST PUNJAB MODARABA

August 20, 2018



Unconsolidated Balance Sheet

As at 30 June 2018

	Note	2018 Rupees	2017 Rupees
ASSETS			
Non current assets			
Tangible fixed assets			
- Ijarah assets	5	225,737,910	178,857,852
- Assets in own use		2,489,560	2,261,365
Intangible assets	6	900,000	300,000
Shares available for sale	7	-	-
Investment in subsidiary	8	76,500,000	50,000,000
Long term musharikhah investment - secured	9	442,297,062	498,621,872
Long term morabaha investment - secured	10	17,509,825	5,564,055
Long term deposits	11	692,900	692,900
Deferred tax	12	61,834,231	56,068,827
		827,961,488	792,366,871
Current assets			
Short term morabaha investment - secured	13	253,021,469	248,704,746
Current maturity of long term investments	14	459,309,170	413,179,367
Advances, deposits, prepayments and other receivables	15	106,086,472	85,391,781
Ijarah rental receivable	16	295,654,829	288,766,810
Tax refundable		3,657,066	3,657,066
Cash and bank balances	17	47,169,012	41,752,816
		1,164,898,018	1,081,452,586
TOTAL ASSETS		1,992,859,506	1,873,819,457
EQUITY AND LIABILITIES			
Capital and Reserves			
Authorized certificate capital			
50,000,000 modaraba certificates of Rs. 10 each		500,000,000	500,000,000
Issued, subscribed and paid-up certificate capital	18	340,200,000	340,200,000
Reserves	19	(136,806,043)	(148,550,109)
		203,393,957	191,649,891
Non current liabilities			
Security deposits	20	21,029,947	6,476,650
Long term musharikhah finance secured	21	1,193,495,035	1,101,205,546
		1,214,524,982	1,107,682,196
Current liabilities			
Current maturity of security deposits	22	91,501,375	112,632,222
Deferred morabaha income		5,118,043	2,181,896
Redeemable capital - participatory and unsecured	23	400,000,000	400,000,000
Profit payable	24	21,538,172	19,581,961
Trade and other payables	25	39,476,576	24,152,979
Unclaimed profit distribution		16,361,577	15,253,486
Provision for taxation		944,824	684,826
		574,940,567	574,487,370
Contingencies and commitments	26		
TOTAL EQUITY AND LIABILITIES		1,992,859,506	1,873,819,457

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(Private) Limited

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(Private) Limited

Unconsolidated Profit and Loss Account

For the Year Ended 30 June 2018

	Note	2018 Rupees	2017 Rupees
Income			
Ijarah rentals	27.1	64,436,275	78,739,059
Profit on morabaha investment	27.2	4,799,112	7,561,338
Profit on musharikah investment	27.3	95,305,505	75,098,141
Gain on disposal of assets	27.4	1,663,497	6,126,171
Other income	28	10,749,347	6,114,293
		176,953,736	173,639,002
Expenses			
Operating expenses	29	35,350,651	29,373,862
Depreciation on Ijarah assets	5.1	37,541,161	42,444,032
Finance cost	30	93,503,603	79,970,079
		166,395,415	151,787,973
Operating profit before provision and impairment		10,558,321	21,851,029
(Reversal) of provision for morabaha investment	13.3	-	(1,633,352)
Impairment (reversal) on Ijarah assets	16.1	(20,286,896)	(235,982)
Impairment charged / (reversal) on musharikah investment	9.2	52,825	(3,000,000)
Other provisions	15.3	-	-
		(20,234,071)	(4,869,334)
Operating profit after provision and impairment		30,792,392	26,720,363
Modaraba Company's management fee	31	(3,079,239)	(2,672,036)
		27,713,153	24,048,327
Taxation	32	1,040,913	3,836,546
Profit for the year		28,754,066	27,884,873
Earnings per certificate - basic and diluted	33	0.85	0.82

The annexed notes from 1 to 41 form an integral part of these financial statements.


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Unconsolidated Statement of Comprehensive Income

For the Year Ended 30 June 2018

	2018 Rupees	2017 Rupees
Profit for the year	28,754,066	27,884,873
Items that may be reclassified to profit and loss		
Other comprehensive income for the year		
Transfer of revaluation of available for sale investment	-	957,465
Items that may not be reclassified to profit and loss		
Total comprehensive income for the year	28,754,066	26,927,418

The annexed notes from 1 to 41 form an integral part of these financial statements.

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Unconsolidated Cash Flow Statement


For the Year Ended 30 June 2018

	Note	2018 Rupees	2017 Rupees
Cash flow from operating activities			
Cash generated from operations	37	59,697,550	115,792,470
Profit paid on redeemable capital		(25,219,861)	(14,131,506)
Profit paid on musharikhah finance		(66,327,531)	(59,807,920)
Income tax paid		(4,464,493)	(4,361,661)
Net cash (used in) / generated from operating activities		(36,314,335)	37,491,383
Cash flow from investing activities			
Fixed capital expenditure		(1,007,246)	(1,969,248)
Purchase of intangibles		(600,000)	-
Proceeds from disposal of TREC, room and shares		-	24,266,394
Proceeds from fixed assets		1,150,500	
Investment in subsidiary		(26,500,000)	(50,000,000)
Investment in musharikhah - net		(7,700,303)	(427,293,172)
Net cash used in investing activities		(34,657,049)	(454,996,026)
Cash flow from financing activities			
Finances under musharikhah arrangements - net		92,289,489	145,280,052
Redeemable capital		-	300,000,000
Profit distribution to certificate holders		(15,901,909)	(16,087,587)
Net cash generated from financing activities		(76,387,580)	(429,192,465)
Net increase in cash and cash equivalents		5,416,196	11,687,822
Cash and cash equivalents at the beginning of the year		41,752,816	30,064,994
Cash and cash equivalents at the end of the year		47,169,012	41,752,816

The annexed notes from 1 to 41 form an integral part of these financial statements.



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Unconsolidated Statement of Changes in Equity

For the Year Ended 30 June 2018

	Certificate Capital Rupees	Capital Reserves Rupees	Accumulated Loss Rupees	Total Rupees
Balance as at 1 July 2016	340,200,000	204,119,707	(362,587,234)	181,732,473
Profit for the year	-	-	27,884,873	27,884,873
Other comprehensive income for the year	-	-	(957,455)	(957,455)
Total comprehensive income for the year	-	-	26,927,418	26,927,418
Statutory reserve	-	5,576,975	(5,576,975)	-
Transaction with Certificate Holders of Modaraba				
Final dividend for the year ended 30 June 2016 @ Rs. 0.5 per certificate	-	-	(17,010,000)	(17,010,000)
Balance as at 30 June 2017	340,200,000	209,696,682	(358,246,791)	191,649,891
Total comprehensive income for the year	-	-	28,754,066	28,754,066
Statutory reserve	-	5,750,813	(5,750,813)	-
Transaction with Certificate Holders of Modaraba				
Final dividend for the year ended 30 June 2017 @ Rs. 0.5 per certificate	-	-	(17,010,000)	(17,010,000)
Balance as at 30 June 2018	340,200,000	215,447,495	(352,253,538)	203,393,957

The annexed notes from 1 to 41 form an integral part of these financial statements.

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Unconsolidated Notes to the Financial Statements

For the year ended June 30, 2018

1. Status and nature of business

First Punjab Modaraba (the Modaraba) was formed under the Modaraba Companies and Modaraba (Flotation and Control) Ordinance, 1980 and rules framed there under and is managed by Punjab Modaraba Services (Private) Limited (wholly owned subsidiary of The Bank of Punjab), a company incorporated in Pakistan. The registered office of the Modaraba is situated at office No 100, 4th floor, Mega Tower, Main Boulevard Gulberg, Lahore. The Modaraba commenced its operations on 23 December 1992. The Modaraba is listed on Pakistan Stock Exchange.

The Modaraba established its wholly owned subsidiary on November 29, 2016 as a private limited Company under the name of Punjab Capital Securities (Pvt) Limited. The registered office of Punjab Capital Securities (Pvt) Limited is situated at 3rd Floor, LSE Plaza, 19-Khayabane Aiwane Iqbal, Lahore. The Company is mainly engaged in the business of brokerage services, portfolio management and consultancy services.

The Modaraba is a perpetual and multi-dimensional Modaraba and is primarily engaged in the business of Ijarah, Musharikah and Morabaha financing, equity investment and other related businesses in accordance with the injunctions of Islam.

These financial statements are the separate financial statements of the Modaraba in which investments in subsidiary are accounted for on the basis of direct equity interest rather than on the basis of reported results. Consolidated financial statements are prepared separately.

2. Basis of preparations

2.1 Statement of compliance

These financial statements have been prepared in accordance with approved accounting standards as applicable in Pakistan. The accounting and reporting standards applicable in Pakistan comprise of International Financial Reporting Standards (IFRS) issued by the International Accounting Standards Board (IASB) as notified under the Companies Act 2017, the Islamic Financial Accounting Standards (IFASs) issued by the Institute of Chartered Accountants of Pakistan, the requirements of the Modaraba Companies and Modaraba (Flotation and Control) Ordinance, 1980. The Modaraba Companies and Modaraba Rules 1981, Prudential Regulations for Modaraba and the directives issued by the Securities and Exchange Commission of Pakistan (SECP). Wherever provisions of and directives issued under the Companies Act, 2017, the Modaraba Companies and Modaraba (Flotation and Control) Ordinance 1980, the Modaraba Companies and Modaraba Rules, 1981, Prudential Regulations for Modaraba and the Islamic Financial Accounting Standards (IFASs) differ from the IFRS Standard, the provision of and directives issues under the Companies Act, 2017 the Modaraba Companies and Modaraba (Flotation and Control) Ordinance, 1980, the Modaraba Companies and Modaraba Rules, 1981. Prudential Regulations for Modaraba and the Islamic Financial Accounting Standards (IFASs) have been followed.

The SECP, Special compliance Division, vide circular no. 10 of 2004 dated February 13, 2004 deferred the application of IAS 17 'Leases' to Modarabas till further orders.

2.2 Basis of measurement

These financial statements have been prepared under the historical cost convention.



2.3 Functional and presentation currency

These financial statements are presented in Pakistan Rupees which is also the Modaraba's functional currency. All financial information presented in Pakistan Rupees has been rounded to the nearest rupee.

3 New accounting standards / amendments and IFRS interpretations that are effective for the year ended June 30, 2018.

The following standards, amendments and interpretations are effective for the year ended June 30, 2018. These standards, interpretations and the amendments are either not relevant to the Company's operations or are not expected to have significant impact on the Company's financial statements other than certain additional disclosures.

The Companies Act, 2017 (the Act) has also brought certain changes with regard to preparation and presentation of annual and interim financial statements of the Company. These changes also include change in respect of recognition criteria of surplus on revaluation of fixed assets, change in nomenclature of primary statements, etc.

Further, the disclosure requirements contained in the fifth schedule to the Act have been revised, resulting in the:

- elimination of duplicative disclosures with the IFRS disclosure requirements; and
- incorporation of significant additional disclosures.

3.1 New accounting standards / amendments and IFRS interpretations that are not yet effective

The following standards, amendments and interpretations are only effective for accounting periods, beginning on or after the date mentioned against each of them. These standards, interpretations and the amendments are either not relevant to the Modaraba's operations or are not expected to have significant impact on the Modaraba's financial statements other than certain additional disclosures.

	Effective from accounting period beginning on or after:
Amendments to IFRS 2 'Share-based Payment' - Clarification on the classification and measurement of share-based payment transactions	January 01, 2018
IFRS 4 'Insurance Contracts': Amendments regarding the interaction of IFRS 4 and IFRS 9.	An entity choosing to apply the overlay approach retrospectively to qualifying financial assets does so when it first applies IFRS 9. An entity choosing to apply the deferral approach does so for annual periods beginning on or after January 01, 2018.

IFRS 9 'Financial Instruments' - This standard will supersede IAS 39 Financial Instruments: Recognition and Measurement upon its effective date.	January 01, 2018
Amendments to IFRS 9 'Financial Instruments' - Amendments regarding prepayment features with negative compensation and modifications of financial liabilities	January 01, 2019
IFRS 15 'Revenue' - This standard will supersede IAS 18, IAS 11, IFRIC 13, 15 and 18 and SIC 31 upon its effective date.	July 01, 2018
IFRS 16 'Leases': This standard will supersede IAS 17 'Leases' upon its effective date.	July 01, 2019
Amendments to IAS 19 'Employee Benefits' - Amendments regarding plan amendments, curtailments or settlements.	July 01, 2019
Amendments to IAS 28 'Investments in Associates and Joint Ventures' - Amendments regarding long-term interests in an associate or joint venture that form part of the net investment in the associate or joint venture but to which the equity method is not applied.	January 01, 2019
Amendments to IAS 40 'Investment Property': Clarification on transfers of property to or from investment property	January 01, 2018. Earlier application is permitted.
IFRIC 22 'Foreign Currency Transactions and Advance Consideration': Provides guidance on transactions where consideration against non-monetary prepaid asset / deferred income is denominated in foreign currency.	January 01, 2018. Earlier application is permitted.
IFRIC 23 'Uncertainty over Income Tax Treatments': Clarifies the accounting treatment in relation to determination of taxable profit (tax loss), tax bases, unused tax losses, unused tax credits and tax rates, when there is uncertainty over income tax treatments under IAS 12 'Income Taxes'.	January 01, 2019

Certain annual improvements have also been made to a number of IFRSs.

**Effective from accounting period
beginning on or after:**

Amendments to IAS 7 'Statement of Cash Flows' - Amendments as a result of the disclosure initiative	January 01, 2017
Amendments to IAS 12 'Income Taxes' - Recognition of deferred tax assets for unrealised losses.	January 01, 2017



Accounting Standard (IFAS) 2

SECP vide its circular no. 10 of 2004 dated 13 February 2004 had deferred, till further orders, the applicability of International Accounting Standard (IAS) 17 "Leases" on Modarabas with effect from 1 July 2003 and advised the management companies of Modarabas that they may continue to prepare the financial statements of the Modarabas without applying the requirements of IAS 17 to the Modarabas. However, the requirements of IAS 17 were considered for the purpose of leasing transactions (net investment in finance lease, assets given on finance lease, liabilities against assets subject to finance lease, and assets obtained on finance lease) entered into by the Modaraba upto 30 June 2008. From 1 July 2008, all new lease transactions (both for assets given and assets obtained) are being accounted for in accordance with the requirements of IFAS 2 as explained hereunder. Islamic Financial Accounting Standard 2 'Ijarah' issued by the Institute of Chartered Accountants of Pakistan was adopted by the Securities and Exchange Commission of Pakistan (SECP) vide SRO 431(1)/2007 dated 22 May 2007. During the year ended 30 June 2009, SECP vide its letter no. SC/M/RW/SC/2009 dated 9 March 2009, directed that the Modaraba Management Companies may apply the accounting treatment of IFAS 2, only to the leasing (Ijarah) transactions entered on or after 1 July 2008. Under the above IFAS 2, the 'Ijarah' transactions are accounted for in the following manner:

- 1- Mustajir (lessors) presents the assets subject to Ijarah in their statement of financial position according to the nature of the asset, distinguished from the assets in own use.
- 2- Costs, including depreciation on the assets given on Ijarah, incurred in earning the Ijarah income are recognised as expenses.
- 3- Ijarah income is recognised in income on an accrual basis as and when the rental becomes due, unless another systematic basis is more representative of the time pattern in which the benefit of the use derived from the leased asset is diminished.

Consequently, in preparation of these financial statements the Modaraba has accounted for leasing transactions executed before 1 July 2008 as finance leases consistent with prior years and has treated the leasing transactions executed on or after 1 July 2008 in accordance with the requirements of IFAS 2.

Other than the aforesaid standards, interpretations and amendments, the International Accounting Standards Board (IASB) has also issued the following standards which have not been adopted locally by the Securities and Exchange Commission of Pakistan:

- | | |
|-----------|--|
| - IFRS 1 | First Time Adoption of International Financial Reporting Standards |
| - IFRS 14 | Regulatory Deferral Accounts |
| - IFRS 17 | Insurance Contracts |

3.2 Significant accounting estimates and judgments

The preparation of financial statements in conformity with the approved accounting standards requires the management to make estimates, judgments and assumptions that affect the reported amounts of assets and liabilities, income and expenses. It also requires the management to exercise judgment in application of the Modaraba's accounting policies. The estimates, judgment and associated assumptions are based on the management's experience and various other factors that are believed to be reasonable under the circumstances. These estimates and assumptions are reviewed on an on-going basis. Revisions to accounting estimates are recognized in the period in which the estimate

is revised if the revision affects only that period, or in the period of revision and future periods if the revision affects both the current and future periods. The areas where various assumptions and estimates are significant to the Modaraba's financial statement or where judgment was exercised in the application of accounting policies are as follows:

3.2.1 Depreciation/Amortization

Estimates of residual values, useful lives and depreciation methods of fixed assets in own use and Ijarah assets (note 5)

3.2.2 Provision against non-performing loans and advances

The Modaraba reviews its portfolio to assess amount of non-performing contracts and provision required there against on a quarterly basis. The provision is made in accordance with the prudential regulations issued by Securities and Exchange Commission of Pakistan.

3.2.3 Income taxes

The Modaraba takes into account relevant provisions of current income tax laws while providing for current and deferred tax

4 Significant accounting policies

4.1 Tangible fixed assets **Assets in own use**

These are stated at cost less accumulated depreciation and accumulated impairment losses, if any. Cost includes expenditure that is directly attributable to the acquisition of the items. Subsequent costs are included in the assets' carrying amounts or recognised as separate assets, as appropriate, only when it is probable that future economic benefits associated with the items will flow to the Modaraba and the cost of the items can be measured reliably. All other repairs and maintenance expenses are charged to the profit and loss account as and when incurred.

Depreciation on all fixed assets is charged to profit and loss on straight line basis, so as to write off the historical cost of an asset over its estimated useful life at annual rates mentioned in note 5 and 5.2.

Residual values and the useful lives of the assets are reviewed at least at each financial year end and adjusted if impact on depreciation is significant.

The Modaraba assesses at each balance sheet date whether there is any indication that fixed asset 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 amount. Where carrying values exceed the respective recoverable amount, assets are written down to their recoverable amounts and the resulting impairment loss is recognized in income currently. The recoverable amount is the higher of an asset's fair value less costs to sell and value in use. Where an impairment loss is recognized, the depreciation charge is adjusted in the future periods to allocate the asset's revised carrying amount over its estimated useful life.

Subsequent costs are included in the asset's carrying amount or recognized as a separate asset, as appropriate, only when it is probable that future economic benefits associated with the item will flow to the Modaraba and the cost of the item can be measured reliably. All other repair and maintenance costs are charged to income during the period in which they are incurred. Subsequent costs are included in the asset's carrying amount or recognized as a separate asset.

Intangible Assets

Intangible assets having a finite useful life are stated at cost less accumulated amortisation and accumulated impairment losses, if any. Subsequent costs are included in the assets' carrying amounts or recognised as separate assets, as appropriate, only where it is probable that the future economic benefits associated with the assets will flow to the Modaraba and the cost of the items can be measured reliably. The useful lives and amortisation method are reviewed and adjusted, as appropriate, at each reporting date. Amortisation is charged from the month the asset is available for use while in the case of assets disposed off, it is charged till the month preceding the month of disposal.

Intangible assets having an indefinite useful life are stated at cost less accumulated impairment losses, if any.

Gain or loss on disposal of intangible assets, if any. Is taken to the profit and loss account in the period in which these arise.

Ijarah Assets

Ijarah assets are stated at cost less accumulated depreciation and accumulated impairment losses, if any. Assets under Ijarah are depreciated over the period of facility. However, in the event the asset is expected to be available for re-ijarah, depreciation is charged over the economic life of asset using straight line basis.

Ijarah income is recognized on an accrual basis as and when the rental becomes due.

4.2 Impairment (Including provision for potential ijarah losses and write offs)

The carrying amount of the Modaraba's assets are reviewed at each reporting date to determine whether there is any indication of impairment in any asset or group of assets. If such an indication exists, the recoverable amount of the assets is estimated and impairment losses are recognised immediately as an expense in the profit and loss account. For loans and receivables, a provision for impairment is established when there is objective evidence that the Modaraba will not be able to collect all amounts due according to the original terms. The amount of the provision is the difference between the asset's carrying amount and the present value of estimated future cash flows, discounted at the original effective profit rate.

Provision for non-performing leases, if any, is made in accordance with the requirements of the Prudential Regulations for Modarabas issued by the Securities and Exchange Commission of Pakistan (SECP) and is charged to the profit and loss account in the current period. Outstanding balances in net investment in Ijarah finance are written off when there is no realistic prospect of recovery.

4.3 Cash and cash equivalents

Cash and cash equivalents are carried in the balance sheet at cost. For the purpose of cash flow statement, cash and cash equivalents comprise cash in hand and cash with banks in current, savings and deposit accounts.

4.4 Financial instruments

Financial assets

Significant financial assets include short and long term investments, long term deposits, advances and receivables and cash and bank balances. Finances and receivables from clients are stated at their nominal value as reduced by provision for doubtful finances and receivables, while other financial assets are stated at cost except for investments, which have been revalued as per accounting policies.

Classification

The management determines the appropriate classification of the financial assets of the Modaraba in accordance with the requirements of International Accounting Standard (IAS) 39: 'Financial Instruments: Recognition and Measurement', at the time of purchase of financial assets and reevaluates this classification on a regular basis. The classification depends upon the purpose for which the financial assets are acquired. The financial assets of the Modaraba have been classified in the following categories:

- Loans and receivables: These are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market.

Financial liabilities

Financial liabilities are classified according to the substance of the contractual arrangements entered into. Significant financial liabilities include short term borrowings, certificates of musharika, deposits against ijarah arrangements, trade and other payables and dividends payable. Markup based financial liabilities are recorded at gross proceeds received. Other liabilities are stated at their nominal value.

Recognition and derecognition

All the financial assets and financial liabilities are recognized at the time when the Modaraba becomes party to the contractual provisions of the instrument. Financial assets are derecognized when the Modaraba loses control of the contractual rights that comprise the financial assets. Financial liabilities are derecognized when they are extinguished i.e. when the obligation specified in the contract is discharged, cancelled or expires. Any gain or loss on derecognition of the financial assets and financial liabilities is taken to income currently.

Offsetting of financial assets and financial liabilities

Financial assets and liabilities are offset and the net amount reported in the financial statements when there is a legally enforceable right to set off the recognized amounts and there is an intention to settle on net basis, or realize the asset and settle the liabilities simultaneously.



4.5 Provisions

Provisions are recognized when the Modaraba has a 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 amount can be made. Provisions are reviewed at each balance sheet date and are adjusted to reflect the current best estimate.

4.6 Staff retirement benefit

Defined contribution plan

The Modaraba operates a recognized provident fund for all eligible employees. Equal monthly contributions @ 8.33% of the basic salary are made to the fund both by the Modaraba and employees.

4.7 Provision against non performing financing (Suspense income)

The Modaraba reviews its overdue Ijarah rentals at each reporting date to assess whether provision should be recorded in 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 the timing of future cash flows when determining the level of provision required. Such estimates are based on assumptions about a number of factors and actual results may differ, resulting in future changes to the provisions.

4.8 Revenue recognition

Ijarah rentals

Ijarah rentals are recognized as income on accrual basis, as and when rentals become due.

Documentation charges, front-end fee and other Ijarah income are recognized as income on receipt basis. Unrealized Ijarah income pertaining to non-performing Ijarah is held in suspense account, where necessary, in accordance with the requirements of the Prudential Regulations (PR).

Morabaha transaction

Profit on morabaha transaction is recognized over the period the payment becomes due. The unearned portion is reflected as deferred morabaha income.

Profit on musharika arrangement is recognized under the effective profit rate based on the amount outstanding.

Return on bank deposits are recognized on accrual basis, using the effective profit rate method.

Capital gain or losses on sale of investment

Capital gain / loss on investment is recognized on sale of the respective investments.

Dividend income

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

Commission income

Commission income is recognized on accrual basis.

4.9 Trade date accounting

All 'regular way' purchases and sales of quoted equity securities are recognized on the trade date i.e. the date that the Modaraba commits to purchase/sell the asset. 'Regular way' purchases or sales of quoted investments require delivery within three working days after the transaction date as per stock exchange regulations.

4.10 Ijarah rentals and Musharikah investments

Ijarah rentals and Musharikah investments are stated net of provision and suspense income. Provision is recognized for Ijarah rentals receivable and musharikah investment, in accordance with the Prudential Regulations for Modarabas issued by Securities and Exchange Commission of Pakistan (SECP). Bad debts are written-off when identified.

4.11 Finance arrangements including Certificates of Musharikah

These are carried on the balance sheet at principal amount.

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

Profit on Musharikah 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 Profit distribution and appropriations

Profit distribution and appropriation to reserves are recognized as liability in the financial statements in the period 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.

4.13 Taxation

Current

Provision for current taxation is made on taxable income at the prevailing rates of tax after taking into account tax credits available, if any. The income of non-trading modarabas is exempt from tax provided that not less than 90% of their profits are distributed to the certificate-holders as reduced by amount transferred to a mandatory reserve as required under the provisions of the Modaraba Companies and Modaraba (Floatation and Control) Ordinance, 1980 (XXXI of 1980) are distributed to the certificate holders.

Deferred

The Modaraba accounts for deferred taxation using the balance sheet liability method, on all temporary differences arising between the tax bases of assets and liabilities and their carrying amounts in the financial statements. Deferred tax liabilities are generally recognized for all taxable temporary differences and deferred tax assets are recognized to the extent that it is probable that taxable profits will be available against which the deductible temporary differences, unused tax losses and tax credits can be utilized. The



carrying amount of all deferred tax assets is reviewed at each balance sheet date and reduced to the extent, if it is no longer probable that sufficient taxable profit will be available to allow all or part of the deferred tax assets to be utilized.

Deferred tax is calculated at the rates that are expected to apply to the period when the differences reverse, based on tax rates that have been enacted or substantively enacted by the balance sheet date. Deferred tax is charged or credited in the profit and loss account.

4.14 Morabaha Investments

Morabaha investments are stated net of provision. Provision is recognized for Morabaha Investments in accordance with the Prudential Regulations for Modaraba's issued by the Securities and Exchange Commission of Pakistan. Bad debts are written off when identified.

Morabaha receivable are recorded by the Modaraba at the invoiced amount and disclosed as such in the balance sheet.

Purchase and sales under Morabaha and the resultant profit are accounted for on the culmination of Morabaha transaction

The profit on that portion of sales revenue not due for payment are deferred by accounting for a debit to "Unearned Morabaha Income" account with the corresponding credit to "Deferred Morabaha Income" account and shown in the balance sheet as a liability.

4.15 Investment in Subsidiary

Investment in subsidiary is initially recognized at cost. At subsequent reporting dates, the recoverable amounts are estimated to determine the extent of impairment losses, if any, and carrying amounts of investments are adjusted accordingly. Impairment losses are recognized as expense. Where impairment losses subsequently reverse, the carrying amounts of the investments are increased to the revised recoverable amounts but limited to the extent of initial cost of investments. A reversal of impairment loss is recognized in the profit and loss account.

4.16 Earnings per certificate

Earnings per certificate is calculated by dividing the profit after taxation for the year by weighted average number of certificates outstanding during the year.

5 Tangible fixed assets

	Note	2018 Rupees	2017 Rupees
Ijarah assets	5.1	225,737,910	178,857,852
Assets in own use	5.2	2,489,560	2,261,365
		228,227,470	181,119,217

5.1 Ijarah assets

2018

Description	COST			DEPRECIATION			IMPAIRMENT			NET BOOK VALUE		
	As at 1 July 2017	Additions	Transfer	As at 30 June 2018	Charge for the year	Transfer	As at 30 June 2018	Reversal for the year	Transfer	As at 30 June 2018	As at 30 June 2017	Depreciation Rate
												%
Plant and machinery	748,140,470	52,835,000	(159,060,000)	641,915,470	1,760,789	(139,235,718)	505,531,112	(622,006)	(388,940)	29,593,102	30,604,048	As per term
Vehicle	204,006,260	47,787,791	(31,008,000)	220,786,051	109,236,485	(24,458,809)	110,518,929	-	-	1,104,397	1,104,397	As per term
Consumer products	16,687,789	10,295,000	(6,374,563)	20,608,226	6,025,696	(5,240,518)	10,824,297	-	-	-	9,783,929	As per term
	968,834,519	110,917,791	(196,442,563)	883,309,747	758,268,222	(168,935,045)	626,874,338	(622,006)	(388,940)	(30,697,499)	31,708,445	

2017

Description	COST			DEPRECIATION			IMPAIRMENT			NET BOOK VALUE		
	As at 1 July 2016	Additions	Transfer	As at 30 June 2017	Charge for the year	Transfer	As at 30 June 2017	Charge for the year	Transfer	As at 30 June 2017	As at 30 June 2016	Depreciation Rate
												%
Plant and machinery	1,023,734,417	744,270	(276,338,217)	748,140,470	892,839,379	(257,116,786)	643,006,041	(235,982)	(282,576)	30,604,048	74,530,381	As per term
]Vehicle	216,298,087	21,852,319	(34,144,146)	204,006,260	109,397,966	(28,593,057)	109,236,485	-	-	1,104,397	93,665,378	As per term
]Cessna aircraft	13,552,604	-	-	13,552,604	-	-	13,552,604	-	-	-	-	As per term
]Consumer products	2,900,623	15,836,239	(2,049,073)	16,687,789	6,729,007	(741,826)	6,025,696	-	-	-	10,662,093	As per term
	1,256,485,731	38,432,828	(312,531,436)	982,387,123	1,015,828,464	(286,451,669)	771,820,826	(235,982)	(282,576)	31,708,445	178,857,852	

5.1.1 Transfers represent the assets disposed through negotiation after expiry / termination of Ijarah. However, in view of large number of disposals, detail of each disposal has not been given.

5.2 Assets in own use

Description	2018									
	COST					DEPRECIATION				
	As at 1 July 2017	Addition	Disposal Adjustment	As at 30 June 2018	As at 1 July 2017	Charge for the year	Disposal / Adjustment	As at 30 June 2018	As at 30 June 2018	Depreciation Rate
Office equipment	3,519,497	80,880	(1,150,575)	2,449,802	2,378,207	434,072	(1,150,575)	1,661,704	788,098	15% & 30%
Furniture and fixtures	1,782,590	194,366	-	1,976,956	697,833	215,834	-	913,667	1,063,289	15%
Vehicles	1,624,088	732,000	(1,554,188)	801,900	1,588,770	129,145	(1,554,188)	163,727	638,173	20%
	6,926,175	1,007,246	(2,704,763)	5,228,658	4,664,810	779,051	(2,704,763)	2,739,098	2,489,560	
Description	2017									
	COST					DEPRECIATION				
	As at 1 July 2016	Addition	Disposal Adjustment	As at 30 June 2017	As at 1 July 2016	Charge for the year	Disposal / Adjustment	As at 30 June 2017	As at 30 June 2017	Depreciation Rate
Office equipment	2,726,499	1,012,498	(219,500)	3,519,497	2,350,288	247,419	(219,500)	2,378,207	1,141,290	15% & 30%
Furniture and fixtures	810,840	971,750	-	1,782,590	621,491	76,342	-	697,833	1,084,757	15%
Vehicles	1,624,088	-	-	1,624,088	1,569,267	19,503	-	1,588,770	35,318	20%
	5,161,427	1,984,248	(219,500)	6,926,175	4,541,046	343,264	(219,500)	4,664,810	2,261,365	



	Note	2018 Rupees	2017 Rupees
6 Intangible assets			
Computer software	6.1	-	-
Work in progress	6.2	900,000	300,000
		900,000	300,000
6.1 Impairment			
Opening balance		-	26,648,757
Impairment charged during the year		-	-
Impairment reversal during the year		-	(26,648,757)
Closing balance		-	-
6.2 Computer software			
Cost			
Balance as at 1 July		1,295,000	1,295,000
Additions		-	-
Balance as at 30 June		1,295,000	1,295,000
Amortization			
Balance as at 1 July		(1,295,000)	(1,295,000)
Amortization for the year	29	-	-
Balance as at 30 June		(1,295,000)	(1,295,000)
Carrying Amount		-	-
Rate of amortization		20%	20%
6.3 Work in progress			
Balance as at 1 July		300,000	300,000
Additions	6.3.1	600,000	-
Balance as at 30 June		900,000	300,000

6.3.1 This includes advance paid by Modaraba against purchase of software.

	Note	2018 Rupees	2017 Rupees
7 Shares available for sale			
Unquoted			
LSE Financial Services Limited		-	10,308,698
Gain on remeasurement		-	-
Disposal		-	(10,308,698)



8 Investment in subsidiary

During the year, the Modaraba made a further investment of Rs. 26,500,000 making a total investment of Rs. 76,500,000 holding 100% equity of subsidiary.

As per Prudential Regulations of Modaraba Rule 7 (7), no modaraba shall make investment in shares of unlisted company where total exposure in such companies does not exceed 5% of the modaraba's equity.

However, Securities and Exchange Commission of Pakistan has granted exemption to First Punjab Modaraba through letter no: SC/M/PRDD/FPM/2015 dated November 05, 2015 against the above clause.

	Note	2018 Rupees	2017 Rupees
9 Long term musharikhah investment - secured			
Musharikhah investment	9.1	905,484,057	897,783,755
Less: Current portion of long term musharikhah investment	14	(463,186,995)	(399,161,883)
		442,297,062	498,621,872

- 9.1** The profit charged on these facilities ranged from 8.55% to 18.27% per annum (2017: 9% to 20% per annum). These facilities are secured by way of personal guarantees and mortgage of properties.

	Note	2018 Rupees	2017 Rupees
9.2 Impairment loss on musharikhah investment			
Opening balance		8,709,526	11,709,526
Additions during the year			
Specific provision		52,825	-
General provision		-	-
		52,825	-
Reversed during the year		-	(3,000,000)
Closing balance		8,762,351	8,709,526

	Note	2018 Rupees	2017 Rupees
10 Long term morabaha investment - secured			
Long term morabaha investment	10.1	26,545,141	35,940,617
Add: Unearned morabaha income	10.2	4,649,209	1,150,448
		4,649,209	37,091,065
Less: Current maturity	14	(4,884,525)	(22,727,010)
		26,309,825	14,364,055
Less: Provision for doubtful morabaha investment	10.3	(8,800,000)	(8,800,000)
Total long term morabaha investment net		17,509,825	5,564,055

10.1 These are secured against mortgage of properties, hypothecation and pledge of stocks, personal guarantees and demand promissory notes. The rate of profit on morabaha finances ranges from 8% to 15% per annum (2017: 13.64% to 15%).

10.2 These represent receivables against morabaha transactions on deferred payment basis at a specified profit margin.

	Note	2018 Rupees	2017 Rupees
10.3 Provision for doubtful morabaha investment			
Opening balance		8,800,000	8,800,000
Charge during the year		-	-
Closing balance		8,800,000	8,800,000

11 Long term deposits

Long term deposits	692,900	692,900
	692,900	692,900

12 Deferred tax

This represents deferred tax asset created against brought forward losses and Alternate Corporate Tax (ACT) available for use in future. The management is confident that sufficient taxable profits will be available to set off these losses. Further, the management does not intend to avail exemption under clause 100 of Part 1 of Second Schedule to the Income Tax Ordinance 2001. The recognition of deferred tax asset is based upon whether it is more likely than not that sufficient taxable profits will be available against which the unutilized losses and tax credits carried forward can be adjusted.



	Note	2018 Rupees	2017 Rupees
13 Short term morabaha investment - secured			
Short term morabaha investment	13.1	488,114,013	483,234,677
Add: Unearned morabaha income	13.2	468,834	1,031,448
		488,582,848	484,266,125
Less: Provision for doubtful morabaha investment	13.3	(235,561,379)	(235,561,379)
Total short term morabaha investment - net		253,021,469	248,704,746
13.1 These are secured against mortgage of properties, hypothecation and pledge of stocks, personal guarantees and demand promissory notes. The rate of profit on morabaha finances ranges from 9.50% to 22.99% per annum (2017:10.75% to 22.99% per annum).			
13.2 These represent receivables against morabaha transactions on deferred payment basis at a specified profit margin.			
	Note	2018 Rupees	2017 Rupees
13.3 Provision for doubtful morabaha investment			
Opening balance		235,561,379	237,194,731
Additions during the year		-	-
Reversals during the year		-	(1,633,352)
		-	(1,633,352)
Closing balance		235,561,379	235,561,379
14 Current maturity of long term investments			
Musharikhah investment	9	463,186,995	399,161,883
Less: Provision against musharika investment		(8,762,350)	(8,709,526)
		454,424,645	390,452,357
Morabaha investment	10	4,884,525	22,727,010
Less: Provision against current		-	-
Maturity of long term investment		-	-
		4,884,525	22,727,010
		459,309,170	413,179,367

	Note	2018 Rupees	2017 Rupees
15 Advances, deposits, prepayments and other receivables			
profit receivable			
- Morabaha Investment	15.1	201,331	1,114,454
- Musharikah Investment	15.2	23,347,430	16,029,142
		23,548,760	17,143,596
Prepayments		5,421,564	4,887,640
Advances		14,469,840	15,955,702
Other Receiveable		70,456,513	55,215,048
		113,896,677	76,058,390
Less: Provision for non performing assets	15.3	(7,810,205)	(7,810,205)
		106,086,472	85,391,781
15.1 Morabaha profit receivable			
Morabaha profit receivable		26,261,830	27,249,051
Less: Income transferred to suspense	15.1.1	(26,134,597)	(26,134,597)
		201,331	1,114,454
15.1.1 Income transferred to suspense			
Opening balance		26,134,597	26,134,597
Reversals during the year	27.2	-	-
Suspension written off		-	-
Closing balance		26,134,597	26,134,597
15.2 Musharikah profit receivable			
Musharikah profit receivable		26,873,047	27,321,445
Less: Income transferred to suspense	15.2.1	(11,677,261)	(11,292,303)
		15,195,786	16,029,142
15.2.1 Income transferred to suspense			
Opening balance		11,292,303	11,007,139
Addition during the year	27.3	384,958	285,164
Suspension written off		-	-
Closing balance		11,677,261	11,292,303



	Note	2018 Rupees	2017 Rupees
15.3 Provision for non performing assets			
Opening balance		7,810,204	7,810,204
Additions during the year		-	-
Write off during the year		-	-
Reversed during the year		-	-
Closing balance		7,810,204	7,810,204
16 Ijarah rental receivables			
Ijarah rental receivable		455,135,169	476,830,898
Less: Income transferred to suspense	16.1	(159,480,340)	(188,064,088)
		295,654,829	288,766,810
16.1 Income transferred to suspense			
Opening balance		188,064,088	192,950,354
Additions during the year	27.1	-	2,362,500
Transfers during the year		1,010,946	282,576
Reversal of suspension during the year		(9,307,798)	-
Reversals during the year	27.1	(20,286,896)	(7,531,342)
Closing balance		159,480,340	188,064,088
16.2 Future Ijarah rentals receivable			
Aggregate amount of future Ijarah rentals receivable on the basis of agreements executed up to 30 June 2018 are as follows:			
Up to one year		52,625,692	48,257,287
Above one year and up to five year		94,451,362	61,871,723
		147,077,054	110,129,010
17 Cash and bank balances			
Cash at banks			
- Current accounts	17.1	25,358,790	21,450,758
- Deposit accounts	17.3	20,455,069	-
- Savings accounts	17.2&17.3	524,515	20,262,709
- Current account with State Bank of Pakistan	17.4	69,711	19,711
		46,408,085	41,733,178
Cash in hand		760,927	19,638
		47,169,012	41,752,816

- 17.1** The balance of Rs. 7.41 Million (2017: Rs.21.4 million) is maintained with The Bank of Punjab (the holding Company of the Modaraba's Management Company).
- 17.2** Under the terms and condition for the issuance of certificates of musharikah (both long and short term), the Modaraba is required to maintain a Redemption Reserve Fund equal to at least 5% of the contribution against Certificates of Musharikah Finance received, which may be utilized for redemption purposes.
- 17.3** The rate of profit on deposit and saving accounts ranges between 2.00% to 5.25% per annum (2017: 2.5% to 5.25% per annum).
- 17.4** This account has been opened for payment of online charges of the Credit Information Bureau of State Bank of Pakistan.

	<u>2018</u> Rupees	<u>2017</u> Rupees
18 Certificate capital		
Authorized certificate capital 50,000,000 modaraba certificates of Rs.10 each	500,000,000	500,000,000
Issued, subscribed and paid-up certificate capital 20,000,000 modaraba certificates of Rs. 10 each fully paid up in cash	200,000,000	200,000,000
14,020,000 modaraba certificates of Rs. 10 each issued as fully paid bonus certificates	140,200,000	140,200,000
340,200,000 modaraba certificates of Rs. 10 each	340,200,000	340,200,000

- 18.1** As at 30 June 2018, The Punjab Modaraba Services (Private) Limited (the management company) held 13,320,694 (2017: 13,320,694) certificates of Rs. 10 each.

	Note	<u>2018</u> Rupees	<u>2017</u> Rupees
19 Reserves			
Capital reserve			
Statutory reserve	19.1	215,447,495	209,696,682
Revenue reserves			
Accumulated loss		(352,253,538)	(358,246,791)
		(136,806,040)	(148,550,109)



19.1 This represents profit set aside to comply with the Prudential Regulations for Modarabas issued by Securities and Exchange Commission of Pakistan requiring modaraba to transfer not less than 20% and not more than 50% of its profits after tax in such manner that reserves equal 100% of the paid up capital. Thereafter a sum not less than 5% of the profit after tax is to be set aside.

	Note	2018 Rupees	2017 Rupees
20 Security deposits			
Long term security deposits against Ijarah		112,531,322	119,108,872
Less: Current maturity of security deposits	22	(91,501,375)	(112,632,222)
		21,029,947	6,476,650
21 Long term musharikah finance secured			
Opening balance		1,101,205,546	955,925,494
Additions during the year		879,623,304	980,575,552
Less: Paid during the year		(787,333,815)	(835,295,500)
		92,289,489	145,280,052
	21.1	1,193,495,035	1,101,205,546

21.1 The Modaraba has availed musharikah finance facilities from The Bank of Punjab having approved limits of Rs. 1,405 million (2017: Rs. 1,505 million) maturing latest by 31 October 2019. These facilities are secured by way of first pari passu charge over present and future fixed assets of Modaraba for amount of Rs. 860 million and first pari passu charge over present and future current assets of Modaraba for an amount of Rs. 1,040 million. The estimated share of profit payable on musharikah facilities is 3 Month's KIBOR per annum (2017: 3 Month's KIBOR per annum).

	Note	2018 Rupees	2017 Rupees
22 Current maturity of non current liabilities			
Security deposits	22.1	91,501,375	112,632,222

22.1 This includes security deposit amounting to Rs. 82.7 million (2017: Rs.82.7 million) against those ijarah where the customers have defaulted payment of rentals and the Modaraba has filed suits for recovery.

	Note	2018 Rupees	2017 Rupees
23 Redeemable capital - participatory and unsecured			
Opening balance		400,000,000	100,000,000
Add: Issued during the year		-	300,000,000
Less: Redeemed during the year		(400,000,000)	(300,000,000)
Add: Re- issued during the year		400,000,000	300,000,000
		-	300,000,000
Closing balance	23.1	400,000,000	400,000,000

23.1 These certificates of Musarika have been reissued to Bank of Punjab with a maturity of 3 months. The share of profit payable ranges from 6.25% to 7.00% per annum (2017: 6.25%).

	2018 Rupees	2017 Rupees
24 Profit payable		
Musharikhah finances	18,323,102	16,625,545
Redeemable capital	3,215,070	2,956,416
	21,538,172	19,581,961

25 Trade and other payables

Accrued expenses	1,093,788	300,000
Tax deducted at source	816,650	1,480,975
Advances against ijarah / morabaha / musharikhah	23,393,783	10,294,248
Management fee payable	3,079,239	2,672,036
Other payables	11,093,116	9,405,720
	39,476,576	24,152,979

25.1 This include penalty amounting to Rs. Nil (2016: Nil) payable to charity charged at the rate of Rs. 0.05 per thousand rupees on daily product basis on amount not paid by the clients in time, as required by the provisions of morabaha agreements. This amount has been utilized for charitable and religious purposes as recognized by the Shariah. During the year, penalties received from customers for delayed payments were paid as donations to the following entities:

	2018 Rupees	2017 Rupees
Layton Rehmatullah Benevolent Trust	-	28,716
Sun Education and Welfare Society	-	50,000
Rising Sun	89,846	-
	89,846	78,716



26 Contingencies and commitments

26.1 Contingencies

- 26.1.1** The assessing officer, while finalizing assessments for the years 1997-98 and 1998-99, made add backs out of profit and loss account. The Modaraba had filed an appeal before the Commissioner of Income Tax (Appeals) (CIT-(A)), who has rejected the appeals. The Modaraba has filed an appeal, against the order of CIT-(A), before the honorable Income Tax Appellate Tribunal, which has been decided in favor of Modaraba, however Income Tax Department has filed appeal before honorable Lahore High Court. Modaraba management company expects a favorable outcome of the case.
- 26.1.2** Additional Commissioner Inland Revenue (ACIR) issued order under section 122 (5A) of the Income Tax Ordinance, 2001, (the Ordinance) for tax year 2003 while rejecting the exemption claimed from tax under Clause 100 of Part I of Second Schedule to the Ordinance and made additions on account of provision for bad debts, which resulted in a tax liability of Rs. 27,410,608. The Modaraba filed a rectification application under section 221 of the Ordinance for reducing the tax rate from 35% to 25%, resultantly the rectification order passed by the tax department and reduced the tax liability to Rs. 14,580,110. The Modaraba also filed an appeal before the CIR (Appeals) for tax year 2003 against the order of ACIR. In this regard, after hearing of the appeal, the CIR (Appeals) by accepting the claim of exemption has issued a favorable order to the Modaraba while deleting the tax liability of Rs. 14,580,110 vide order No. 31 dated 27 June 2009. The income tax department has filed an appeal before Appellate Tribunal Inland Revenue against the order of CIR (Appeals) which was decided in favor of the Modaraba. Subsequent to year end the Income Tax Department has filed reference in High Court against decision of Appellate Tribunal Inland Revenue which is pending for adjudication. Modaraba management company expects a favorable outcome of the case.
- 26.1.3** Additional Commissioner Inland Revenue (ACIR) issued order under section 122 (5A) of the Income Tax Ordinance, 2001, (the Ordinance) for tax year 2005 while rejecting the exemption claimed from tax under Clause 100 of Part I of Second Schedule to the Ordinance in an arbitrary manner and assessing the taxable income at Rs. 49,845,335 and tax liability at Rs. 17,667,886. The Modaraba filed a rectification application under section 221 of the Ordinance for reducing the tax rate from 35% to 25%. Further, the Modaraba has filed an appeal before the CIR (Appeals) for tax year 2005 against this order. In this regard, after hearing of the appeal, the CIR (Appeals) by accepting the claim of exemption has issued a favorable order to the Modaraba while deleting the tax liability of Rs. 17,667,886. The income tax department has filed an appeal before Appellate Tribunal Inland Revenue against the order of CIR (Appeals) which was decided in favor of the Modaraba. Subsequent to year end the Income Tax

Department has filed reference in High Court against decision of Appellate Tribunal Inland Revenue which is pending for adjudication. Modaraba management company expects a favorable outcome of the case.

26.1.4 Legal suits against Modaraba

Suit for rendition of account Rs. 22.145 Million filed by a defaulter against the Modaraba. The suit is pending in Honorable Banking Court. The management is of the view that case has no merit and would be disposed off in favor of the Modaraba.

26.2 Commitments

26.2.1 Musharikhah commitments approved but not disbursed as on balance sheet date amount to Rs.41.38 million (2017: Rs.32.38 million).

	Note	2018 Rupees	2017 Rupees
27 Operating income			
27.1 Ijarah rentals			
Ijarah income		73,744,073	73,570,217
Less: Rentals suspended	16.1	-	(2,362,500)
Add: Reversal of rentals suspended	16.1	(9,307,798)	7,531,342
Total income from Ijarah		64,436,275	78,739,059
27.2 Profit on Morabaha investment			
Morabaha investment		4,799,112	7,561,338
Less: Suspension		-	-
Add: Reversals of suspension	15.1.1	4,799,112	7,561,338
Total income from Morabaha investment		7,561,338	16,799,065
27.3 Profit on Musharikhah investment			
Musharikhah investment		95,690,463	75,383,305
Less: Suspension reversal / (charged)	15.2.1	(384,958)	(285,164)
Total Income from Musharikhah investment		95,305,505	75,098,141



	Note	2018 Rupees	2017 Rupees
27.4 Gain on disposal of fixed assets			
Gain on disposal of non banking assets		150,000	-
Gain on sale of owned assets		1,150,500	15,000
Gain on disposal of Ijarah assets		362,997	196,020
Gain on disposal of TREC, Room and shares of LSE		-	5,915,151
Total gain on disposal of assets		1,663,497	6,126,171
28 Other income			
Profit on bank deposits		1,253,015	342,349
Processing fee		1,362,418	1,433,416
Cheque return charges		7,106	53,620
Miscellaneous income		8,126,808	4,284,908
		10,749,347	6,114,293
29 Operating expenses			
Salaries, wages and other benefits	29.1	23,772,728	20,633,893
Depreciation on fixed assets - owned	5.2	779,051	343,266
Travelling and conveyance		297,044	189,695
Legal and professional		1,064,425	1,067,293
Printing and stationery		1,162,414	654,959
Insurance		490,832	776,371
Fee and subscription		1,453,750	1,087,961
Auditors' remuneration	29.2	580,000	562,470
Repair and maintenance		689,787	781,092
Vehicle running and maintenance		223,134	232,249
Power and utilities		941,470	54,626
Entertainment		480,394	387,109
Advertisement		73,399	15,400
Selling and marketing expenses		1,491,366	1,138,148
Telephone and postage		488,610	418,501
Corporate expenses		860,255	876,634
Rent, rates and taxes		115,639	75,000
Loss on disposal of owned assets		-	-
Miscellaneous		386,353	79,197
		35,350,651	29,373,862

29.1 Salaries and other benefits include Rs. 0.688 million (2017: Rs. 0.565 million) on account of provident fund contribution.

	2018 Rupees	2017 Rupees
29.2 Auditors' remuneration		
Audit fee	300,000	300,000
Half yearly review and others	175,000	175,000
Out of pocket expenses	105,000	87,470
	580,000	562,470
30 Finance cost		
Profit on musharikhah finances	67,869,537	63,032,277
Profit on redeemable capital	25,478,515	16,715,075
Bank and other charges	155,551	222,727
	93,503,603	79,970,079

31 Management fee

Management fee is payable to Punjab Modaraba Services (Private) Limited. This has been calculated at 10% of profit before tax (2017: 10%).

	2018 Rupees	2017 Rupees
32 Taxation		
Current		
- Current year	4,724,491	4,088,215
Deferred		
- Relating to origination and reversal of temporary differences	(5,765,404)	(7,924,761)
	(1,040,913)	(3,836,546)
33 Earning per certificate - basic and diluted		
	2018 Rupees	2017 Rupees

Profit for the year	Rupees	28,754,066	27,884,873
Weighted average number of ordinary certificates	Numbers	34,020,000	34,020,000
Earning per certificate	Rupees	0.85	0.82

34 Transactions with related parties

The related parties and associated undertakings comprise of The Bank of Punjab, Punjab Modaraba Services (Private) Limited and Punjab Capital Securities (Private) Limited. Transactions with related parties and associated undertakings other than remuneration and benefits to key management personnel under the term of employment are as follows:



	2018 Rupees	2017 Rupees
34.1 Balance outstanding at the end of period		
34.1.1 The Bank of Punjab (Holding company of the Modaraba's Management Company)		
Musharikah finances	1,193,495,035	1,101,205,546
Profit payable on musharikah finances	18,323,102	16,625,545
Net book value of the Ijarah assets	-	-
Ijarah security deposits	-	-
Redeemable capital	400,000,000	400,000,000
Profit payable on redeemable capital	3,215,070	2,956,416
34.1.2 Modaraba Management Company Management fee	3,079,239	2,672,036
34.2 Transactions during the year		
34.2.1 The Bank of Punjab (Holding company of Modaraba's Management Company)		
Profit charged on musharikah finances	67,869,537	63,032,277
Profit charged on redeemable capital	25,478,515	16,715,075
34.2.2 Punjab Modaraba Services (Private) Limited		
Management fee	3,079,239	2,672,036
34.2.3 Punjab Capital Securities (pvt) Ltd. (Wholly owned Subsidiary of Modaraba)		
Investment made	76,500,000	50,000,000
Sale of assets to subsidiary		
Trading Rights Entitlement Certificate and room at LSE	-	9,374,500
Shares of LSE Financial Services Ltd	-	14,891,894
Gain on sale of assets		
Trading Rights Entitlement Certificate and room at LSE	-	374,500
Shares of LSE Financial Services Ltd	-	5,540,651

35 Remuneration of officers and executives

	2018		
	Officers	Other employees	Total
	Rupees	Rupees	Rupees
Remuneration	12,888,063	393,498	13,281,561
House rent allowance	4,531,078	98,072	4,629,150
Utility allowance	1,132,759	24,520	1,157,279
Medical allowance	1,132,759	24,520	1,157,279
Provident fund contribution	688,821	-	688,821
Gratuity Fund	913,758	-	913,758
Expenses reimbursed	1,944,880	-	1,944,880
	23,232,118	540,610	23,772,728
Number of employees at the year end	27	4	31
Average no of employees	26	4	30

	2017		
	Officers	Other employees	Total
	-----Rupees-----		
Remuneration	12,200,934	344,972	12,545,906
House rent allowance	3,851,760	82,301	3,934,061
Medical allowance	969,399	14,129	983,528
Utility allowance	969,399	14,129	983,528
Provident fund contribution	550,885	14,327	565,212
Gratuity fund	-	-	-
Expenses reimbursed	1,621,658	-	1,621,658
	20,164,035	469,858	20,633,893
Number of employees at the year end	25	3	28
Average number of employees	26	4	30

36 Financial instruments

The Modaraba has exposure to the following risks from its use of financial instruments:

- Credit risk
- Liquidity risk
- Market risk

The Board of Directors of the management company has overall responsibility for the establishment and oversight of Modaraba's risk management framework.



36.1 Credit risk

Credit risk is the risk that the counterparty to a financial instrument will cause a financial loss for the Modaraba by failing to discharge an obligation. The risk is generally limited to the carrying to principal amounts and accrued profit thereon, if any. The Modaraba's policy is to enter into financial contracts in accordance with the internal risk management policies and the requirements of the Prudential Regulations. The carrying amount of the following financial assets represents the maximum credit exposure at the reporting date:

	2018	2017
	Rupees	Rupees
Bank balances	46,408,085	41,733,178
Musharika investment	905,484,057	897,783,755
Morabaha investment	22,394,350	276,995,811
Advances, deposits and other receivables	106,086,472	85,391,781
Long term deposits	692,900	692,900
	1,081,065,864	1,302,597,425

36.1.1 Bank balances

The Modaraba kept its circular funds with banks having good credit rating. Currently the circular funds are kept with banks having medium to long term rating from AAA to AA+ and short term rating from A1+ to A1.

36.1.2 Description of Collateral held

The Modaraba's Ijarah are secured against Ijarah assets and personal guarantees. In few Ijarah additional collateral is also obtained in the form of mortgaged property.

Morabaha investments are secured by way of personal guarantees of the Directors, pledge of stocks, mortgage of properties and charge on the assets varying from case to case.

Musharika investments are secured by way of personal guarantees and mortgage of properties.



36.1.3 Aging Analysis of Morabaha receivable

	2018		
	Carrying Amount	Amount on which no suspension recognized	Amount on which suspension recognized
	-----Rupees-----		
Past due			
0 days	-	-	-
1 day - 179 days	201,331	201,331	-
180 days - 364 days	-	-	-
1 year - less than 2 year	-	-	-
2 year - less than 3 year	-	-	-
3 year or more	-	-	26,134,597
Total	201,331	201,331	26,134,597

	2017		
	Carrying Amount	Amount on which no suspension recognized	Amount on which suspension recognized
	-----Rupees-----		
Past due			
0 days	-	-	-
1 day - 179 days	1,114,342	1,114,342	-
180 days - 364 days	-	-	-
1 year - less than 2 year	-	-	-
2 year - less than 3 year	-	-	-
3 year or more	112	-	26,134,597
Total	1,114,454	1,114,342	26,134,597

Suspension is recognized by the Modaraba on the basis of requirements given under the Prudential Regulations for Modarabas and subjective evaluation carried out on an ongoing basis.



	2018			
	Carrying Amount	Amount on which no provision recognized	Amount on which provision recognized	Provision recognized
	-----Rupees-----			
Past due				
0 days	33,663,185	33,663,185	-	-
1 day -179 days	8,500,000	8,500,000	-	-
180 days- 364 days	-	-	-	-
1 year - less than 2 year	-	-	-	-
2 year - less than 3 year	-	-	-	-
3 year and above	233,252,633	125,004,850	352,609,163	244,361,379
Total	275,415,818	167,168,034	352,609,163	244,361,379
	-----Rupees-----			
	2017			
	Carrying Amount	Amount on which no provision recognized	Amount on which provision recognized	Provision recognized
	-----Rupees-----			
Past due				
0 days	-	-	-	-
1 day -179 days	9,534,792	9,534,792	-	-
180 days- 364 days	13,363,013	13,363,013	-	-
1 year - less than 2 year	-	-	-	-
2 year - less than 3 year	-	-	-	-
3 year and above	234,265,634	160,109,163	318,517,850	244,361,379
Total	285,961,431	211,804,960	318,517,850	244,361,379

Provision is recognized by the Modaraba on the basis of provision requirements given under Prudential Regulations for Modarabas and subjective evaluation carried out on an ongoing basis.

36.1.5 Aging Analysis of Ijarah receivable

	2018			Suspension recognized
	Carrying Amount	Amount on which no suspension recognized	Amount on which suspension recognized	
	-----Rupees-----			
Past due				
0 days	-	-	-	-
1 day -179 days	11,524,560	11,524,560	-	-
180 days- 364 days	-	-	-	-
1 year - less than 2 year	28,533,518	28,533,518	-	-
2 year - less than 3 year	-	-	-	-
3 year and above	255,596,751	96,116,410	159,480,340	159,480,340
Total	295,654,829	136,174,488	159,480,340	159,480,340

	2017			Suspension recognized
	Carrying Amount	Amount on which no suspension recognized	Amount on which suspension recognized	
	-----Rupees-----			
Past due				
0 days	-	-	-	-
1 day -179 days	9,534,792	9,534,792	-	-
180 days- 364 days	1,403,314	1,403,314	-	-
1 year - less than 2 year	22,516,987	22,516,987	-	-
2 year - less than 3 year	-	-	-	-
3 year and above	255,337,329	67,298,853	188,038,475	188,038,475
Total	288,792,422	100,753,946	188,038,475	188,038,475

Suspension is recognized by Modaraba on the basis of requirements given under the Prudential Regulations for Modarabas and subjective evaluation carried out on an ongoing basis.



36.1.6 Aging Analysis of Ijarah receivable

	2018			Suspension recognized
	Carrying Amount	Amount on which no suspension recognized	Amount on which suspension recognized	
	-----Rupees-----			
Past due				
0 days	-	-	-	-
1 day -179 days	11,409,881	11,409,881	-	-
180 days- 364 days	3,090,166	3,090,166	-	-
1 year - less than 2 year	377,246	377,246	219,874	219,874
2 year - less than 3 year	(183,962)	-	4,152,508	4,336,470
3 year or more	15,195,786	-	7,623,372	7,120,917
Total	15,195,786	14,877,293	11,995,754	11,677,261

	2017			Suspension recognized
	Carrying Amount	Amount on which no suspension recognized	Amount on which suspension recognized	
	-----Rupees-----			
Past due				
0 days	-	-	-	-
1 day -179 days	16,029,142	16,029,142	-	-
180 days- 364 days	3,090,166	3,090,166	-	-
1 year - less than 2 year	-	-	-	-
2 year - less than 3 year	-	-	1,921,898	1,921,898
3 year or more	-	-	9,370,405	9,370,405
Total	16,029,142	16,029,142	11,292,303	11,292,303

Suspension is recognized by the Modaraba on the basis of requirements given under the Prudential Regulations for Modarabas and subjective evaluation carried out on an ongoing basis.

36.1.7 Aging Analysis of Musharikah investment

	2018		
	Carrying Amount	Amount on which no suspension recognized	Amount on which suspension recognized
			Suspension recognized
	-----Rupees-----		
Past due			
0 days	835,088,338	835,088,338	-
1 day - 179 days	8,583,486	8,583,486	-
180 days - 364 days	8,721,631	8,721,632	-
1 year - less than 2 year	511,218	511,218	-
2 year - less than 3 year	29,569,672	29,569,672	-
3 year or more	14,247,360	-	23,009,711
Total	896,721,705	882,474,346	23,009,711
			8,762,351

Provision is recognized by the Modaraba on the basis of provision requirements given under Prudential Regulations for Modarabas and subjective evaluation carried out on an ongoing basis.

	2017		
	Carrying Amount	Amount on which no provision recognized	Amount on which provision recognized
			Suspension recognized
	-----Rupees-----		
Past due			
0 days	-	-	-
1 day - 179 days	1,290,796	1,290,796	-
180 days - 364 days	12,041,103	12,041,103	-
1 year - less than 2 year	181,131,397	172,706,268	8,425,129
2 year - less than 3 year	509,309,444	495,009,255	19,500,000
3 year or more	185,301,489	185,301,489	3,509,713
Total	889,074,229	866,348,911	31,434,842
			8,709,526

Provision is recognized by the Modaraba on the basis of provision requirements given under Prudential Regulations for Modaraba and subjective evaluation carried out on an ongoing basis.

36.1.8

The Modaraba manages credit risk and its concentration through diversification of activities to avoid undue concentration of risks with individuals, groups or specific industry segments. For this purpose, the Modaraba has established exposure limits for individuals and industrial sectors.



	2018				
	Assets	Morabaha	Musharikah	Total	% age
	Leased out	investment	investment		
	Rupees	Rupees	Rupees	Rupees	
Bank and NBFIs	-	-	14,685,703	14,685,703	1.05%
Textile Spinning and Composite	25,603,521	83,902,612	-	109,506,133	7.83%
Sugar and Allied	-	18,559,437	18,841,875	37,401,312	2.68%
Electric Goods	4,170,329	65,708,000	-	69,878,329	5.00%
Chemical and Pharmaceuticals	-	3,504,850	41,599,383	45,104,233	3.23%
Paper and Board	100,000	-	-	100,000	0.01%
Food and Allied	922,850	-	-	922,850	0.07%
Individuals	150,348,391	51,393,419	287,159,750	488,901,560	34.97%
Jute	-	-	-	-	0.00%
Oil and Gas	100,000	-	39,587,133	39,687,133	2.84%
Miscellaneous	44,492,819	22,867,147	89,139,180	156,499,146	11.20%
Aviation and transport	-	-	379,547,628	379,547,628	27.15%
Engineering, Steel & Construction	-	29,480,353	26,161,055	55,641,408	3.98%
Cement	-	-	-	-	0.00%
	225,737,910	275,415,818	896,721,707	1,397,875,435	100%

	2017				
	Assets	Morabaha	Musharikah	Total	% age
	Leased out	investment	investment		
	Rupees	Rupees	Rupees	Rupees	
Bank and NBFIs	-	-	22,357,198	22,357,198	1.66%
Textile Spinning and Composite	28,866,090	80,932,185	-	109,798,275	8.16%
Sugar and Allied	6,469,702	18,559,437	26,303,907	51,333,046	3.82%
Electric Goods	16,606,684	66,066,674	-	82,673,358	6.15%
Chemical and Pharmaceuticals	-	32,808,832	47,193,849	80,002,681	5.95%
Paper and Board	200,000	-	-	200,000	0.01%
Food and Allied	1,688,741	-	14,820,562	16,509,303	1.23%
Individuals	76,358,039	44,000,080	251,255,670	371,613,789	27.63%
Jute	-	-	-	-	0.00%
Oil and Gas	3,467,994	-	52,785,367	56,253,361	4.18%
Miscellaneous	45,200,602	5,148,250	32,200,053	82,548,905	6.14%
Aviation and transport	-	29,480,353	440,989,621	470,469,974	34.98%
Engineering, Steel & Construction	-	-	1,168,000	1,168,000	0.09%
Cement	-	-	-	-	0.00%
	178,857,852	276,995,811	889,074,227	1,344,927,890	100%

36.2 Liquidity risk

liquidity risk is the risk that the Modaraba will encounter difficulty in meeting its financial obligations as they fall due. Liquidity risk arises because of the possibility that the Modaraba could be required to pay its liabilities earlier than expected or difficulty in raising funds to meet commitments associated with financial liabilities as they fall due. The Modaraba's approach to managing liquidity is to ensure, as far as possible, that it will always have sufficient liquidity to meet its liabilities when due, under both normal and stressed conditions, without incurring unacceptable losses or risking damage to the Modaraba's reputation. The following are the contractual maturities of financial liabilities, including profit payments:

	2018					
	Carrying Amount	Contractual cash flows	6 months or less	6 to 12 months	1 year to 2 years	2 years to 5 years
	Rupees					
Financial liabilities						
Redeemable capital	400,000,000	403,519,178	403,519,178	-	-	-
Security deposits against Ijarah	112,531,322	112,531,322	91,139,125	662,250	1,267,400	3,170,000
Musharikhah finance	1,193,495,035	1,297,427,199	39,107,399	38,469,778	77,577,177	1,142,272,844
Unclaimed profit	16,361,577	16,361,577	16,361,577	-	-	-
Trade and other payables	39,476,576	39,476,576	39,476,576	-	-	-
Profit payable	21,538,172	21,538,172	21,538,173	-	-	-
	1,783,402,682	1,890,854,024	611,142,028	39,132,028	78,844,577	1,145,442,844
	2017					
	Carrying Amount	Contractual cash flows	6 months or less	6 to 12 months	1 year to 2 years	2 years to 5 years
	Rupees					
Redeemable capital	400,000,000	403,287,671	403,287,671	-	-	-
Security deposits against Ijarah	119,108,872	119,108,872	112,168,522	463,700	1,412,750	5,063,900
Musharikhah finance	1,101,205,546	1,247,625,455	33,973,850	33,419,929	67,393,779	1,112,837,896
Unclaimed profit	15,253,486	15,253,486	15,253,486	-	-	-
Trade and other payables	24,152,979	24,152,979	24,152,979	-	-	-
Profit payable	19,581,961	19,581,961	19,581,961	-	-	-
	1,679,302,844	1,829,010,424	608,418,470	33,883,629	68,806,529	1,117,901,796



36.2.1 The contractual cash flows relating to the above financial liabilities have been determined on the basis of profit rates effective as at year end (and includes both principal and profit payable thereon). The rates of profit have been disclosed in notes 22 and 24 to these financial statements.

36.3 Market risk

Market risk is the risk that changes in market price, such as foreign exchange rates, profit rates and equity prices will affect the Modaraba's income or the value of its holdings of financial instruments. The Modaraba has adopted appropriate policies to minimize its exposure to this risk.

36.3.1 Profit rate risk

At the reporting date, the profit rate profile of Modaraba's significant profit bearing financial instruments and the periods in which they mature is as follows:

	2018	2017	2018	2017
	Effective interest rate		Carrying amount	
	(Percentage)		(Rupees)	
Financial assets				
Musharikah investments	8.55 - 18.27	8.55 - 18.27	896,721,707	889,074,229
Morabaha investment	8.5 - 23	15 - 25.87	22,394,350	276,995,811
Cash and bank balances	3.75 - 5.50	2.53 - 5.25	20,979,584	20,262,709
			940,095,641	1,186,332,749
Financial liabilities				
Redeemable Capital	6.50 - 7.00	6.5	400,000,000	400,000,000
Musharikah finance	6.14 - 6.50	6.5	1,193,495,035	1,101,205,546
			1,593,495,035	1,501,205,546

Cash flow sensitivity analysis for variable rate instruments

A change of 100 basis points in profit rates at the reporting date would have increased / (decreased) profit for the year by the amounts shown below. This analysis assumes that all other variables remain constant. The analysis is performed on the basis for 2018.

	Profit and loss 100 bps	
	Increase	Decrease
As at 30 June 2018		
Cash flow sensitivity-variable rate financial assets	9,400,956	(9,400,956)
Cash flow sensitivity-variable rate financial liabilities	(15,934,950)	15,934,950
Net effect	(6,533,994)	6,533,994
	Profit and loss 100 bps	
	Increase	Decrease
As at 30 June 2017		
Cash flow sensitivity-variable rate financial assets	1,208,865	(1,208,865)
Cash flow sensitivity-variable rate financial liabilities	(1,951,567)	1,951,567
Net effect	(742,702)	742,702

The sensitivity analysis prepared is not necessarily indicative of the effects on profit for the year and assets / liabilities of the Modaraba.

36.3.2 Currency risk

As at 30 June 2018, there is no foreign exchange exposure on Modaraba's balance sheet.

36.4 Operational risk

Operational risk is the risk of direct or indirect loss arising from a wide variety of causes associated with the processes, technology and infrastructure supporting the Modaraba's operations either internally within the Modaraba or externally at the Modaraba's service providers, and from external factors other than credit, market and liquidity risks such as those arising from legal and regulatory requirements and generally accepted standards of investment management behavior. Operational risks arise from all of the Modaraba's activities.

- The Modaraba's objective is to manage operational risk so as to balance limiting of financial losses and damage to its reputation with achieving its objective of generating returns for certificate holders.
- The primary responsibility for the development and implementation of controls over operational risk rests with the Board of Directors of the management Company. This responsibility encompasses the controls in the following areas:
 - requirements for appropriate segregation of duties between various functions, roles and responsibilities;
 - requirements for the reconciliation and monitoring of transactions;
 - compliance with regulatory and other legal requirements;
 - documentation of controls and procedures;
 - requirements for the periodic assessment of operational risks faced, and the adequacy of controls and procedures to address the risks identified;
 - ethical and business standards;
 - risk mitigation, including insurance where it is effective.



36.5 Fair value of financial instruments

All assets and liabilities for which fair value is measured or disclosed in the financial statements are categorised within the fair value hierarchy, described as follows, based on the lowest level input that is significant to the fair value measurement as a whole:

- Level 1: Quoted market price (unadjusted) in an active market for an identical instrument.
- Level 2: Valuation techniques based on observable inputs, either directly (i.e. as prices) or indirectly (i.e. derived from prices).
- Level 3: Valuation techniques using significant unobservable inputs.

	Fair value measurement using	
	2018	2017
	Rupees	Rupees
Available for sale investment	-	10,308,698

36.6 Capital risk management

The Board's policy is to maintain a strong capital base so as to maintain investors, creditors and market confidence and to sustain future development of the business. The Board of Directors monitors the return on capital, which the Modaraba defines as net operation income divided by total capital employed. The Board of Directors also monitors the level of dividend payouts to certificate holders.

36.7 Reconciliation of liabilities arising from financing activities

	Balance as on July 01, 2017	Availed / Announced	Repaid / Redeemed	Balance as at June 30, 2018
Long term musharika finance	1,101,205,546	879,623,304	(787,333,815)	1,193,495,035
Dividend Payable	15,253,486	17,010,000	(15,901,909)	16,361,577
Redeemable capital	400,000,000	400,000,000	(400,000,000)	400,000,000
	1,516,459,032	1,296,633,304	(1,203,235,724)	1,609,856,612

	2018 Rupees	2017 Rupees
37 Cash generated from operations		
Profit before taxation	21,501,559	12,940,799
Adjustment for non cash expenses and other items:		
Impairment of TREC	-	-
(Reversals) for morabaha investment	-	(1,633,352)
(Reversals) for musharikhah investment	52,825	(3,000,000)
(Reversals) impairment of Ijarah assets	(20,286,896)	(235,982)
Other provisions	-	-
Depreciation of ijarah assets	37,541,161	42,444,032
Depreciation on owned assets	779,051	343,266
Amortization on intangible assets	-	-
Profit on redeemable capital	25,634,066	16,937,802
Profit on musharikhah finances	67,869,537	63,032,277
Gain on sale of TREC, Room and shares	-	(5,915,151)
Gain on disposal of ijarah assets	(362,997)	(196,020)
Gain on disposal of owned assets	(1,150,500)	(15,000)
Gain on disposal of non-banking assets	(150,000)	-
Operating profit before working capital changes	137,639,399	135,810,197
Working capital changes		
Decrease / (Increase) in operating assets		
Morabaha arrangements	4,516,140	28,398,874
Purchase of assets under Ijarah arrangements	(110,917,791)	(38,951,387)
Property acquired through satisfaction of claim	-	-
Proceeds from disposal of assets under Ijarah arrangement	26,859,569	26,275,787
Lease rental receivables	13,398,878	9,104,883
Long term deposits	-	(189,456)
Advances, deposits, prepayments and other receivables	(20,544,691)	(34,873,647)
	(86,687,895)	(10,234,946)
Trade and other payables	15,323,597	11,614,313
Security deposit refunded against ijarah arrangements	(6,577,550)	(21,397,094)
	8,746,047	(9,782,781)
Net changes in operating assets and operating liabilities	(77,941,848)	(20,017,727)
Cash generated from operations	59,697,550	115,792,470



38 Accounting estimates and judgments

Investments out of provident fund have been made in accordance with the provisions of the section 227 of the Companies Ordinance, 1984 and the rules formulated for this purpose.

39 Subsequent Events

The Board at its meeting held on October 08, 2018 has approved cash dividend of Rs.0.50 per certificate for the year ended 30 June 2018, out of the profit earned during the year.

40 Date of authorization for issue

The consolidated financial statements of Modaraba were approved by the Directors of Modaraba Management Company and authorized for issue on October 08, 2018

41 General

Corresponding figures have been rearranged or reclassified where ever necessary for the purpose of comparison and better presentation.

Figures have been rounded off to the nearest rupees unless otherwise provided.

Chief Financial officer
Punjab Modaraba Services
(Private) Limited

Chief Executive
Punjab Modaraba Services
(Private) Limited

Director
Punjab Modaraba Services
(Private) Limited

Director
Punjab Modaraba Services
(Private) Limited







Consolidated Financial Statements

as at June 30, 2018





Independent Auditors' Report to the Certificate Holders

Opinion

We have audited the annexed consolidated financial statements of First Punjab Modaraba (the Modaraba) and its subsidiary company Punjab Capital Securities (Private) Limited (herein after referred to as /"the Group"), which comprise the consolidated statement of financial position as at June 30 2018, and the consolidated statement of profit or loss and consolidated statement of comprehensive income, the consolidated statement of changes in equity and the consolidated statement of cash flows for the year then ended, and notes to the consolidated financial statements, including a summary of significant accounting policies and other explanatory information.

In our opinion, consolidated financial statements give a true and fair view of the consolidated financial position of the Group as at June 30, 2018 and of its consolidated financial performance and its consolidated cash flows for the year then ended in accordance with the accounting and reporting standards as applicable in Pakistan.

Basis for Opinion

We conducted our audit in accordance with International Standards on Auditing (ISAs) as applicable in Pakistan. Our responsibilities under those standards are further described in the Auditor's Responsibilities for the Audit of the Consolidated Financial Statements section of our report. We are independent of the Group and the Management Company in accordance with the International Ethics Standards Board for Accountants' Code of Ethics for Professional Accountants as adopted by the Institute of the Chartered Accountants of Pakistan, and we have fulfilled our other ethical responsibilities in accordance with the Code. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Key Audit Matters

Key audit matters are those matters that, in our professional judgment, were of most significance in our audit of the consolidated financial statements of the current period. These matters were addressed in the context of our audit of the consolidated financial statements as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on these matters.

Following is the key matter:

S. No	Key audit matter	How the matter was addressed in our audit
1	Provisions against Non-Performing Facilities	<p data-bbox="842 499 1369 562">Our audit procedures to address the key audit matter included the following:</p> <ul data-bbox="842 594 1431 1392" style="list-style-type: none"> <li data-bbox="842 594 1431 825">• Obtaining an understanding of and assessing the design and implementation and operating effectiveness of controls around identification of non-performing facilities and recognition of provisions there against; <li data-bbox="842 846 1431 1045">• Performed review procedures on the portfolio facilities with the objective of identifying whether the time-based criteria has been applied in a timely manner, in accordance with the guidelines of the Prudential Regulations; <li data-bbox="842 1066 1431 1266">• Checked on sample basis whether benefit(s) of collateral / security have been appropriately availed as per guidelines of Prudential Regulations including consideration of valuer report(s) and legal counsel advise; and <li data-bbox="842 1287 1431 1392">• Recalculated the provisions across the portfolios based on Prudential Regulation criteria.

Modaraba has three portfolios, namely Ijarah, Morabaha and Musharika facilities. The determination of provisions against non-performing facilities, as described in notes 4.10 (Ijarah rentals and Musharika Investments) and 4.14 (Morabaha Investments) to the consolidated financial statements is inherently judgmental and may include subjective assumptions. The most significant areas in determining provisions against non-performing facilities include:

- Compliance with time-based provisioning requirements of guidelines included in Prudential Regulations for Modarabas issued by SECP (Prudential Regulations);
- Determining the available benefit(s) of collateral / security to the Modaraba as per the Prudential Regulations, including consideration of valuer report(s) and legal counsel advise; and

In view of the management judgement and estimation involved, we have identified provision for non-performing facilities as a key audit matter.

Information Other than the Financial Statements and Auditor's Report Thereon

The Management Company is responsible for the other information. The other information comprises the information included in the annual report, but does not include the financial statements and our auditor's report thereon.

Our opinion on the consolidated financial statements does not cover the other information and we do not express any form of assurance conclusion thereon.

In connection with our audit of the consolidated financial statements, our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the consolidated financial statements or our knowledge obtained in the audit or otherwise appears to be materially misstated. If, based on the work we have performed, we conclude that there is a material misstatement of this other information, we are required to report that fact. We have nothing to report in this regard.

Responsibilities of the Management Company and Board of Directors for the Consolidated Financial Statements

The Management Company is responsible for the preparation and fair presentation of the consolidated financial statements in accordance with accounting and reporting standards as applicable in Pakistan, and for such internal control as the Management Company determines is necessary to enable the preparation of consolidated financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the consolidated financial statements, the Management Company is responsible for assessing the Group's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless the Management Company either intends to liquidate the Fund or to cease operations, or has no realistic alternative but to do so.

The Board of Directors is responsible for overseeing the Group's financial reporting process.

Auditor's Responsibilities for the Audit of the Consolidated Financial Statements

Our objectives are to obtain reasonable assurance about whether the consolidated financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with ISAs as applicable in Pakistan will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these consolidated financial statements.

As part of an audit in accordance with ISAs as applicable in Pakistan, we exercise professional judgment and maintain professional skepticism throughout the audit. We also:

- Identify and assess the risks of material misstatement of the consolidated financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Group's internal control.
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by management.
- Conclude on the appropriateness of management's use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Group's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the consolidated financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit

evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Group to cease to continue as a going concern.

- Evaluate the overall presentation, structure and content of the consolidated financial statements, including the disclosures, and whether the consolidated financial statements represent the underlying transactions and events in a manner that achieves fair presentation.
- Obtain sufficient appropriate audit evidence regarding the financial information of the entities or business activities within the Group to express an opinion on the consolidated financial statements. We are responsible for the direction, supervision and performance of the group audit. We remain solely responsible for our audit opinion.

We communicate with the Board of Directors regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.

We also provide the Board of Directors with a statement that we have complied with relevant ethical requirements regarding independence, and to communicate with them all relationships and other matters that may reasonably be thought to bear on our independence, and where applicable, related safeguards.

From the matters communicated with the Board of Directors, we determine those matters that were of most significance in the audit of the consolidated financial statements of the current period and are therefore the key audit matters. We describe these matters in our auditor's report unless law or regulation precludes public disclosure about the matter or when, in extremely rare circumstances, we determine that a matter should not be communicated in our report because the adverse consequences of doing so would reasonably be expected to outweigh the public interest benefits of such communication.

The engagement partner on the audit resulting in this independent auditor's report is Rana M. Usman Khan.

Lahore:
October 08, 2018

Delloite Yousuf Adil
Chartered Accountants
Audit Engagement Partner
Rana M. Usman Khan



Consolidated Balance Sheet

As at 30 June 2018

	Note	2018 Rupees	2017 Rupees
ASSETS			
Non current assets			
Tangible fixed assets			
- Ijarah assets	5	225,737,909	178,857,852
- Assets in own use		4,287,718	4,474,964
Intangible assets	6	7,400,000	9,300,000
Shares available for sale	7	10,308,698	10,308,698
Long term musharikhah investment - secured	8	442,297,062	498,621,872
Long term morabaha investment - secured	9	17,509,825	5,564,055
Long term deposits	10	2,771,309	994,400
Deferred tax	11	61,834,231	56,068,827
		772,146,752	764,190,668
Current assets			
Short term morabaha investment - secured	12	253,021,468	248,704,746
Current maturity of long term investments	13	459,309,170	413,179,367
Advances, deposits, prepayments and other receivables	14	124,308,451	85,822,091
Ijarah rental receivable	15	295,654,829	288,766,811
Tax refundable		4,137,232	3,660,903
Cash and bank balances	16	78,128,117	59,707,426
		1,214,559,267	1,099,841,344
TOTAL ASSETS		1,986,706,019	1,864,032,012
EQUITY AND LIABILITIES			
CAuthorized certificate capital 50,000,000 modaraba certificates of Rs. 10 each		500,000,000	500,000,000
Issued, subscribed and paid-up certificate capital	17	340,200,000	340,200,000
Reserves	18	(153,284,005)	(158,700,182)
		186,915,995	181,499,818
Non current liabilities			
Security deposits	19	21,029,947	6,476,650
Long term musharikhah finance secured	20	1,193,495,035	1,101,205,546
		1,214,524,982	1,107,682,196
Current liabilities			
Current maturity of security deposits	21	91,501,375	112,632,222
Deferred morabaha income		5,118,043	2,181,896
Redeemable capital - participatory and unsecured	22	400,000,000	400,000,000
Profit payable	23	21,538,172	19,581,961
Trade and other payables	24	49,745,181	24,515,606
Unclaimed profit distribution		16,361,577	15,253,487
Provision for taxation		1,000,694	684,826
		585,265,042	574,849,998
Contingencies and commitments	25		
TOTAL EQUITY AND LIABILITIES		1,986,706,019	1,864,032,012

Chief Financial officer
Punjab Modaraba Services
(Private) LimitedChief Executive
Punjab Modaraba Services
(Private) LimitedDirector
Punjab Modaraba Services
(Private) LimitedDirector
Punjab Modaraba Services
(Private) Limited


Consolidated Profit and Loss Account


For the Year Ended 30 June 2018

	Note	2018 Rupees	2017 Rupees
Income			
Ijarah rentals	26.1	64,436,275	78,739,059
Profit on morabaha investment	26.2	4,799,112	7,561,338
Profit on musharikah investment	26.3	95,305,505	75,098,141
Gain on disposal of assets	26.4	1,663,497	211,020
Income from brokerage business		3,573,195	-
Other income	27	12,067,708	6,114,293
		181,845,292	167,723,851
Expenses			
Operating expenses	28	46,507,436	34,565,840
Depreciation on Ijarah assets	5.1	37,541,161	42,444,032
Finance cost	29	93,510,393	79,970,478
		177,558,990	156,980,350
		177,559,006	156,980,350
Operating profit before provision and impairment		4,286,302	10,743,501
(Reversal) of provision for morabaha investment	12.3	-	(1,633,352)
Impairment (reversal) on Ijarah assets	16.1	(20,286,896)	(235,982)
Impairment charged / (reversal) on musharikah investment	8.2	52,825	(3,000,000)
Other provisions	14.3.1	-	-
		(20,234,071)	(4,869,334)
Operating profit after provision and impairment		24,520,373	15,612,835
Modaraba Company's management fee	30	(3,079,239)	(2,672,036)
		21,441,134	12,940,799
Taxation	31	985,043	3,836,546
Profit for the year		22,426,177	16,777,345
Earnings per certificate - basic and diluted	32	0.66	0.49

The annexed notes from 1 to 41 form an integral part of these consolidated financial statements.


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(Private) Limited



Consolidated Statement of Comprehensive Income

For the Year Ended 30 June 2018

	<u>2018</u> <u>Rupees</u>	<u>2017</u> <u>Rupees</u>
Profit for the year	22,426,177	16,777,345
Items that may be reclassified to profit and loss		
Items that will not be reclassified subsequently to profit and loss	-	-
Total comprehensive income for the year	<u><u>22,426,177</u></u>	<u><u>16,777,345</u></u>

The annexed notes from 1 to 41 form an integral part of these financial statements.

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Consolidated Cash Flow Statement

For the Year Ended 30 June 2018

	Note	2018 Rupees	2017 Rupees
Cash flow from operating activities			
Cash generated from operations	36	46,756,104	110,550,436
Profit paid on redeemable capital		(25,219,861)	(14,131,506)
Profit paid on musharikhah finance		(66,334,321)	(59,808,319)
Income tax paid		(4,940,822)	(4,365,498)
Net cash (used in) / generated from operating activities		(49,738,900)	32,245,113
Cash flow from investing activities			
Fixed capital expenditure		(1,078,186)	(4,501,975)
Purchase of intangibles		(600,000)	-
Proceeds from fixed assets		1,150,500	-
Investment in musharikhah - net		(7,700,303)	(427,293,172)
Net cash used in investing activities		(8,227,989)	(431,795,147)
Cash flow from financing activities			
Finances under musharikhah arrangements - net		92,289,489	145,280,052
Redeemable capital		-	300,000,000
Profit distribution to certificate holders		(15,901,910)	(16,087,586)
Net cash generated from financing activities		76,387,579	429,192,466
Net increase in cash and cash equivalents		18,420,691	29,642,432
Cash and cash equivalents at the beginning of the year		59,707,426	30,064,994
Cash and cash equivalents at the end of the year	16	78,128,117	59,707,426

The annexed notes from 1 to 41 form an integral part of these financial statements.


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(Private) Limited



Consolidated Statement of Changes in Equity

For the Year Ended 30 June 2018

	Certificate Capital Rupees	Capital Reserves Rupees	Accumulated Loss Rupees	Total Rupees
Balance as at 1 July 2016	340,200,000	204,119,707	(362,587,234)	181,732,473
PrProfit for the year	-	-	16,777,345	16,777,345
Other comprehensive income for the year	-	-	-	-
Total comprehensive income for the year	-	-	16,777,345	16,777,345
Statutory reserve	-	33,55,469	(33,55,469)	-
Transaction with Certificate Holders of Modaraba				
Final dividend for the year ended 30 June 2016 @ Rs. 0.5 per certificate	-	-	(17,010,000)	(17,010,000)
Balance as at 30 June 2017	340,200,000	207,475,176	(366,175,358)	181,499,818
Profit for the year	-	-	22,486,602	22,486,602
Other comprehensive income for the year	-	-	-	-
Surplus on revaluation of intangible assets	-	-	-	-
Total comprehensive income for the year	-	-	22,486,602	22,486,602
Statutory reserve	-	4,485,235	(4,485,235)	-
Transaction with Certificate Holders of Modaraba				
Final dividend for the year ended 30 June 2017 @ Rs. 0.5 per certificate	-	-	(17,010,000)	(17,010,000)
Balance as at 30 June 2018	340,200,000	211,960,411	(365,244,416)	186,915,995

The annexed notes from 1 to 41 form an integral part of these financial statements.

Chief Financial officer
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(Private) Limited

Chief Executive
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Director
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(Private) Limited

Director
Punjab Modaraba Services
(Private) Limited



Consolidated Notes to the Financial Statements

For the year ended June 30, 2018

1. The Group and Its Operations

1.1 The "Group" Consists of:

First Punjab Modaraba

Subsidiary Company	Percentage of holding	
	2018	2017
Punjab Capital Securities (Private) Limited	100%	100%

First Punjab Modaraba (the Modaraba) was formed under the Modaraba Companies and Modaraba (Flotation and Control) Ordinance, 1980 and rules framed there under and is managed by Punjab Modaraba Services (Private) Limited (wholly owned subsidiary of The Bank of Punjab), a company incorporated in Pakistan. The registered office of the Modaraba is situated at Office No. 100, 4th floor, Mega Tower Main Boulevard Gulberg, Lahore. The Modaraba commenced its operations on 23 December 1992. The Modaraba is listed on Pakistan Stock Exchange.

The Modaraba is a perpetual and multi-dimensional Modaraba and is primarily engaged in the business of Ijarah, Musharikah and Morabaha financing, equity investment and other related businesses in accordance with the injunctions of Islam.

2. Basis of preparations

2.1 Statement of compliance

These consolidated financial statements have been prepared in accordance with approved accounting standards as applicable in Pakistan. Approved accounting standards comprise of such International Financial Reporting Standards (IFRS) issued by the International Accounting Standards Board (IASB) and Islamic Financial Accounting Standards (IFAS) issued by the Institute of Chartered Accountants of Pakistan (ICAP) as notified under the Companies Ordinance, 1984, provisions of and directives issued under the Modaraba Companies and Modaraba (Flotation and Control) Ordinance, 1980 and Modaraba Companies and Modaraba Rules, 1981 and Companies Act, 2017. In case requirements differ, the provisions of or directives issued under the Modaraba Companies and Modaraba (Flotation and Control) Ordinance, 1980, Modaraba Companies and Modaraba Rules, 1981 and Companies Act, 2017 shall prevail.

The SECP, Special compliance Division, vide circular no. 10 of 2004 dated February 13, 2004 deferred the application of IAS 17 'Leases' to Modarabas till further orders.

2.2 Basis of measurement

These consolidated consolidated financial statements have been prepared under the historical cost convention except for the office premises which have been carried at fair value.

2.3 Functional and presentation currency

These consolidated consolidated financial statements are presented in Pakistan Rupees which is also the Modaraba's functional currency. All financial information presented in Pakistan Rupees has been rounded to the nearest rupee.



3 New accounting standards / amendments and IFRS interpretations that are effective for the year ended June 30, 2018.

The following standards, amendments and interpretations are effective for the year ended June 30, 2018. These standards, interpretations and the amendments are either not relevant to the Modaraba's operations or are not expected to have significant impact on the Modaraba's consolidated financial statements other than certain additional disclosures.

The Companies Act, 2017 (the Act) has also brought certain changes with regard to preparation and presentation of annual and interim consolidated financial statements of the Company. These changes also include change in respect of recognition criteria of surplus on revaluation of fixed assets, change in nomenclature of primary statements, etc.

Further, the disclosure requirements contained in the fifth schedule to the Act have been revised, resulting in the:

- elimination of duplicative disclosures with the IFRS disclosure requirements; and
- incorporation of significant additional disclosures.

Certain annual improvements have also been made to a number of IFRSs.

3.1 New accounting standards / amendments and IFRS interpretations that are not yet effective

The following standards, amendments and interpretations are only effective for accounting periods, beginning on or after the date mentioned against each of them. These standards, interpretations and the amendments are either not relevant to the Modaraba's operations or are not expected to have significant impact on the Modaraba's consolidated financial statements other than certain additional disclosures.

Effective from accounting period beginning on or after:

Amendments to IFRS 2 'Share-based Payment' - Clarification on the classification and measurement of share-based payment transactions

July 01, 2018

IFRS 4 'Insurance Contracts': Amendments regarding the interaction of IFRS 4 and IFRS 9.

'An entity choosing to apply the overlay approach retrospectively to qualifying financial assets does so when it first applies IFRS 9. An entity choosing to apply the deferral approach does so for annual periods beginning on or after 1 January 2018.

IFRS 9 'Financial Instruments' - This standard will supersede IAS 39 Financial Instruments: Recognition and Measurement upon its effective date.

January 01, 2018

Amendments to IFRS 9 'Financial Instruments' - Amendments regarding prepayment features with negative compensation and modifications of financial liabilities

January 01, 2019

IFRS 15 'Revenue' - This standard will supersede IAS 18, IAS 11, IFRIC 13, 15 and 18 and SIC 31 upon its effective date.

July 01, 2018

IFRS 16 'Leases': This standard will supersede IAS 17 'Leases' upon its effective date.

January 01, 2019

Amendments to IAS 19 'Employee Benefits' - Amendments regarding plan amendments, curtailments or settlements.

January 01, 2019

Amendments to IAS 28 'Investments in Associates and Joint Ventures' - Amendments regarding long-term interests in an associate or joint venture that form part of the net investment in the associate or joint venture but to which the equity method is not applied.

January 01, 2019

Amendments to IAS 40 'Investment Property': Clarification on transfers of property to or from investment property

January 01, 2018. Earlier application is permitted.

IFRIC 22 'Foreign Currency Transactions and Advance Consideration': Provides guidance on transactions where consideration against non-monetary prepaid asset / deferred income is denominated in foreign currency.

January 01, 2018. Earlier application is permitted.

IFRIC 23 'Uncertainty over Income Tax Treatments': Clarifies the accounting treatment in relation to determination of taxable profit (tax loss), tax bases, unused tax losses, unused tax credits and tax rates, when there is uncertainty over income tax treatments under IAS 12 'Income Taxes'.

January 01, 2019

Certain annual improvements have also been made to a number of IFRSs.

Other than the aforesaid standards, interpretations and amendments, the International Accounting Standards Board (IASB) has also issued the following standards which have not been adopted locally by the Securities and Exchange Commission of Pakistan:

- IFRS 1 – First Time Adoption of International Financial Reporting Standards
- IFRS 14 – Regulatory Deferral Accounts
- IFRS 17 – Insurance Contracts

Certain annual improvements have also been made to a number of IFRSs.

Accounting Standard (IFAS 2)

SECP vide its circular no. 10 of 2004 dated 13 February 2004 had deferred, till further orders, the applicability of International Accounting Standard (IAS) 17 "Leases" on Modarabas with effect from 1 July 2003 and advised the management companies of Modarabas that they may continue to prepare the financial statements of the Modarabas without applying the requirements of IAS 17 to the Modarabas. However, the requirements of IAS 17 were considered for the purpose of leasing transactions (net investment in finance lease, assets given on finance lease, liabilities against assets subject to finance lease, and assets obtained on finance lease) entered into by the Modaraba upto 30 June 2008. From 1 July 2008, all new lease transactions (both for assets given and assets obtained) are being accounted for in accordance with the requirements of IFAS 2 as explained hereunder. Islamic Financial Accounting Standard 2 'Ijarah' issued by the Institute of Chartered Accountants of Pakistan was adopted by the Securities and Exchange Commission of Pakistan (SECP) vide SRO 431(1)/2007 dated 22 May 2007. During the year ended 30 June 2009, SECP vide its letter no. SC/M/RW/SC/2009 dated 9 March 2009, directed that the Modaraba Management Companies may apply the accounting treatment of IFAS 2, only to the leasing (Ijarah) transactions entered on or after 1 July 2008. Under the above IFAS 2, the 'Ijarah' transactions are accounted for in the following manner:

- 1- Mustajir (lessors) presents the assets subject to Ijarah in their statement of financial position according to the nature of the asset, distinguished from the assets in own use.
- 2- Costs, including depreciation on the assets given on Ijarah, incurred in earning the Ijarah income are recognised as expenses.
- 3- Ijarah income is recognised in income on an accrual basis as and when the rental becomes due, unless another systematic basis is more representative of the time pattern in which the benefit of the use derived from the leased asset is diminished.

3.2 Significant accounting estimates and judgments

The preparation of consolidated financial statements in conformity with the approved accounting standards requires the management to make estimates, judgments and assumptions that affect the reported amounts of assets and liabilities, income and expenses. It also requires the management to exercise judgment in application of the Modaraba's accounting policies. The estimates, judgment and associated assumptions are based on the management's experience and various other factors that are believed to be reasonable under the circumstances. These estimates and assumptions are reviewed on an on-going basis. Revisions to accounting estimates are recognized in the period in which the estimate is revised if the revision affects only that period, or in the period of revision and future periods if the revision affects both the current and future periods. The areas where various assumptions and estimates are significant to the Modaraba's financial statement or

where judgment was exercised in the application of accounting policies are as follows:

3.2.1 Depreciation/Amortization

Estimates of residual values, useful lives and depreciation methods of fixed assets in own use and Ijarah assets (note 5)

3.2.2 Provision against non-performing loans and advances

The Modaraba reviews its portfolio to assess amount of non-performing contracts and provision required there against on a quarterly basis. The provision is made in accordance with the prudential regulations issued by Securities and Exchange Commission of Pakistan.

3.2.3 Income taxes

The Modaraba takes into account relevant provisions of current income tax laws while providing for current and deferred tax

4 Significant accounting policies

4.1 Tangible fixed assets

Assets in own use

These are stated at cost less accumulated depreciation and accumulated impairment losses, if any. Cost includes expenditure that is directly attributable to the acquisition of the items. Subsequent costs are included in the assets' carrying amounts or recognised as separate assets, as appropriate, only when it is probable that future economic benefits associated with the items will flow to the Modaraba and the cost of the items can be measured reliably. All other repairs and maintenance expenses are charged to the profit and loss account as and when incurred.

Depreciation on all fixed assets is charged to profit and loss on straight line basis, so as to write off the historical cost of an asset over its estimated useful life at annual rates mentioned in note 5 and 5.2.

Residual values and the useful lives of the assets are reviewed at least at each financial year end and adjusted if impact on depreciation is significant.

The Modaraba assesses at each balance sheet date whether there is any indication that fixed asset 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 amount. Where carrying values exceed the respective recoverable amount, assets are written down to their recoverable amounts and the resulting impairment loss is recognized in income currently. The recoverable amount is the higher of an asset's fair value less costs to sell and value in use. Where an impairment loss is recognized, the depreciation charge is adjusted in the future periods to allocate the asset's revised carrying amount over its estimated useful life.

Subsequent costs are included in the asset's carrying amount or recognized as a separate asset, as appropriate, only when it is probable that future economic benefits associated

with the item will flow to the Modaraba and the cost of the item can be measured reliably. All other repair and maintenance costs are charged to income during the period in which they are incurred. Subsequent costs are included in the asset's carrying amount or recognized as a separate asset.

Ijarah Assets

Ijarah assets are stated at cost less accumulated depreciation and accumulated impairment losses, if any. Assets under Ijarah are depreciated over the period of facility. However, in the event the asset is expected to be available for re-ijarah, depreciation is charged over the economic life of asset using straight line basis.

Ijarah income is recognized on an accrual basis as and when the rental becomes due.

4.2 Impairment (Including provision for potential ijarah losses and write offs)

The carrying amount of the Modaraba's assets are reviewed at each reporting date to determine whether there is any indication of impairment in any asset or group of assets. If such an indication exists, the recoverable amount of the assets is estimated and impairment losses are recognised immediately as an expense in the profit and loss account. For loans and receivables, a provision for impairment is established when there is objective evidence that the Modaraba will not be able to collect all amounts due according to the original terms. The amount of the provision is the difference between the asset's carrying amount and the present value of estimated future cash flows, discounted at the original effective profit rate.

Provision for non-performing leases, if any, is made in accordance with the requirements of the Prudential Regulations for Modarabas issued by the Securities and Exchange Commission of Pakistan (SECP) and is charged to the profit and loss account in the current period. Outstanding balances in net investment in Ijarah finance are written off when there is no realistic prospect of recovery.

4.3 Intangible Assets

Intangible assets having a finite useful life are stated at cost less accumulated amortisation and accumulated impairment losses, if any. Subsequent costs are included in the assets' carrying amounts or recognised as separate assets, as appropriate, only where it is probable that the future economic benefits associated with the assets will flow to the Modaraba and the cost of the items can be measured reliably. The useful lives and amortisation method are reviewed and adjusted, as appropriate, at each reporting date. Amortisation is charged from the month the asset is available for use while in the case of assets disposed of, it is charged till the month preceding the month of disposal.

Intangible assets having an indefinite useful life are stated at cost less accumulated impairment losses, if any. Gain or loss on disposal of intangible assets, if any. Is taken to the profit and loss account in the period in which these arise.

4.4 Cash and cash equivalents

Cash and cash equivalents are carried in the balance sheet at cost. For the purpose of cash

flow statement, cash and cash equivalents comprise cash in hand and cash with banks in current, savings and deposit accounts.

4.5 Financial instruments

Financial assets

Significant financial assets include short and long term investments, long term deposits, advances and receivables and cash and bank balances. Finances and receivables from clients are stated at their nominal value as reduced by provision for doubtful finances and receivables, while other financial assets are stated at cost except for investments, which have been revalued as per accounting policies.

Classification

The management determines the appropriate classification of the financial assets of the Modaraba in accordance with the requirements of International Accounting Standard (IAS) 39: 'Financial Instruments: Recognition and Measurement', at the time of purchase of financial assets and reevaluates this classification on a regular basis. The classification depends upon the purpose for which the financial assets are acquired. The financial assets of the Modaraba have been classified in the following categories:

- a) Loans and receivables These are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market.

Financial liabilities

Financial liabilities are classified according to the substance of the contractual arrangements entered into. Significant financial liabilities include short term borrowings, certificates of musharikhah, deposits against ijarah arrangements, trade and other payables and dividends payable. Markup based financial liabilities are recorded at gross proceeds received. Other liabilities are stated at their nominal value.

Recognition and derecognition

All the financial assets and financial liabilities are recognized at the time when the Modaraba becomes party to the contractual provisions of the instrument. Financial assets are derecognized when the Modaraba loses control of the contractual rights that comprise the financial assets. Financial liabilities are derecognized when they are extinguished i.e. when the obligation specified in the contract is discharged, cancelled or expires. Any gain or loss on derecognition of the financial assets and financial liabilities is taken to income currently.

Offsetting of financial assets and financial liabilities

Financial assets and liabilities are offset and the net amount reported in the consolidated financial statements when there is a legally enforceable right to set off the recognized amounts and there is an intention to settle on net basis, or realize the asset and settle the liabilities simultaneously.

4.6 Provisions

Provisions are recognized when the Modaraba has a 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 amount can



be made. Provisions are reviewed at each balance sheet date and are adjusted to reflect the current best estimate.

4.7 Staff retirement benefit

Defined contribution plan

The Modaraba operates a recognized provident fund for all eligible employees. Equal monthly contributions @ 8.33% of the basic salary are made to the fund both by the Modaraba and employees.

4.8 Provision against non performing financing (Suspense income)

The Modaraba reviews its overdue Ijarah rentals at each reporting date to assess whether provision should be recorded in 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 the timing of future cash flows when determining the level of provision required. Such estimates are based on assumptions about a number of factors and actual results may differ, resulting in future changes to the provisions.

4.9 Revenue recognition

Ijarah

Ijarah rentals are recognized as income on accrual basis, as and when rentals become due.

Documentation charges, front-end fee and other Ijarah income are recognized as income on receipt basis. Unrealized Ijarah income pertaining to non-performing Ijarah is held in suspense account, where necessary, in accordance with the requirements of the Prudential Regulations (PR).

Morabaha transaction

Profit on morabaha transaction is recognized over the period the payment becomes due. The unearned portion is reflected as deferred morabaha income.

Profit on musharika arrangement is recognized under the effective profit rate based on the amount outstanding.

Return on bank deposits are recognized on accrual basis, using the effective profit rate method.

Capital gain or losses on sale of investment

Capital gain / loss on investment is recognized on sale of the respective investments.

Dividend income

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

Commission income

Commission income is recognized on accrual basis.

Revenue

Brokrage income is recognized on trade date basis and other income are accrued as and when due.

Unrealized capital gain / loss arising from making to market of investments classified as ' financial assets at fair value through profit and loss - held for trading are included in profit and loss account in period in which they arise.

Income from non-compliant shariah is not recognized in profit and loss account and is classified as charity payable.

All 'regular way' purchases and sales of quoted equity securities are recognized on the trade date i.e. the date that the Modaraba commits to purchase/sell the asset. 'Regular way' purchases or sales of quoted investments require delivery within three working days after the transaction date as per stock exchange regulations.

4.10 Ijarah rentals and Musharikah investments

Ijarah rentals and Musharikah investments are stated net of provision and suspense income. Provision is recognized for Ijarah rentals receivable and musharikah investment, in accordance with the Prudential Regulations for Modarabas issued by Securities and Exchange Commission of Pakistan (SECP). Bad debts are written-off when identified.

4.11 Finance arrangements including Certificates of Musharikah

These are carried on the balance sheet at principal amount.

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

Profit on Musharikah 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 Profit distribution and appropriations

Profit distribution and appropriation to reserves are recognized as liability in the consolidated financial statements in the period 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.

4.13 Taxation

Current

Provision for current taxation is made on taxable income at the prevailing rates of tax after taking into account tax credits available, if any. The income of non-trading modarabas is exempt from tax provided that not less than 90% of their profits are distributed to the certificate-holders. as reduced by amount transferred to a mandatory reserve as required under the provisions of the Modaraba Companies and Modaraba (Floatation and Control) Ordinance, 1980 (XXXI of 1980) are distributed to the certificate holders.



Deferred

The Modaraba accounts for deferred taxation using the balance sheet liability method, on all temporary differences arising between the tax bases of assets and liabilities and their carrying amounts in the consolidated financial statements. Deferred tax liabilities are generally recognized for all taxable temporary differences and deferred tax assets are recognized to the extent that it is probable that taxable profits will be available against which the deductible temporary differences, unused tax losses and tax credits can be utilized. The carrying amount of all deferred tax assets is reviewed at each balance sheet date and reduced to the extent, if it is no longer probable that sufficient taxable profit will be available to allow all or part of the deferred tax assets to be utilized.

Deferred tax is calculated at the rates that are expected to apply to the period when the differences reverse, based on tax rates that have been enacted or substantively enacted by the balance sheet date. Deferred tax is charged or credited in the profit and loss account.

4.14 Morabaha Investments

Morabaha investments are stated net of provision. Provision is recognized for Morabaha Investments in accordance with the Prudential Regulations for Modaraba's issued by the Securities and Exchange Commission of Pakistan. Bad debts are written off when identified.

Morabaha receivable are recorded by the Modaraba at the invoiced amount and disclosed as such in the balance sheet.

Purchase and sales under Morabaha and the resultant profit are accounted for on the culmination of Morabaha transaction.

The profit on that portion of sales revenue not due for payment are deferred by accounting for a debit to "Unearned Morabaha Income" account with the corresponding credit to "Deferred Morabaha Income" account and shown in the balance sheet as a liability.

4.15 Investment in Subsidiary

Investment in subsidiary is initially recognized at cost. At subsequent reporting dates, the recoverable amounts are estimated to determine the extent of impairment losses, if any, and carrying amounts of investments are adjusted accordingly. Impairment losses are recognized as expense. Where impairment losses subsequently reverse, the carrying amounts of the investments are increased to the revised recoverable amounts but limited to the extent of initial cost of investments. A reversal of impairment loss is recognized in the profit and loss account.

	Note	2018 Rupees	2017 Rupees
5 Tangible fixed assets			
Ijarah assets	5.1	225,737,910	178,857,852
Assets in own use		4,287,701	4,474,964
		230,025,611	183,332,816

5.1 Ijarah assets

2018

Description	COST				DEPRECIATION			IMPAIRMENT			NET BOOK VALUE			Depreciation Rate
	As at 1 July 2016	Additions	Transfer	As at 30 June 2017	As at 1 July 2016	Charge for the year	Transfer	As at 30 June 2017	As at 1 July 2016	Reversal for the year	Transfer 16.3.1	As at 30 June 2017	As at 30 June 2017	
	Rupees-----													%
Plant and machinery	748,140,470	52,835,000	(159,060,000)	641,915,470	643,006,041	1,760,789	(139,235,718)	505,531,112	30,604,048	(622,006)	(388,940)	29,593,102	106,791,256	As per term
Vehicle	204,006,260	47,787,791	(31,008,000)	220,786,051	109,236,485	25,741,253	(24,458,809)	110,518,929	1,104,397	-	-	1,104,397	109,162,725	As per term
Cessna aircraft	13,552,604	-	-	13,552,604	13,552,604	-	-	13,552,604	-	-	-	-	-	As per term
Consumer products	16,687,789	10,295,000	(6,374,563)	20,608,226	6,025,696	10,039,119	(5,240,518)	10,824,297	-	-	-	-	9,783,929	As per term
	982,387,123	110,917,791	(196,442,563)	896,862,351	771,820,826	37,541,161	(168,935,045)	640,426,942	31,708,445	(622,006)	(388,940)	(30,697,499)	225,737,910	

2017

Description	COST				DEPRECIATION			IMPAIRMENT			NET BOOK VALUE			Depreciation Rate
	As at 1 July 2016	Additions	Transfer	As at 30 June 2017	As at 1 July 2016	Charge for the year	Transfer	As at 30 June 2017	As at 1 July 2016	Reversal for the year	Transfer 16.3.1	As at 30 June 2017	As at 30 June 2017	
	Rupees-----													%
Plant and machinery	1,023,734,417	744,270	(276,338,217)	748,140,470	892,839,379	7,283,448	(257,116,786)	643,006,041	31,122,606	(235,982)	(282,576)	30,604,048	74,530,381	As per term
Vehicle	216,298,087	21,852,319	(34,144,146)	204,006,260	109,397,966	28,431,577	(28,593,057)	109,236,485	1,104,397	-	-	1,104,397	93,665,378	As per term
Cessna aircraft	13,552,604	-	-	13,552,604	13,552,604	-	-	13,552,604	-	-	-	-	-	As per term
Consumer products	2,900,623	15,836,239	(2,049,073)	16,687,789	38,515	6,729,007	(741,826)	6,025,696	-	-	-	-	10,662,093	As per term
	1,256,485,731	38,432,828	(312,531,436)	982,387,123	1,015,828,464	42,444,032	(286,451,669)	771,820,826	32,227,003	(235,982)	(282,576)	31,708,445	178,857,852	

5.1.1 Transfers represent the assets disposed through negotiation after expiry / termination of Ijarah. However, in view of large number of disposals, detail of each disposal has not been given.

5.2 Assets in own use

Description	2018									
	COST					DEPRECIATION				
	As at 1 July 2016	Addition	Disposal Adjustment	As at 30 June 2017	As at 1 July 2016	Charge for the year	Disposal / Adjustment	As at 30 June 2017	As at 30 June 2017	Depreciation Rate
Office equipment	4,214,409	92,970	(1,150,575)	3,156,804	2,439,012	535,521	(1,150,575)	1,823,958	1,332,846	15% & 30%
Furniture and fixtures	2,450,225	248,216	-	2,698,441	751,374	309,885	-	1,061,259	1,637,182	15%
Vehicles	1,624,088	732,000	(1,554,188)	801,900	1,588,770	129,162	(1,554,188)	163,744	638,156	20%
Computers	1,170,180	5,000	-	1,175,180	204,782	290,881	-	495,663	679,517	30%
	9,458,902	1,078,186	(2,704,763)	7,832,325	4,983,938	1,265,449	(2,704,763)	3,544,624	4,287,701	

Description	2017									
	COST					DEPRECIATION				
	As at 1 July 2015	Addition	Disposal Adjustment	As at 30 June 2016	As at 1 July 2015	Charge for the year	Disposal / Adjustment	As at 30 June 2016	As at 30 June 2016	Depreciation Rate
Office equipment	2,726,499	1,707,410	(219,500)	4,214,409	2,350,288	308,224	(219,500)	2,439,012	1,775,397	15% & 30%
Furniture and fixtures	810,840	1,639,385	-	2,450,225	621,491	129,883	-	751,374	1,698,851	15%
Vehicles	1,624,088	-	-	1,624,088	1,569,267	19,503	-	1,588,770	35,318	20%
Computers		1,170,180		1,170,180		204,782		204,782	965,398	30%
	5,161,427	4,516,975	(219,500)	9,458,902	4,541,046	662,392	(219,500)	4,983,938	4,474,964	

	Note	2018 Rupees	2017 Rupees
6 Intangible assets			
LSE Room		4,000,000	4,000,000
Trading rights entitlement certificate (TREC)		5,000,000	5,000,000
Less: Impairment	6.1	(2,500,000)	-
		<u>2,500,000</u>	<u>5,000,000</u>
		6,500,000	9,000,000
Computer software	6.2	-	-
Work in progress	6.3	900,000	300,000
		<u>7,400,000</u>	<u>9,300,000</u>
6.1 Impairment			
Opening Balance		-	-
Add: Charge for the year		2,500,000	-
Closing		<u>2,500,000</u>	<u>-</u>
6.2 Computer software			
Cost			
Balance as at 1 July		1,295,000	1,295,000
Additions		-	-
Balance as at 30 June		<u>1,295,000</u>	<u>1,295,000</u>
Amortization			
Balance as at 1 July		(1,295,000)	(1,295,000)
Amortization for the year	28	-	-
Balance as at 30 June		<u>(1,295,000)</u>	<u>(1,295,000)</u>
Carrying Amount		<u>-</u>	<u>-</u>
Rate of amortization		20%	20%
6.3 Work in progress			
Balance as at 1 July		300,000	300,000
Additions	6.3.1	600,000	-
Balance as at 30 June		<u>900,000</u>	<u>300,000</u>

6.3.1 This includes advance paid by Modaraba against purchase of software.

7 Shares available for sale

Unquoted

843,975 (June-2017: Nil) shares of

LSE Financial Services Limited

7.1	<u>10,308,698</u>	<u>10,308,698</u>
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7.1 Short term investment is measured at cost instead of fair value as there is no trading market to trade shares of LSE Financial Services Ltd. Further, at the date of authorization for issue of these financials, Net Asset value per share (NAV) can not be disclosed due to non availability of audited and unaudited financial statements of LSE Financial Services Ltd. However, NAV for the Half-yearly reviewed accounts for the period ended December 31, 2017 is Rs.18.08/-.



	Note	2018 Rupees	2017 Rupees
8 Long term musharikah investment - secured			
Musharikah investment	8.1	905,214,926	897,783,755
Less:			
Current portion of long term musharikah investment 13		(462,917,864)	(399,161,883)
		442,297,062	498,621,872

8.1 The profit charged on these facilities ranged from 8.55% to 18.27% per annum (2017: 9% to 20% per annum). These facilities are secured by way of personal guarantees and mortgage of properties.

	Note	2018 Rupees	2017 Rupees
8.2 Impairment loss on musharikah investment			
Opening balance		8,709,526	11,709,526
Additions during the year			
Specific provision		52,825	-
General provision		-	-
		52,825	
Reversed during the year		-	(3,000,000)
Closing balance		8,762,351	8,709,526

9 Long term morabaha investment - secured

Long term morabaha investment	9.1	26,545,141	35,940,617
Add: Unearned morabaha income	9.2	4,649,209	1,150,448
		31,194,350	37,091,065
Less: Current maturity	13	(4,884,525)	(22,727,010)
		26,309,825	14,364,055
Less: Provision for doubtful morabaha investment	9.3	(8,800,000)	(8,800,000)
Total long term morabaha investment net		17,509,825	5,564,055

9.1 These are secured against mortgage of properties, hypothecation and pledge of stocks, personal guarantees and demand promissory notes. The rate of profit on morabaha finances ranges from 8% to 15% per annum (2017: 13.64% to 15%).

9.2 These represent receivables against morabaha transactions on deferred payment basis at a specified profit margin.

	Note	2018 Rupees	2017 Rupees
9.3 Provision for doubtful morabaha investment			
Opening balance		8,800,000	8,800,000
Charge during the year		-	-
Closing balance		8,800,000	8,800,000
10 Long term deposits			
Long term deposits		692,900	692,900
National Clearing Company of Pakistan Limited (NCCPL)		1,400,000	200,000
Central Depository Company (CDC)		100,000	100,000
Pakistan Stock Exchange (PSX)		576,909	-
Others		1,500	1,500
		2,771,309	994,400
11 Deferred tax			

This represents deferred tax asset created against brought forward losses and Alternate Corporate Tax (ACT) available for use in future. The management is confident that sufficient taxable profits will be available to set off these losses. Further, the management does not intend to avail exemption under clause 100 of Part 1 of Second Schedule to the Income Tax Ordinance 2001. The recognition of deferred tax asset is based upon whether it is more likely than not that sufficient taxable profits will be available against which the unutilized losses and tax credits carried forward can be adjusted.

	Note	2018 Rupees	2017 Rupees
12 Short term morabaha investment - secured			
Short term morabaha investment	12.1	488,114,013	483,234,677
Add: Unearned morabaha income	12.2	468,834	1,031,448
		488,582,847	484,266,125
Less: Provision for doubtful morabaha investment	12.3	(235,561,379)	(235,561,379)
Total short term morabaha investment - net		253,021,468	248,704,746

12.1 These are secured against mortgage of properties, hypothecation and pledge of stocks, personal guarantees and demand promissory notes. The rate of profit on morabaha finances ranges from 9.50% to 22.99% per annum (2017:10.75% to 22.99% per annum).

12.2 These represent receivables against morabaha transactions on deferred payment basis at a specified profit margin.



	Note	2018 Rupees	2017 Rupees
12.3 Provision for doubtful morabaha investment			
Opening balance		235,561,379	237,194,731
Additions during the year		-	-
Reversals during the year		-	(1,633,352)
		-	(1,633,352)
Closing balance		235,561,379	235,561,379
13 Current maturity of long term investments			
Musharikhah investment	8	463,186,995	399,161,883
Less: Provision against musharika investment		(8,762,350)	(8,709,526)
		454,424,645	390,452,357
Morabaha investment	9	4,884,525	22,727,010
Less: Provision against current		-	-
Maturity of long term investment		-	-
		4,884,525	22,727,010
		459,309,170	413,179,367
14 Advances, deposits, prepayments and other receivables			
Profit receivable			
- Morabaha investment	14.1	201,331	1,114,454
- Musharikhah investment	14.2	23,347,430	16,029,142
		23,548,760	17,143,596
Prepayments		5,424,992	4,887,640
Trade debts - Considered good		240,798	-
Receivable from NCCPL		3,128,974	-
Receivable against margin financing		6,161,402	-
Advances		14,469,840	16,386,013
Advances to suppliers		430,310	-
Advances to employees		137,500	-
Security Deposit		7,960,120	-
Accrued Markup		159,447	-
		53,436,402	38,417,249
Other receivables	14.3	70,456,513	55,215,048
Less: Provision for non performing assets	14.3.1	(7,810,205)	(7,810,205)
		62,646,308	47,404,843
		116,082,710	85,822,092

	Note	2018 Rupees	2017 Rupees
14.1 Morabaha profit receivable			
Musharikah profit receivable		26,335,928	27,249,051
Less: Income transferred to suspense	14.1.1	(26,134,597)	(26,134,597)
		201,331	1,114,454
14.1.1 Income transferred to suspense			
Opening balance		26,134,597	26,134,597
Addition / (Reversal) during the year	26.2	-	-
Suspension written off		-	-
Closing balance		26,134,597 1	26,134,597
14.2 Musharikah profit receivable			
Musharikah profit receivable		35,024,691	27,321,445
Less: Income transferred to suspense	14.2.1	(11,677,261)	(11,292,303)
		23,347,430	16,029,142
14.2.1 Income transferred to suspense			
Opening balance		11,292,303	11,007,139
Addition / (Reversal) during the year	26.2	384,958	285,164
Suspension written off		-	-
Closing balance		11,677,261	11,292,303
14.3 This includes legal charges paid by Modaraba in relation with the parties under litigation.			
14.3.1 Provision for non performing assets			
Opening balance		7,810,205	7,810,205
Additions during the year		-	-
Write off during the year		-	-
Reversed during the year		-	-
	-	-	-
Closing balance		7,810,205	7,810,205
15 Ijarah rental receivables			
Ijarah rental receivable		455,135,169	476,830,899
Less: Income transferred to suspense	15.1	(159,480,340)	(188,064,088)
		295,654,829	288,766,810



	Note	2018 Rupees	2017 Rupees
15.1 Income transferred to suspense			
Opening balance		188,064,088	192,950,354
Additions during the year	26.1	-	2,362,500
Transfers during the year		1,010,946	282,576
Write off during the year		(9,307,798)	-
Reversals during the year	26.1	(20,286,896)	(7,531,342)
Closing balance		159,480,340	188,064,088

15.2 Future Ijarah rentals receivable

Aggregate amount of future Ijarah rentals receivable on the basis of agreements executed up to 30 June 2018 are as follows:

	Note	2018 Rupees	2017 Rupees
Up to one year		52,625,692	48,257,287
Above one year and up to five year		94,451,362	61,871,723
		147,077,054	110,129,010

16 Cash and bank balances

Cash at banks			
- Current accounts	16.1	36,637,537	39,393,956
- Deposit accounts	16.2&16.3	40,659,941	20,262,709
- Current account with State Bank of Pakistan	16.4	69,711	19,711
		77,367,189	59,676,376
Cash in hand		760,927	31,050
		78,128,116	59,707,426

- 16.1** The balance of Rs. 7.41 Million (2017: Rs.21.4 million) is maintained with The Bank of Punjab (the holding Company of the Modaraba's Management Company).
- 16.2** Under the terms and condition for the issuance of certificates of musharikah (both long and short term), the Modaraba is required to maintain a Redemption Reserve Fund equal to at least 5% of the contribution against Certificates of Musharikah Finance received, which may be utilized for redemption purposes.
- 16.3** The rate of profit on deposit and saving accounts ranges between 2.00% to 5.25% per annum (2017: 2.5% to 5.25% per annum).
- 16.4** This account has been opened for payment of online charges of the Credit Information Bureau of State Bank of Pakistan.

	<u>2018</u> Rupees	<u>2017</u> Rupees
17 Certificate capital		
Authorized certificate capital 50,000,000 modaraba certificates of Rs.10 each	<u>500,000,000</u>	<u>500,000,000</u>
Issued, subscribed and paid-up certificate capital 20,000,000 modaraba certificates of Rs. 10 each fully paid up in cash	200,000,000	200,000,000
14,020,000 modaraba certificates of Rs. 10 each issued as fully paid bonus certificates	<u>140,200,000</u>	<u>140,200,000</u>
340,200,000 modaraba certificates of Rs. 10 each	<u>340,200,000</u>	<u>340,200,000</u>

- 17.1** As at 30 June 2018, The Punjab Modaraba Services (Private) Limited (the management company) held 13,320,694 (2017: 13,320,694) certificates of Rs. 10 each.

	Note	<u>2018</u> Rupees	<u>2017</u> Rupees
18 Reserves			
Capital reserve			
Statutory reserve	18.1	209,696,682	204,119,707
Revenue reserves			
Accumulated loss		<u>(352,770,185)</u>	<u>(362,819,889)</u>
		<u>(143,073,503)</u>	<u>(158,700,182)</u>

- 18.1** This represents profit set aside to comply with the Prudential Regulations for Modarabas issued by Securities and Exchange Commission of Pakistan requiring modaraba to transfer not less than 20% and not more than 50% of its profits after tax in such manner that reserves equal 100% of the paid up capital. Thereafter a sum not less than 5% of the profit after tax is to be set aside.



	Note	2018 Rupees	2017 Rupees
19 Security deposits			
Long term security deposits against Ijarah		112,531,322	119,108,872
Less: Current maturity of security deposits	21	(91,501,375)	(112,632,222)
		21,029,947	6,476,650

20 Long term musharikhah finance secured

Opening balance		1,101,205,546	955,925,494
Additions during the year		879,623,304	980,575,552
Less: Paid during the year		(787,333,815)	(835,295,500)
		92,289,489	145,280,052
	20.1	1,193,495,035	1,101,205,546

20.1 The Modaraba has availed musharikhah finance facilities from The Bank of Punjab having approved limits of Rs. 1,405 million (2017: Rs. 1,505 million) maturing latest by 31 October 2019. These facilities are secured by way of first pari passu charge over present and future fixed assets of Modaraba for amount of Rs. 860 million and first pari passu charge over present and future current assets of Modaraba for an amount of Rs. 1,040 million. The estimated share of profit payable on musharikhah facilities is 3 Month's KIBOR per annum (2017: 3 Month's KIBOR per annum).

	Note	2018 Rupees	2017 Rupees
21 Current maturity of non current liabilities			
Security deposits	21.1	91,501,375	112,632,222

21.1 This includes security deposit amounting to Rs. 82.7 million (2016: Rs. 82.7 million) against those Ijarah where the customers have defaulted payment of rentals and the Modaraba has filed suits for recovery.

	Note	2018 Rupees	2017 Rupees
22 Redeemable capital - participatory and unsecured			
Opening balance		400,000,000	100,000,000
Add: Issued during the year		400,000,000	300,000,000
Less: Redeemed during the year		(400,000,000)	(300,000,000)
Add: Re- Issued during the year		400,000,000	300,000,000
		400,000,000	300,000,000
Closing balance	22.1	400,000,000	400,000,000

22.1 These certificates of Musarika have been reissued to The Bank of Punjab with a maturity of 3 months. The share of profit payable ranges from 6.25% to 7.00% per annum (2017: 6.25%).

	2018 Rupees	2017 Rupees
23 Profit payable		
Musharikhah finances	18,323,102	16,625,545
Redeemable capital	3,215,070	2,956,416
	21,538,172	19,581,961
24 Trade and other payables		
Accrued expenses	1,093,788	662,627
Trade payables	9,392,002	-
Tax deducted at source	816,650	1,480,975
Advances against ijarah / morabaha / musharikhah	13,054,476	10,294,248
Management fee payable	3,018,798	2,672,036
Other payables	11,969,719	9,405,720
	39,345,433	24,515,606

24.1 This include penalty amounting to Rs. Nil (2017: Nil) payable to charity charged at the rate of Rs. 0.05 per thousand rupees on daily product basis on amount not paid by the clients in time, as required by the provisions of morabaha agreements. This amount has been utilized for charitable and religious purposes as recognized by the Shariah. During the year, penalties received from customers for delayed payments were paid as donations to the following entities:

	2018 Rupees	2017 Rupees
Layton Rehmatullah Benevolent Trust	-	28,716
Sun Education and Welfare Society	-	50,000
Rising Sun	89,846	-
	89,846	78,716

25 Contingencies and commitments

25.1 Contingencies

25.1.1 The assessing officer, while finalizing assessments for the years 1997-98 and 1998-99, made add backs out of profit and loss account. The Modaraba had filed an appeal before the Commissioner of Income Tax (Appeals) (CIT-(A)), who has rejected the appeals. The Modaraba has filed an appeal, against the order of CIT-(A), before the honorable Income Tax Appellate Tribunal, which has been decided in favor of Modaraba, however Income Tax Department has filed appeal before honorable Lahore High Court. Modaraba management company expects a favorable outcome of the case.

25.1.2 Additional Commissioner Inland Revenue (ACIR) issued order under section 122 (5A) of the Income Tax Ordinance, 2001, (the Ordinance) for tax year 2003 while rejecting



the exemption claimed from tax under Clause 100 of Part I of Second Schedule to the Ordinance and made additions on account of provision for bad debts, which resulted in a tax liability of Rs. 27,410,608. The Modaraba filed a rectification application under section 221 of the Ordinance for reducing the tax rate from 35% to 25%, resultantly the rectification order passed by the tax department and reduced the tax liability to Rs. 14,580,110. The Modaraba also filed an appeal before the CIR (Appeals) for tax year 2003 against the order of ACIR. In this regard, after hearing of the appeal, the CIR (Appeals) by accepting the claim of exemption has issued a favorable order to the Modaraba while deleting the tax liability of Rs. 14,580,110 vide order No. 31 dated 27 June 2009. The income tax department has filed an appeal before Appellate Tribunal Inland Revenue against the order of CIR (Appeals) which was decided in favor of the Modaraba. Subsequent to year end the Income Tax Department has filed reference in High Court against decision of Appellate Tribunal Inland Revenue which is pending for adjudication. Modaraba management company expects a favorable outcome of the case.

25.1.3 Additional Commissioner Inland Revenue (ACIR) issued order under section 122 (5A) of the Income Tax Ordinance, 2001, (the Ordinance) for tax year 2005 while rejecting the exemption claimed from tax under Clause 100 of Part I of Second Schedule to the Ordinance in an arbitrary manner and assessing the taxable income at Rs. 49,845,335 and tax liability at Rs. 17,667,886. The Modaraba filed a rectification application under section 221 of the Ordinance for reducing the tax rate from 35% to 25%. Further, the Modaraba has filed an appeal before the CIR (Appeals) for tax year 2005 against this order. In this regard, after hearing of the appeal, the CIR (Appeals) by accepting the claim of exemption has issued a favorable order to the Modaraba while deleting the tax liability of Rs. 17,667,886. The income tax department has filed an appeal before Appellate Tribunal Inland Revenue against the order of CIR (Appeals) which was decided in favor of the Modaraba. Subsequent to year end the Income Tax Department has filed reference in High Court against decision of Appellate Tribunal Inland Revenue which is pending for adjudication. Modaraba management company expects a favorable outcome of the case.

25.1.4 Legal suits against Modaraba

Suit for rendition of account Rs. 22,145,000 filed by a defaulter against the Modaraba. The suit is pending in Honorable Banking Court. The management is of the view that case has no merit and would be disposed off in favor of the Modaraba.

25.2 Commitments

25.2.1 Musharikhah commitments approved but not disbursed as on balance sheet date amount to Rs.41.38 million (2017: Rs.32.38 million).

	Note	2018 Rupees	2017 Rupees
26 Operating income			
26.1 Ijarah rentals			
Ijarah income		73,744,073	73,570,217
Less: Rentals suspended	16.1	-	(2,362,500)
Add: Reversal of rentals suspended	16.1	(9,307,798)	7,531,342
Total income from Ijarah		64,436,275	78,739,059

	Note	2018 Rupees	2017 Rupees
26.2 Profit on Morabaha investment			
Morabaha investment		4,799,112	7,561,338
Add: Reversals of suspension	14.1.1	-	-
Total income from Morabaha investment		4,799,112	7,561,338
26.3 Profit on Musharikah investment			
Musharikah investment		95,690,463	75,383,305
Less: Suspension reversal	14.2.1	(384,958)	(285,164)
Total Income from Musharikah investment		95,305,505	75,098,141
26.4 Gain on disposal of assets			
Gain on disposal of non banking assets		150,000	-
Gain on sale of owned assets		1,150,500	15,000
Gain on disposal of Ijarah assets		362,997	196,020
Total gain on disposal of assets		1,663,497	211,020
27 Other income			
Profit on bank deposits		1,643,800	342,349
Margin finance income		322,651	-
Margin trading income		54,263	-
Return on exposure deposit with PSX		128,674	-
Dividend Income		421,988	-
Processing fee		1,362,418	1,433,416
Cheque return charges		7,106	53,620
Miscellaneous income		8,126,808	4,284,908
		12,067,708	6,114,293



	Note	2018 Rupees	2017 Rupees
28 Operating expenses			
Salaries, wages and other benefits	28.1	29,615,686	24,131,842
Depreciation on fixed assets - owned	5.2	1,265,432	662,392
Travelling and conveyance		310,244	189,695
Legal and professional		1,894,565	1,614,243
Printing and stationery		1,296,471	701,558
Insurance		575,311	782,250
PSX, Clearing house and CDC Charges		164,305	-
Fee and subscription		1,526,750	1,407,461
Auditors' remuneration	28.2	722,000	712,470
Repair and maintenance		840,814	932,450
Vehicle running and maintenance		223,134	232,249
Power and utilities		1,252,017	88,376
Entertainment		547,717	401,362
Advertisement		73,399	15,400
Commission paid to traders		342,655	-
Impairment of TREC		2,500,000	-
Selling and marketing expenses		1,491,366	1,138,148
Telephone and postage		488,610	520,352
Corporate expenses		860,255	876,634
Rent, rates and taxes		128,051	75,000
Loss on disposal of owned assets		-	-
Miscellaneous		388,670	83,958
		46,507,452	34,565,840
28.1 Salaries and other benefits include Rs. 0.688 million (2017: Rs. 0.565 million) on account of provident fund contribution.			
		2018 Rupees	2017 Rupees
28.2 Auditors' remuneration			
Audit fee		300,000	300,000
Half yearly review and others		175,000	175,000
Out of pocket expenses		105,000	87,470
Audit fee- Punjab Capital Securities (Private) Limited		142,000	150,000
		722,000	712,470
29 Finance cost			
Profit on musharikhah finances		67,869,537	63,032,277
Profit on redeemable capital		25,478,515	16,715,075
Bank and other charges		162,341	223,126
		93,510,393	79,970,478



30 Management fee

Management fee is payable to Punjab Modaraba Services (Private) Limited. This has been calculated at 10% of profit before tax (2017: 10%).

		<u>2018</u> Rupees	<u>2017</u> Rupees
31 Taxation			
Current			
- Current year		4,780,361	4,088,215
Deferred			
- Relating to origination and reversal of temporary differences		(5,765,404)	(7,924,761)
		(985,043)	(3,836,546)
32 Earning per certificate - basic and diluted		2018	2017
Profit for the year	Rupees	22,486,602	27,884,873
Weighted average number of ordinary certificates	Numbers	34,020,000	34,020,000
Earning per certificate	Rupees	0.66	0.82



33 Transactions with related parties

The related parties and associated undertakings comprise of The Bank of Punjab and Punjab Modaraba Services (Private) Limited. Transactions with related parties and associated undertakings other than remuneration and benefits to key management personnel under the term of employment are as follows:

	2018 Rupees	2017 Rupees
33.1 Balance outstanding at the end of period		
33.1.1 The Bank of Punjab (Holding company of the Modaraba's Management Company)		
Musharikah finances	1,193,495,035	1,101,205,546
Profit payable on musharikah finances	18,323,102	16,625,545
Net book value of the Ijarah assets	-	-
Ijarah security deposits	-	-
Redeemable capital	400,000,000	400,000,000
Profit payable on redeemable capital	3,215,070	2,956,416
33.1.2 Modaraba Management Company		
Management fee	3,018,798	2,672,036
33.2 Transactions during the year		
33.2.1 The Bank of Punjab (Holding company of Modaraba's Management Company)		
Profit charged on musharikah finances	67,869,537	63,032,277
Profit charged on redeemable capital	25,478,515	16,715,075
33.2.2 Punjab Modaraba Services (Private) Limited		
Management fee	3,018,798	2,672,036
33.2.3 Punjab Capital Securities (pvt) Ltd. (Wholly owned Subsidiary of Modaraba)		
Investment made	76,500,000	50,000,000
Sale of assets to subsidiary		
Trading Rights Entitlement Certificate and room at LSE	-	9,374,500
Shares of LSE Financial Services Ltd	-	14,891,894
Gain on sale of assets		
Trading Rights Entitlement Certificate and room at LSE	-	374,500
Shares of LSE Financial Services Ltd	-	5,540,651

34 Remuneration of officers and executives

	2018		
	Officers	Other employees	Total
	Rupees	Rupees	Rupees
Remuneration	15,104,083	3,007,277	18,111,360
House rent allowance	4,531,078	98,072	4,629,150
Utility allowance	2,020,968	24,520	2,045,488
Medical allowance	1,132,759	24,520	1,157,279
Provident fund contribution	813,771	-	813,771
Gratuity Fund	913,758	-	913,758
Expenses reimbursed	1,944,880	-	1,944,880
	26,461,297	3,154,389	29,615,686

Number of employees at the year end	37	2	39
Average number of employees during the year	33	4	37

34.1 The Chief Financial Officer has been provided vehicle on Ijarah.

	2017		
	Officers	Other employees	Total
	-----Rupees-----		
Remuneration	15,580,957	344,972	15,925,929
House rent allowance	3,851,760	82,301	3,934,061
Medical allowance	969,399	14,129	983,528
Utility allowance	969,399	14,129	983,528
Provident fund contribution	643,911	14,327	658,238
Expenses reimbursed	1,621,658	-	1,621,658
	23,637,084	469,858	24,106,942
Number of employees at the year end	28	3	31
Average number of employees	26	4	30



35 Financial instruments

The Modaraba has exposure to the following risks from its use of financial instruments:

- Credit risk
- Liquidity risk
- Market risk

The Board of Directors of the management company has overall responsibility for the establishment and oversight of Modaraba's risk management framework.

35.1 Credit risk

Credit risk is the risk that the counterparty to a financial instrument will cause a financial loss for the Modaraba by failing to discharge an obligation. The risk is generally limited to the carrying to principal amounts and accrued profit thereon, if any. The Modaraba's policy is to enter into financial contracts in accordance with the internal risk management policies and the requirements of the Prudential Regulations. The carrying amount of the following financial assets represents the maximum credit exposure at the reporting date:

	2018	2017
	Rupees	Rupees
Bank balances	77,367,189	59,676,376
Musharika investment	905,214,926	897,783,755
Morabaha investment	22,394,350	276,995,811
Advances, deposits and other receivables	116,082,710	85,823,591
Long term deposits	692,900	992,900
	1,121,752,075	1,321,272,433

35.1.1 Bank balances

The Modaraba kept its surplus funds with banks having good credit rating. Currently the surplus funds are kept with banks having medium to long term rating from AAA to AA+ and short term rating from A1+ to A1.

Banks	Short Term	Long Term	Agency	Amount
The Bank of Punjab	A1+	AA	PACRA	7,411,608
Bank Alfalah	A1+	AA	PACRA	11,649,005
Al-Baraka Bank Limited	A1	A	PACRA	14,009
National Bank of Pakistan	A1+	AAA	PACRA	1,015,746
Meezan Bank Limited	A1+	AA+	JCR-VIS	16,915,907
First Habib Modaraba	A1+	AA+	PACRA	20,455,069
Bank Al Habib	A1+	AA+	PACRA	19,836,134
State Bank of Pakistan				69,711



35.1.4 Aging Analysis of Morabaha investment

	2017			Suspension recognized
	Carrying Amount	Amount on which no provision recognized	Amount on which provision recognized	
	-----Rupees-----			
Past due				
0 days	33,663,184	28,545,141	-	-
1 day-179 days	8,500,000	8,500,000	-	-
180 days - 364 days	-	-	-	-
1 year - less than 2 year	-	-	-	-
2 year - less than 3 year	-	-	-	-
3 year and above	233,252,633	125,004,850	352,609,163	244,361,379
Total	275,415,817	162,049,991	352,609,163	244,361,379

	2017			Provision recognized
	Carrying Amount	Amount on which no provision recognized	Amount on which provision recognized	
	-----Rupees-----			
Paste due				
0 days	-	-	-	-
1 day -179 days	569,172	569,172	-	-
180 days- 364 days	28,797,906	28,797,906	-	-
1 year - less than 2 year	13,363,013	13,363,013	-	-
2 year - less than 3 year	-	-	-	-
3 year or more	234,265,634	160,109,163	318,517,850	244,361,379
Total	276,995,725	202,839,254	318,517,850	244,361,379

Provision is recognized by the Modaraba on the basis of provision requirements given under Prudential Regulations for Modarabas and subjective evaluation carried out on an ongoing basis.

35.1.5 Aging Analysis of Ijarah receivable

	2018			Suspension recognized
	Carrying Amount	Amount on which no suspension recognized	Amount on which suspension recognized	
	-----Rupees-----			
Past due				
Past due				
0 days	-	-	-	-
1 day -179 days	11,524,560	11,524,560	-	-
180 days - 364 days	-	-	-	-
1 year - less than 2 year	28,533,518	28,533,518	-	-
3 year or more	-	-	-	-
	255,596,751	96,116,410	159,480,340	159,480,340
Total	295,654,829	136,174,488	159,480,340	159,480,340

	2017			Suspension recognized
	Carrying Amount	Amount on which no suspension recognized	Amount on which suspension recognized	
	-----Rupees-----			
Past due				
0 days	-	-	-	-
1 day -179 days	5,684,666	5,684,666	-	-
180 days - 364 days	1,403,314	1,403,314	-	-
1 year - less than 2 year	22,516,987	22,516,987	-	-
3 year or more	255,337,329	67,298,853	188,038,475	188,038,475
Total	288,792,421	100,753,946	188,038,475	188,038,475

Suspension is recognized by Modaraba on the basis of requirements given under the Prudential Regulations for Modarabas and subjective evaluation carried out on an ongoing basis.



35.1.6 Aging Analysis of Musharikah receivable

	2018			
	Carrying Amount	Amount on which no suspension recognized	Amount on which suspension recognized	Suspension recognized
	-----Rupees-----			
Past due				
0 days -	-	-	-	-
1 day -179 days	11,409,881	11,409,881	-	-
180 days - 364 days	3,090,166	3,090,166	-	-
1 year - less than 2 year	193,284	377,246	219,874	219,874
2 year - less than 3 year		-	4,152,508	4,336,470
3 year or more	502,455	-	7,623,372	7,120,917
Total	15,195,786	14,877,293	11,995,754	11,677,261 1

	2017			
	Carrying Amount	Amount on which no suspension recognized	Amount on which suspension recognized	Suspension recognized
	-----Rupees-----			
Past due				
0 days	-	-	-	-
1 day -179 days	16,029,142	16,029,142	-	-
180 days - 364 days	-	-	-	-
1 year - less than 2 year	-	-	-	-
2 year - less than 3 year	-	-	1,921,898	1,921,898
3 year or more	-	-	9,370,405	9,370,405
	16,029,142	16,029,142	11,292,303	11,292,303

Suspension is recognized by the Modaraba on the basis of requirements given under the Prudential Regulations for Modarabas and subjective evaluation carried out on an ongoing basis.

35.1.7 Aging Analysis of Musharikah investment

	2018			Suspension recognized
	Carrying Amount	Amount on which no provision recognized	Amount on which provision recognized	
	-----Rupees-----			
Past due				
0 days	835,185,005	835,185,005	-	-
1 day - 179 days	8,583,486	8,583,486	-	-
180 days -364 days	8,721,631	8,721,631	-	-
1 year - less than 2 year	511,218	511,218	-	-
2 year - less than 3 year	29,569,672	29,569,672	-	-
3 year or more	14,247,360	-	23,009,711	8,762,351
Total	14,247,360	-	23,009,711	8,762,351

Provision is recognized by the Modaraba on the basis of provision requirements given under Prudential Regulations for Modarabas and subjective evaluation carried out on an ongoing basis.

	2017			Suspension recognized
	Carrying Amount	Amount on which no provision recognized	Amount on which provision recognized	
	-----Rupees-----			
Past due				
0 days	-	-	-	-
1 day - 179 days	1,290,796	1,290,796	-	-
180 days -364 days	12,041,103	12,041,103	-	-
1 year - less than 2 year	181,131,397	172,706,268	8,425,129	-
2 year - less than 3 year	509,309,442	495,009,255	19,500,000	5,199,813
3 year or more	185,301,489	185,301,489	3,509,713	3,509,713
Total	889,074,227	866,348,911	31,434,842	8,709,526

Provision is recognized by the Modaraba on the basis of provision requirements given under Prudential Regulations for Modaraba and subjective evaluation carried out on an ongoing basis.

- 35.1.8** The Modaraba manages credit risk and its concentration through diversification of activities to avoid undue concentration of risks with individuals, groups or specific industry segments. For this purpose, the Modaraba has established exposure limits for individuals and industrial sectors.



Break down of credit risk exposure by class of business as at 30 June 2018 is as follows:

	2018				
	Assets Leased out Rupees	Morabaha investment Rupees	Musharikah investment Rupees	Total Rupees	% age
Bank and NBFIs	-	-	14,685,703	14,685,703	1.05%
Textile Spinning and Composite	25,603,521	83,902,612	-	109,506,133	7.83%
Sugar and Allied	-	18,559,437	18,841,875	37,401,312	2.68%
Electric Goods	4,170,329	65,708,000	-	69,878,329	5.00%
Chemical and Pharmaceuticals	-	3,504,850	41,599,383	45,104,233	3.23%
Paper and Board	100,000	-	-	100,000	0.01%
Food and Allied	922,850	-	-	922,850	0.07%
Individuals	150,348,391	51,393,419	287,159,750	488,901,560	34.97%
Jute	-	-	-	-	0.00%
Oil and Gas	100,000	-	39,587,133	39,687,133	2.84%
Miscellaneous	44,492,819	22,867,147	89,139,180	156,499,146	11.20%
Aviation and Transport	-	-	379,547,628	379,547,628	27.15%
Engineering, Steel & Construction	-	29,480,353	26,161,055	55,641,408	3.98%
Cement	-	-	-	-	0.00%
	225,737,910	275,415,818	896,721,707	1,397,875,435	100%

	2017				
	Assets Leased out Rupees	Morabaha investment Rupees	Musharikah investment Rupees	Total Rupees	% age
Bank and NBFIs	-	-	22,357,198	22,357,198	1.66%
Textile Spinning and Composite	28,866,090	80,932,185	-	109,798,275	8.16%
Sugar and Allied	6,469,702	18,559,437	26,303,907	51,333,046	3.82%
Electric Goods	16,606,684	66,066,674	-	82,673,358	6.15%
Chemical and Pharmaceuticals	-	32,808,832	47,193,849	80,002,681	5.95%
Paper and Board	200,000	-	-	200,000	0.01%
Food and Allied	1,688,741	-	14,820,562	16,509,303	1.23%
Individuals	76,446,981	43,999,994	251,255,670	371,702,645	27.64%
Jute	-	-	-	-	0.00%
Oil and Gas	3,467,994	-	52,785,367	56,253,361	4.18%
Miscellaneous	45,200,602	5,148,250	32,200,053	82,548,905	6.14%
Aviation and transport	-	29,480,353	440,989,621	470,469,974	34.98%
Engineering, Steel & Construction	-	-	1,168,000	1,168,000	0.09%
Cement	-	-	-	-	0.00%
	178,946,794	276,995,725	889,074,227	1,345,016,746	100%

35.2 Liquidity risk

liquidity risk is the risk that the Modaraba will encounter difficulty in meeting its financial obligations as they fall due. Liquidity risk arises because of the possibility that the Modaraba could be required to pay its liabilities earlier than expected or difficulty in raising funds to meet commitments associated with financial liabilities as they fall due. The Modaraba's approach to managing liquidity is to ensure, as far as possible, that it will always have sufficient liquidity to meet its liabilities when due, under both normal and stressed conditions, without incurring unacceptable losses or risking damage to the Modaraba's reputation. The following are the contractual maturities of financial liabilities, including profit payments:

		2018				
	Carrying Amount	Contractual cash flows	6 months or less	6 to 12 months	1 year to 2 years	2 years to 5 years
----- Rupees -----						
Financial liabilities						
Redeemable capital	400,000,000	403,519,178	403,519,178	-	-	-
Security deposits						
against Ijarah	112,531,322	112,531,322	91,139,125	662,250	1,267,400	3,170,000
Musharikah finance	1,193,495,035	1,297,427,199	39,107,399	38,469,778	77,577,177	1,142,272,844
Unclaimed profit	16,361,577	16,361,577	16,361,577	-	-	-
Trade and other payable	29,059,298	29,059,298	29,059,298	-	-	-
Profit payable	21,538,172	21,538,172	21,538,173	-	-	-
	1,772,985,404	1,880,436,746	600,724,750	39,132,028	78,844,577	1,145,442,844

		2017				
	Carrying Amount	Contractual cash flows	6 months or less	6 to 12 months	1 year to 2 years	2 years to 5 years
----- Rupees -----						
Financial liabilities						
Redeemable capital	400,000,000	403,287,671	403,287,671	-	-	-
Security deposits against						
Ijarah	119,108,872	119,108,872	112,168,522	463,700	1,412,750	5,063,900
Musharikah finance	1,101,205,546	1,247,625,455	33,973,850	33,419,929	67,393,779	1,112,837,896
Unclaimed profit	15,253,486	15,253,486	15,253,487	-	-	-
Trade and other payable	24,515,606	24,152,979	24,152,979	-	-	-
Profit payable	19,581,961	19,581,961	19,581,961	-	-	-
	1,679,665,472	1,829,373,052	608,418,470	33,883,629	68,806,529	1,117,901,796



35.2.1 The contractual cash flows relating to the above financial liabilities have been determined on the basis of profit rates effective as at year end (and includes both principal and profit payable thereon). The rates of profit have been disclosed in notes 22 and 24 to these financial statements.

35.3 Market risk

Market risk is the risk that changes in market price, such as foreign exchange rates, profit rates and equity prices will affect the Modaraba's income or the value of its holdings of financial instruments. The Modaraba has adopted appropriate policies to minimize its exposure to this risk.

35.3.1 Profit rate risk

At the reporting date, the profit rate profile of Modaraba's significant profit bearing financial instruments and the periods in which they mature is as follows:

	2018	2017	2018	2017
	Effective interest rate (Percentage)		Carrying amount (Rupees)	
Financial assets				
Musharikah investment	8.55 - 18.27	8.55 - 18.27	896,452,576	889,074,229
Morabaha investment	8.50 - 23.00	15 - 25.87	22,394,350	276,995,811
Cash and bank balances	2.00 - 5.25	2.53 - 5.25	40,659,941	20,262,709
			959,506,867	1,186,332,749
Financial liabilities				
Redeemable Capital	6.50 - 7.00	6.5	400,000,000	700,000,000
Musharikah finances	6.14 - 6.50	6.5	1,193,495,035	1,246,485,598
			1,593,495,035	1,946,485,598

Cash flow sensitivity analysis for variable rate instruments

A change of 100 basis points in profit rates at the reporting date would have increased / (decreased) profit for the year by the amounts shown below. This analysis assumes that all other variables remain constant. The analysis is performed on the basis for 2018.

	Profit and loss 100 bps	
	Increase	Decrease
As at 30 June 2018		
Cash flow sensitivity-Variable rate financial assets	1,212,967	1,208,865
Cash flow sensitivity-Variable rate financial liabilities	(2,071,544)	(2,530,431)
Net effect	(2,071,544)	(1,321,566)
	Profit and loss 100 bps	
	Increase	Decrease
As at 30 June 2017		
Cash flow sensitivity-Variable rate financial assets	1,208,865	(1,208,865)
Cash flow sensitivity-Variable rate financial liabilities	(1,951,567)	1,951,567
Net effect	(742,702)	742,702

The sensitivity analysis prepared is not necessarily indicative of the effects on profit for the year and assets / liabilities of the Modaraba.

35.3.2 Currency risk

As at 30 June 2018, there is no foreign exchange exposure on Modaraba's balance sheet.

35.4 Operational risk

Operational risk is the risk of direct or indirect loss arising from a wide variety of causes associated with the processes, technology and infrastructure supporting the Modaraba's operations either internally within the Modaraba or externally at the Modaraba's service providers, and from external factors other than credit, market and liquidity risks such as those arising from legal and regulatory requirements and generally accepted standards of investment management behavior. Operational risks arise from all of the Modaraba's activities.

- The Modaraba's objective is to manage operational risk so as to balance limiting of financial losses and damage to its reputation with achieving its objective of generating returns for certificate holders.
- The primary responsibility for the development and implementation of controls over operational risk rests with the Board of Directors of the management Company. This responsibility encompasses the controls in the following areas:
 - requirements for appropriate segregation of duties between various functions, roles and responsibilities;
 - requirements for the reconciliation and monitoring of transactions;
 - compliance with regulatory and other legal requirements;
 - documentation of controls and procedures;
 - requirements for the periodic assessment of operational risks faced, and the adequacy of controls and procedures to address the risks identified;
 - ethical and business standards;
 - risk mitigation, including insurance where it is effective.



35.5 Fair value of financial instruments

All assets and liabilities for which fair value is measured or disclosed in the financial statements are categorised within the fair value hierarchy, described as follows, based on the lowest level input that is significant to the fair value measurement as a whole:

- Level 1: Quoted market price (unadjusted) in an active market for an identical instrument.
- Level 2: Valuation techniques based on observable inputs, either directly (i.e. as prices) or indirectly (i.e. derived from prices).
- Level 3: Valuation techniques using significant unobservable inputs.

	Fair value measurement using	
	2018	2017
	Rupees	Rupees
Available for sale investment	10,308,698	10,308,698

35.6 Capital risk management

The Board's policy is to maintain a strong capital base so as to maintain investors, creditors and market confidence and to sustain future development of the business. The Board of Directors monitors the return on capital, which the Modaraba defines as net operation income divided by total capital employed. The Board of Directors also monitors the level of dividend payouts to certificate holders.

35.7 Reconciliation of liabilities arising from financing activities

	Balance as on July 01, 2017	Availed / An- nounced	Repaid / Ree- deemed	Balance as at June 30, 2018
Long term musharikhah finance	1,101,205,546	879,623,304	(787,333,815)	1,193,495,035
Dividend payable	15,253,487	17,010,000	(15,901,910)	16,361,577
Redeemable capital	400,000,000	400,000,000	(400,000,000)	400,000,000
	1,516,459,033	1,296,633,304	(1,203,235,725)	1,609,856,612

	2018 Rupees	2017 Rupees
36 Cash generated from operations		
Profit before taxation	21,441,134	12,940,799
Adjustment for non cash expenses and other items:		
Impairment of TREC	2,500,000	-
Reversals of impairment of morabaha investment	-	(1,633,352)
Reversals of impairment of musharikhah investment	52,825	(3,000,000)
Reversals of impairment of Ijarah assets	(20,286,896)	(235,982)
Depreciation of ijarah assets	37,541,161	42,444,032
Depreciation on owned assets	1,265,432	662,392
Profit on redeemable capital	25,640,856	16,938,201
Profit on musharikhah finances	67,869,537	63,032,276
Gain on disposal of ijarah assets	(362,997)	(196,020)
Gain on disposal of owned assets	(1,150,500)	(15,000)
Gain on disposal of non-banking assets	(150,000)	
Operating profit before working capital changes	134,360,552	130,937,346
Working capital changes		
Decrease / (Increase) in operating assets		
Morabaha arrangements	4,516,140	28,398,874
Purchase of assets under Ijarah arrangements	(110,917,790)	(38,951,387)
Proceeds from disposal of assets under ijarah arrangement	27,248,509	26,275,787
Lease rental receivables	13,009,938	9,104,883
Long term deposits	(1,776,909)	(489,456)
Advances, deposits, prepayments and other receivables	(38,336,360)	(35,305,457)
	(106,256,473)	(10,966,756)
Trade and other payables	25,229,575	11,976,940
Security deposit refunded against ijarah arrangements	(6,577,550)	(21,397,094)
	18,652,025	(9,420,154)
Net changes in operating assets and operating liabilities	(87,604,448)	(20,386,910)
Cash generated from operations	46,756,104	110,550,436



37 Accounting estimates and judgments

Investments out of provident fund have been made in accordance with the provisions of the section 227 of the Companies Ordinance, 1984 and the rules formulated for this purpose.

38 Subsequent Events

The Board at its meeting held on October 08, 2018 has approved cash dividend of Rs.0.50 per certificate for the year ended 30 June 2018, out of the profit earned during the year.

39 Corresponding figures

Corresponding figures have been re-arranged and re-classified, where necessary for the purposes of comparison effect of which is not material.

40 Date of authorization for issue

The consolidated financial statements of Modaraba were approved by the Directors of Modaraba Management Company and authorized for issue on October 08, 2018.

41 General

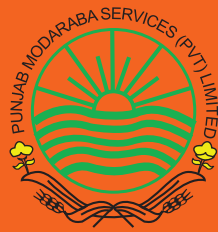
Corresponding figures have been rearranged or reclassified where ever necessary for the purpose of comparison and better presentation.
Figures have been rounded off to the nearest rupees.

Chief Financial officer
Punjab Modaraba Services
(Private) Limited

Chief Executive
Punjab Modaraba Services
(Private) Limited

Director
Punjab Modaraba Services
(Private) Limited

Director
Punjab Modaraba Services
(Private) Limited



First Punjab Modaraba

Managed By:

Punjab Modaraba Services (Pvt) Ltd.

(A wholly owned subsidiary of The Bank of Punjab)

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