



First IBL Modaraba

ANNUAL REPORT 2018

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CORPORATE INFORMATION

Modaraba Management Company	IBL Modaraba Management (Pvt.) Limited	
Board of Directors	Arslan Khan Khakwani Naveed Amin Shiraz Butt	Chairman/Director Director Director
Chief Executive Officer	Shiraz Butt	
Company Secretary	Hassan Fareed	
Chief Financial Officer	Zeeshan Ahmed	
Internal Auditor	Hasnain Shafqat	
Audit Committee	Naveed Amin Arslan Khan Khakwani Muhammed Ilyas	Chairman Member Secretary
Sharia'ah Advisor	Dr. Salman Ahmed Khan	
Legal Advisor	M/s. Holscott International [Legal Services]	
Auditors to Modaraba	M/s. Horwath Hussain Chaudhry & Co. Chartered Accountants	
Bankers	Habib Bank Limited— Islamic Banking Meezan Bank Limited MCB Islamic Bank Limited	
Registrar	Corp Tec Associates (Pvt.) Limited 503 E, Johar Town, Lahore.	
Registered Office	Room #1, 87 Aurangzeb Block, New Garden Town, Lahore.	
Principal Office	87 Aurangzeb Block, New Garden Town, Lahore.	

MISSION STATEMENT

Our mission is to strive for continued excellence in providing quality services to the business community as a whole, with the ultimate goal to increase the value of certificate holders.

VISION STATEMENT

Our vision is to establish First IBL Modaraba as the benchmark reference for all Islamic Financial Institutions for the provision of financial services in line with increasing needs of our esteemed customers and to become the premier financial service organization that provides the highest level of quality service while remaining innovative and responsive to ever-changing customer demands.

CORPORATE STRATEGY

We, First IBL Modaraba, being a multi purposes Modaraba and an Islamic financial institution, are engaged in various Shari'ah compliant products, namely; financing through Ijarah, Murabahah and Musharakah arrangements and investments in Shari'ah compliant securities.

In order to maintain diversified business activities in different sectors of economy, we do not only focus them for Corporate and SMEs Sectors but we also facilitate proprietorship and partnership firms and the individuals in their businesses, which play an effective and important role in the markets.

Keeping in light the present micro and macro economic scenarios in the country, we maintain and apply cautious and well maintained risk management policies in extending the new business rather we target the selective/ quality clientele so as to minimize the risk of default in the repayments.

NOTICE OF ANNUAL REVIEW MEETING (ARM)

Notice is hereby given to the certificate holders of First IBL Modaraba (FIBLM) that 18th Annual Review Meeting [ARM] of certificate holders will be held on Monday November 26, 2018 at 11:00 a.m. at principal office of First IBL Modaraba, 87-Aurangzaib Block, New Garden Town, Lahore to review the performance of First IBL Modaraba for the year ended June 30, 2018.

The persons entitled to attend the meeting will be those certificate holders whose names are entered in the register of certificate holders seven (7) days before November 26, 2018.

Company Secretary
November 05, 2018

Directors' Report

The Board of Directors of M/s. IBL Modaraba Management (Private) Limited [IBLMM], the Management Company of First IBL Modaraba [FIBLM], is pleased to present to the certificate holders the Audited Financials Statement of First IBL Modaraba for the year ended June 30, 2018 along with Auditors' Report thereon.

Financial Results:

Summarized results for the year under report are as under:

	June 2018	June 2017
	Rs In "000"	
Operating income	34,643	31,235
Other income	1,046	16,164
Expenses	35,641	36,190
Management fee -10%	4,783	1,111
Net profit after Tax	43.04	10,007

Review of operations:

During the period under review the management of FIBLM mainly focused on business enhancement and majorly invested in Ijarah, Musharikah and Murabaha segments. The management put its best efforts to minimize its operating loss and increase of operational profitability.

The significant increase in major income generating segments is as follows:

Income Segment	Increase
Ijarah	30.53%
Musharikah	5.73%
Murabaha	100%

The significant decrease in operating expenses is as follows:

Income Segment	Decrease
Operating expenses	11.59%

In the environment of competition with commercial banks, leasing companies, other giant financial institutions, political un-certainty due to elections in the country and stock market downfall; the modaraba managed to maintain its progress.

The analysis of operating income as compared with the preceding period is as follows:

Income Segment	FY 2018	FY 2017	%
	Rs. in "000"		
Ijarah	20,231	15,499	30.53%
Murabaha	64,466	-	100%
Musharikah	6,707	6,343	5.73%
Investment property	7,495	7,495	-
Profit on deposits	144.44	1,424	-89.88%
Income from short term investments	-	4.72	-100%
Income from operations	34,641	31,233	10.91%

The analysis of operating expenses as compared with the preceding period is as follows:

Expenses	FY 2018	FY 2017	%
	Rs. in "000"		
Operating expenses	21,191	23,970	-11.59%
Other operating expenses	818.43	465.13	75.91%
	22,009	24,435	- 9.92%

During the financial year 2017-18 the management of modaraba managed to recover Rs. 0.840 million from unverifiable receivables and the recovery team is putting its best efforts to recover the remaining amount under this head.

During the reporting period the modaraba further issued modaraba certificate worth Rs. 15 million (other than right issue), thus as on reporting date certificate capital stood at Rs.216.875 million as compared to Rs.201.875 million in the preceding period. Further the management is in coordination with various national and international investors/ stake holders for further enhancement of modaraba capital. During the period under review, the Modaraba suffered a loss of Rs. 1.421 million on its available for sale investments classified under short term investments in the balance sheet. The reason behind the loss was bearish trend of stock market in the last quarter of the financial year ended June 30, 2018.

As on reporting date the reserves of modaraba stood at Rs.48.385 million as compared to Rs.49.798 million in the preceding period.

Attendance of board meetings:

Sr #	Name of director	No of meetings	No. of meetings attended	Leave of absence
1	Dr. Hasan Sohaib Murad	04	04	0
2	Mr. Shaheen Rashid	04	04	0
3	Mr. Arslan Khan Khakwani	04	04	0
4	Mr. Naveed Amin	04	04	0

Composition of board of directors:

During FY 2017-18 the numbers of directors were as follows:

Number of director	Male	Female	Total
Number of directors	04	0	04

The composition of board of directors' during FY 2017-18 was as follows:

Sr #	Name of director	Type
1	Dr. Hasan Sohaib Murad	Executive
2	Mr. Shaheen Rashid	Non-Executive
3	Mr. Arslan Khan Khakwani	Non-Executive
4	Mr. Naveed Amin	Independent

Mr. Shaheed Rashid died on May 15, 2018, and Dr. Hasan Sohaib Murad Chief Executive/ Director of IBL Modaraba Management (Private) Limited died on September 10, 2018.

On October 18, 2018 Securities & Exchange Commission of Pakistan approved appointment of Mr. Shiraz Butt as new Chief Executive Officer/ Director of IBL Modaraba Management (Private) Limited.

As of date of directors' report the composition of board of director is as follows:

Sr #	Name of director	Type
1	Mr. Naveed Amin	Independent
2	Mr. Shiraz Butt	Executive
3	Mr. Arslan Khan Khakwani	Non-Executive

Operating data for six years:

The operating data of modaraba for six (06) years is annexed to this report.

Pattern of certificate holding:

The detailed pattern of certificate holding as at June 30, 2018 as required under the code is annexed to this report.

There has been no trading in the shares of the modaraba by any of its directors, CEO, CFO, Company Secretary or their spouses and minor children unless specified in the financial statements.

Stock Market Review:

After experiencing a volatile 2017 in which the Stock market registered a negative return, the market participants finally appear to be gaining back their lost confidence as 2018 has witnessed a much better performance and resilience of the market.

This is supported by the recent recovery witnessed in the KSE-100 index which had witnessed a low of 37,919 points on December 19, 2017; since then, it has regained around 15% after rallying more than 6,000 points to cross the level of 44,000 pts. Foreigners' outflow on account of selling by Frontier Market funds when Pakistan entered the MSCI Emerging Market category and political as well as macroeconomic concerns were the chief determinants which pulled the local bourse southwards last year. However, a number of key positive developments have taken place lately that have improved the market outlook and that will set the future course of the stock market going into 2018-19.

Successful passage of the delimitation bill in Senate was a major trigger, which potentially paved the way for timely General Elections. This has been reinforced further by the successful conclusion of Senate Elections as well as General Elections.

Furthermore, the impending announcement of tax amnesty scheme, which is expected to widen the tax net and repatriation of foreign assets held by Pakistanis, could prove to be another respite which should also improve the confidence of investors in the market.

The much awaited devaluation of Pak Rupee finally materialized, which is expected to draw interest of foreign investors back towards Pakistan's Stock Market. It is pertinent to note here that after being net sellers to the tune of around \$500 m during 2017, foreigners commenced the new calendar year with a net buy of about \$85 m during the month of January 2018. This is a positive indication that the large scale net selling by foreigners has subsided and we can expect net buying during this year given the attractive valuations.

The index is trading at a forward P/E of around 8.5x, compared to Asia Pacific regional average of 14.4x, a discount of around 40%. Ongoing energy and infrastructure development projects worth over \$60 bn under the umbrella of CPEC are also well on track, successful materialization and implementation of which will stimulate economic activity in the country. This, coupled with improved security situation, strong GDP growth and robust corporate profitability shall bode well for our stock market.

Pakistan Economic Review:

The estimates for FY18 also suggest that compared to FY17 all the three sectors remained vibrant. Agriculture sector on the back of improved cotton crop and record sugarcane is expected to comfortably surpass its growth

target for FY18. Industrial sector, reflecting a robust domestic demand, is set to achieve a 10-year high growth. The services sector is estimated to maintain almost its last year growth based on spillover impact of healthy performance by commodity producing sector. In the same encouraging vein, inflation remained within manageable and supportive levels, largely owing to decline in its food component.

The combination of robust economic activity and low inflation had two important implications. First, it boosted confidence in the economy, which along with affordable cost of financing induced firms to borrow substantially. In particular, energy, textiles, and cement sectors focused more on capacity expansion to gear up for growing domestic demand. A healthy rise was also observed in working capital requirements; while the consumer finance posted the highest Jul-Mar flow during the last 12-years, driven mainly by a surge in auto and housing finance. Ample liquidity in the wake of maturity of government securities also supported this credit off-take. The second impact relates to increased consumption, which along with recovering oil prices, further inflated the import payments. Higher import bill, despite 10 consecutive months of exports growth and rising workers' remittances, resulted in record widening of current account deficit. Even higher financial inflows from IFIs, bilateral sources, and issuance of sovereign bonds remained insufficient. Thus, the remaining payment gap fell on the country's FX reserves, which fell to only two months of import cover by end-March, 2018. The foreign exchange market also remained volatile and PKR depreciated by 9.2 percent against the US\$ during Jul-Mar period of FY18. These external sector developments started to impact inflation as well. The pass-through of rising global oil prices to domestic fuel prices pushed up the energy component of inflation, as the government passed on its impact to consumers. Similarly, the impact of PKR depreciation started to translate into costly imports and shoring up of inflationary expectations. On the fiscal side, the healthy growth in revenue could not keep up pace with a sharp rise in fiscal expenditure in the Q3-FY18. Particularly, the development expenditure related to infrastructure and power projects increased sharply, with major contribution coming from provinces. As a result, the fiscal deficit in Q3-FY18 stood higher than corresponding period last year. To finance the fiscal gap, the government had to rely both on SBP's borrowing and external sources. In particular, the government borrowings from SBP stood at Rs2.2 trillion in Q3-FY18 – the highest level in a quarter. External debt, owing both to higher commercial loans and revaluation impact of the PKR depreciation, also rose considerably. In short, ensuring the continuity of expansion in economic activities and low inflation would depend on containing of current account and fiscal deficits. As these vulnerabilities are posing challenges to Pakistan's current growth cycle, implementation of both short-term and medium term policies would be crucial in this regard. In short-term, 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. For this purpose, it is also crucial to resolve structural issues affecting exports competitiveness.

The real GDP growth is estimated at a 13-year high of 5.8 percent in FY18, along with a benign inflationary environment. However, deterioration in external balances and high fiscal deficit remains a major source of concern.

Following are the highlights of the Pakistan Economy for the year 2017-18

- The country's Gross Domestic Product recorded 13-year highest growth of 5.8 %.
- The agriculture, industrial and service sectors of Pakistan grew by 3.8 percent.
- Economy continued to benefit from growth oriented initiatives, including higher development spending, low inflation, vigilant monetary policy, and CPEC related investment thus providing impetus for economic recovery.
- High and broad based growth in agriculture sector in last 13 years was achieved on the back of initiatives such as expansion in credit to agriculture sector, better quality seeds and timely availability of agriculture inputs.
- Large Scale Manufacturing recorded a growth of 6.13 %, highest in ten years.
- Industrial sector growth improved by 5.80 %, highest in ten years.
- Manufacturing grew by 6.24 percent, highest in 11 years.
- Services sector witnessed a growth of 6.43 percent in last two years.
- Export growth is improving and the extension of the GSP plus status for next two years by the EU is a positive development. The exports growth during nine months of current year continued unbroken.
- National income remained less than expenditures during FY 2018 when compared with FY 2017 which resulted increase in Saving-Investment gap.

- Cotton production stood at 11.935 million bales as compared to 10.671 million bales in 2016-17 and recorded growth of 11.8 percent.
- During 2017-18, rice production reached historically high level of 7,442 thousand tons and recorded an increase of 8.7 percent over the production of 6,849 thousand tons last year.
- Sugarcane production witnessed another record production season as its production reached to 81.102 million tons by showing an increase of 7.4 percent over the last year's production of 75.482 million tons.
- Pakistan exports had started increasing as the negative effect has bottoming out.
- Foreign Investment picked up the pace from last year's level, with both direct and portfolio investment to the gains. Net FDI inflows rose 4.4 percent to 2.1 billion dollars in July-March against 2 billion dollars during same period last year.

Future Outlook:

Low profit rates, stock market crash tough competition with commercial and other giant financial institutions which hit the profitability of modaraba sector but despite of this during the reporting period the operating income of modaraba was significantly improved. The management is taking concrete steps for more improved business plan, making internal controls more efficient and implementing more efficient marketing and business strategies.

The major focus of management was on enhancement of certificate capital. In this regards Rs. 15 million were added as certificate capital during the period. Further the management is approaching various national and international investors for equity enhancement. Near future it is probable that the modaraba will get positive response from them.

Auditors:

The present auditors M/s. Horwath Hussain Chaudhury, Chartered Accountants, are due for retirement and since they have completed their five (05) years as external auditors of the Modaraba, were not eligible for re appointment. Hence the board has appointed M/s. RSM Avasi Hyder Liaquat Nauman & Co, Chartered Accountant as external auditors of the Modaraba for the period ending June 30, 2019 subject to the approval of the Registrar Modarabas, SECP Islamabad.

Acknowledgement:

The Board remains thankful to Securities & Exchange Commission of Pakistan, Registrar Modaraba, State Bank of Pakistan, and NBFI & Modaraba Association of Pakistan for providing us their usual support and guidance.

The Board appreciates and pay gratitude to the certificate holders and customers for entrusting their confidence on us and we assure them to maintain adequate internal controls, providing personalized services and maintain an ideal environment of good corporate governance in all areas of activities.

Finally, the Board appreciates the dedication and hard work put in by the management and all staff members of First IBL Modaraba.

For & On behalf of the Board



Shiraz Butt
Chief Executive Officer
October, 26, 2018

ڈائریکٹر کی رپورٹ

میسرز آئی بی ایل مضاربہ منجمنٹ (پرائیویٹ) لمیٹڈ (آئی بی ایل ایم ایم)، جو فرسٹ آئی بی ایل مضاربہ (ایف آئی بی ایل ایم) کی منجمنٹ کمپنی ہے، کے بورڈ آف ڈائریکٹرز، کی طرف سے 30 جون 2018 کو اختتام پذیر ہونے والے سال کی تصدیق شدہ (آڈیٹڈ) مالیاتی دستاویزات (اسٹیٹمنٹس) بمع آڈیٹر کی رپورٹ کو پیش کرتے ہوئے خوش محسوس کرتا ہے۔

مالیاتی نتائج:

بیان کردہ سال کے دوران مالیاتی نتائج کا خلاصہ درج ذیل ہے:

روپے "000" میں

جون 2017	جون 2018	
31,235	34,643	آپریٹنگ آمدن
16,164	1,046	دیگر آمدن
36,190	35,641	اخراجات
1,111	4,783	منجمنٹ فیس (10 فیصد)
10,007	43,043	خالص منافع بعد از ٹیکس

آپریشن کا جائزہ:

زیر غور مدت کے دوران (ایف آئی بی ایل ایم) کی انتظامیہ کی زیادہ توجہ کاروبار میں اضافے پر رہی اور زیادہ تر سرمایہ اجارہ، مشارکہ اور مراہجہ طبقات میں لگایا۔ انتظامیہ تمام کوششیں آپریٹنگ نقصان کو کم کرنے اور آپریشنل منافع میں اضافے پر لگائیں۔

زیادہ آمدنی پیدا کرنے والے سکیمز میں اہم اضافے کی تفصیلات درج ذیل ہیں:

آمدنی کے طبقات	اضافہ
اجارہ	30.53%
مشارکہ	5.73%
مراہجہ	100%

آپریٹنگ اخراجات میں اہم کمی کی تفصیل درج ذیل ہے:

اخراجات کے طبقات	کمی
آپریٹنگ اخراجات	11.59%

تجارتی بینکوں، لیزنگ کمپنیوں، دیگر بڑے مالیاتی اداروں سے مسابقت، ملک میں الیکشن کی وجہ سے غیر یقینی سیاسی صورتحال اور حصص منڈی کا گرجانے کے ماحول میں مضاربہ نے اپنی نمکدہ برقرار رکھا۔

موجودہ اور گزشتہ سال کی آپریٹنگ آمدنی کا تقابلی تجزیہ درج ذیل ہے:

آمدنی کے طبقات	مالی سال 2018	مالی سال 2017	%
اجارہ	20,231	15,499	30.53%
مراجہ	64.466	0	100%
مشارکہ	6,706	6,343	5.73%
جائیداد میں سرمایہ کاری	7,495	7,495	0%
ڈپازٹس پر منافع	144.55	1,424	-89.88%
قلیل المدت سرمایہ کاری سے آمدن	-	472.84	-100%
آپریٹنگ سے آمدن	34,643	31,325	10.91%

موجودہ سال اور گزشتہ سال کی آپریٹنگ اخراجات کا تقابلی تجزیہ درج ذیل ہے:

اخراجات کے طبقات	مالی سال 2018	مالی سال 2017	%
آپریٹنگ اخراجات	21,191	23,970	-11.59%
دیگر آپریٹنگ اخراجات	818.43	465.13	75.91%
	22,009	24,435	-9.92%

سال 2017-18 میں مشارکہ کی انتظامیہ سٹے 0.840 ملین روپے کی غیر تصدیق شدہ وصولیاں کیں اور ریکوری میجر ایپی بہترین کوششیں کر رہی ہے کہ باقی وصولیوں کو جلد از جلد بحال کروائے۔

زیر فہرست میں مضاربہ سٹے 15 ملین روپے کی سرمایہ کاری کے سرٹیفکیٹ (مادہ وراثت سرٹیفکیٹ) کا اجراء کروایا ہے اور اس طرح سرٹیفکیٹ کنٹریول گزشتہ سال اسی مدت کے دوران 201.875 ملین روپے کے مقابلے میں 216.875 ملین روپے ہو گیا۔ سٹے سرٹیفکیٹ کنٹریول کے سرمائے میں اضافے کے لیے انتظامیہ مختلف قومی اور بین الاقوامی سرمایہ کاروں سے رابطہ کر رہی ہے۔ رپورٹنگ کی تاریخ پر مضاربہ کے ذخائر گزشتہ سال اسی مدت میں 49,798 ملین روپے کے مقابلے میں 48,385 ملین روپے رہے۔

بورڈ کی اجلاس (میٹنگ) میں حاضری:

نمبر شمار	ڈائریکٹر کا نام	اجلاس	غیر حاضری
		اجلاس کی تعداد	شرکت
1	جناب ڈاکٹر حسن مسیح مراد	04	04
2	جناب شائین رشید	04	04
3	جناب ارسلان خان خاکوانی	04	04
4	جناب نوید امین	04	04

بورڈ آف ڈائریکٹرز کی ساخت:

مالی سال 2017-18 میں بورڈ آف ڈائریکٹرز کی تعداد درج ذیل تھی۔

ڈائریکٹر کی تعداد	مرد	عورت
ڈائریکٹر کی تعداد	04	0

مالی سال 2017-18 میں بورڈ آف ڈائریکٹرز کی ساخت درج ذیل تھی۔

نمبر شمار	ڈائریکٹر کا نام	حم
1	ڈاکٹر حسن صہیب	انگریز کیویٹو
2	جناب شاہین رشید	غیر انگریز کیویٹو
3	جناب ارسلان خان خاکاوی	غیر انگریز کیویٹو
4	جناب نوید امین	آزاد

جناب شاہین رشید صاحب مورخہ 15 مئی 2018 اور جناب ڈاکٹر حسن صہیب مراد صاحب مورخہ 10 ستمبر 2018 کو انتقال فرما گئے۔

18 اکتوبر 2018 کو سیکرٹری انچارج ایگزیکٹویشن آف پاکستان نے شیراز بٹ صاحب کی بطوری ای او اور ڈائریکٹر آئی بی ایل مضاربہ منجمنٹ (پرائیویٹ) لمیٹڈ تقرری کی منظوری دے دی۔ رپورٹنگ تاریخ میں بورڈ آف ڈائریکٹرز کی ساخت درج ذیل ہے:

نمبر شمار	ڈائریکٹر کا نام	حم
1	جناب نوید امین	آزاد
2	جناب شیراز بٹ	انگریز کیویٹو
3	جناب ارسلان خان خاکاوی	غیر انگریز کیویٹو

چھ سالوں کا آپرٹنگ ڈیٹا (اعداد و شمار):

مضاربہ کے گزشتہ 6 سالوں کا آپرٹنگ اعداد و شمار اس رپورٹ کے ساتھ منسلک ہیں۔

سرٹیفیکیٹ رکھنے کا رجحان:

کارپوریٹ گورننس کے ضابطہ کے مطابق سرٹیفیکیٹ رکھے جانے کا رجحان کی تفصیل اس رپورٹ کے ساتھ منسلک ہے۔

مضاربہ کے سرٹیفیکیٹس/شئرز میں کسی ڈائریکٹر/سی ای او/سی ایف او/کچھ دیگر بڑی یا ان کے شریک حیات یا بائع بچوں کی طرف سے کوئی خرید و فروخت نہیں ہوئی تاہم قلیلہ اس کو مالیاتی دستاویزات میں ظاہر نہ کیا گیا ہو۔

شاہک مارکیٹ کا جائزہ:

2017 کے شدید تغیر پذیر تجربے کے بعد جس میں شاہک مارکیٹ نے منفی سمت کا رخ کیا اور آخر میں ایسا محسوس ہوتا ہے کہ اس کا استحواہ بحال ہونا شروع ہو گیا ہے کیونکہ 2018 میں اب تک منڈی نے بہت بھترکار کردگی اور اب بھرنے کی قوت دکھائی ہے۔

اس کی معاونت KSE-100 انڈیکس کی حالیہ بحالی نے کی ہے جو 19 دسمبر 2017 پر 37,919 پوائنٹس کم سطح پر دیکھی، اس کے بعد سے اس میں 15 فیصد کا اضافہ ہوا اور 60,000 پوائنٹس کی ریلی کے بعد 44,000 پوائنٹس کو عبور کر گئی۔ غیر ملکیوں کا شاہک فروخت کر کے جانا جب کہ فرسٹر مارکیٹ فنڈ پاکستان MSC کی ابھرتی ہوئی منڈی کے زمرے میں داخل ہو رہا تھا۔ سیاسی اور تکنیکی معیشت کے مسائل اصل فیصلہ ساز تھے جنہوں نے گزشتہ سال مقامی منڈی کو جنوب کی جانب تشکیل دیا۔ تاہم، حال میں متعدد اہم مثبت اقدامات لیے جانے لگے ہیں جو منڈی کے مظہر نامے میں بہتری لائے گئے اور یہ مستقبل سے اترے گا کہ حصص منڈی 2018-2019 میں داخل ہو کر اس کا عمل کیا ہوگا۔

بینٹ میں ذیلی بینٹ کے مل کا کامیابی سے پاس ہونا بھی اصل محرک تھا جس نے عام انتخاب کارروقت ہونے ممکن بنایا۔ بینٹ کے انتخاب کے ساتھ ساتھ عام انتخاب کے کامیاب ہونے سے اس بات کو مضبوط کیا ہے۔

طاہرہ اویس، نیکس اینٹرنیٹ اکٹیم کا بہتری لانے کے اعلان سے توقع ہے۔ نیکس کا ٹیسٹ ویسج ہوگا اور پاکستانیوں کے پاس غیر ملکیوں میں اثاثہ جات کی پاکستان میں داخلہ جیسے اقدام منڈی میں سرمایہ کاروں کے امتحان کو بحال کرنے میں ایک اچھا قدم ثابت ہوگا۔

روپے کی قدر میں بہت دیر سے متوقع کمی بالآخر ہو چکی ہے جس سے توقع ہے کہ غیر ملکی سرمایہ کاروں کی دلچسپی پاکستان کی حصص منڈی کی جانب کروا سکے گی۔ یہاں یہ بات نوٹ کرنی مناسب ہوگی کہ 2017 میں 500 ملین امریکی ڈالر کے فروخت کرنے والے غیر ملکیوں نے جنوری 2018 میں 85 ملین امریکی ڈالر کی خریداری کر کے نئے سال کا آغاز کیا ہے۔ یہ ایک مثبت اشارہ ہے کہ بڑے پیمانے کی خالص فروخت کم ہو چکی ہے اور ہم توقع کر سکتے ہیں کہ اگر پرکشش قدر ہوئی تو سال کے دوران یہ خالص خریداری میں تبدیل ہو سکتی ہے۔

انڈیکس ایڈیٹر، چیمبرک علاقائی اوسط 14.4x کے مقابلے E/P اور ورڈ لین دین تقریباً 8.5x رہا، جو تقریباً 40 فیصد مرکب ڈسٹ ہے۔

CPEC کی چھتری تیلے 60 ارب امریکی ڈالر کے جاری توانائی اور انفراسٹرکچر کے ترقیاتی منصوبے درست سمت میں جاری ہیں اور ان پر کامیاب عملدرآمد اور نفاذ سے ملک کی معاشی سرگرمیوں میں اضافہ ہوگا اور امن و امان کی صورتحال، مجموعی قومی پیداوار (GDP) مضبوط ہوگا اور معاشی اداراتی منافع بخشی کے اشارے ظاہر کرتے ہیں کہ ہماری حصص منڈی بہتری دکھائے گا۔

اقتصادی جائزہ:

تحقیق ہے کہ سال 2017 کے مقابلے میں تمام سیکٹر متحرک رہے۔ بہتر کپاس اور رکاوٹ گھٹنے کی فصلوں سے توقع ہے کہ سال 2018 میں نمونہ برف آسانی سے حاصل کر لیا جائے گا۔ صنعتی سیکٹر، ملکی طلب میں اضافہ دکھا رہا ہے اور متوقع ہے کہ 10 سال کی بلند ترین نمو حاصل کرے۔ خدمات کے سیکٹر کی توقع ہے کہ تقریباً گزشتہ سال کی نمو حاصل کر لے گا جس کی وجہ اجناس کی پیداوری شعبے کی صحت مند کارکردگی ہے۔ اس حوصلہ افزا ماحول میں، مقدار کے اجزاء میں کمی کی وجہ سے افراط زر اپنی انتظامی حدود میں راہ اور ماحول سطح پر رہا۔

بڑی معاشی سرگرمیوں اور افراط زر کے اشتراک کے دو اثرات/خواتین ہیں۔ پہلا، یہ کہ معیشت پر اعتماد میں اضافہ کرتا ہے، جس میں قابل برداشت سرمایہ کاری کی لاگت اور اداروں کو زیادہ قرضہ لینے پر راغب کرتی ہے۔ ملک میں برقی ہوئی طلب کو پورا کرنے کے لیے خاص طور پر توانائی، ٹیکنالوجی اور سیٹ سیکٹر نے اپنی توجہ اپنی پیداواری استعداد میں اضافے پر رکھی ہے۔ ورکنگ کھیل کی طلب میں ایک صحت مند اضافہ دیکھا گیا، حکومتی ترسکات کی مدت ختم ہونے سے وافر سیالیت نے بھی قرضہ کی فراہمی میں اضافے میں مدد کی۔ دوسرا اثر، بھلی استعمال میں اضافہ ہے، جس نے بحال ہوتی ہوئی تیل کی قیمتوں میں درآمدات کی ادائیگیوں کو بڑھا دیا۔ بلند درآمدات کے تیل، مسلسل 10 ماہ کی درآمدات میں اضافہ اور بڑھتی ہوئی کارکنوں کی جانب سے تیل زر کا تہیہ جاری کھاتے کا بڑھا ہوا رکاوٹ خسارہ ہے۔ IFI کی جانب سے بلند تالیاتی فراہمی، برادرات و مسائل اور سورن یونٹوں کا اجراء ہونے کے باوجود کافی رہا۔ اس طرح سے، باقی ادائیگیوں کے خلاء کو پر کرنے کا پورا پورا ملک کے ذخائر پر پڑا، جو مارچ 2018 کے مقابلے میں کے خراب کارکردگی درآمدات کی دو ماہ کی ضرورت پوری کرنے کے بعد گئے۔ غیر ملکی زرمبادلہ کی مبادلہ منڈی تہیہ پڑی بری اور سال 2018 مارچ میں پاکستانی روپے کی قدر میں امریکی ڈالر کے مقابلے میں 9.2 فیصد کمی ہوئی۔ عالمی تیل کی قیمتوں میں بڑھتے ہوئے اضافے نے ملکی ایدہ من کی قیمتوں کو بڑھا کر افراط زر کے توانائی جو میں اضافہ کر دیا، کیونکہ حکومت نے ان اثرات کو صارف پر ڈال دیا تھا۔ اس طرح سے پاکستانی روپے کی قدر میں کمی کے اثرات بھگی برآمدات اور افراط زر سے متعلق بڑھنے والی توقعات پر پڑنے شروع ہو گئے ہیں۔ مالیاتی سال 2018 کی تیسری سہ ماہی میں صحت مند آمدن میں اضافہ رجحان کی رفتار تیزی سے بڑھتے ہوئے مالیاتی اخراجات کے ساتھ مقابلہ نہیں کر پائے گی۔ خاص طور پر ترقیاتی اخراجات خاص طور پر انفراسٹرکچر اور توانائی سے متعلق منصوبوں میں تیزی سے اضافہ ہوا ہے۔ اس کے نتیجے میں سال 2018 کی تیسری سہ ماہی میں مالیاتی خسارہ گزشتہ سال کے مقابلے میں بلند تر رہا۔ اس مالیاتی کمی کو پورا کرنے کے لیے حکومت کو SBP اور بیرونی ذرائع سے قرضہ لینا پڑے گا۔ خاص طور پر، سال 2018 کی تیسری سہ ماہی میں SBP سے لیا ہوا قرضہ 2.2 کھرب روپے رہا جس کے سطح کسی سہ ماہی میں بلند ترین ہے۔ بلند تجارتی قرضے اور پاکستانی روپے کی قدر میں کمی کی وجہ سے بیرونی قرضے خاصے بڑھ گئے۔ قصہ مختصر، معاشی سرگرمیوں میں توسیع اور کم افراط زر کے تسلسل کا انحصار جاری کھاتے اور مالیاتی خسارے کو کھلے رکھنے میں ہے۔ یہ نتیجہ پڑیوں پاکستان کی موجودہ ترقی کے سائیکل کے لیے مسائل پیدا کر رہی ہیں اور اس سلسلے میں قلیل المدت اور وسطی مدت کی پالیسیوں کا نفاذ اہم ہوگا۔ قلیل المدت میں، مشن کرکوشش کرنا ہوں گی تاکہ سال 2019 کے بجٹ میں نیکس میں دی گئیں منکوحہ شدہ ہولت کے پس منظر میں مالیاتی اخراجات کو حقیقت پسندانہ بنانا چاہئے گا۔ وسطی مدت کی اصلاحات کی ضرورت ہوگی تاکہ نیکس کے بنیاد کو وسیع کیا جائے تاکہ موجودہ نظام کی کارکردگی کو بڑھایا جاسکے۔ اسی طرح وقتی طور پر بیرونی ذرائع سے قرضہ لیا جائے۔ تجارتی خسارے کو کم کرنے کے لیے پالیسی اقدامات کی ضرورت ہے۔ اس مقصد کے لیے یہ بھی اہم ہے کہ برآمدات کی مسابقتی صلاحیت کو متاثر کرنے والے ذخائر ختم کیا جائے۔

سال 2018 کے لیے افراط زر سے متعلق بے ضرر ماحول کے ساتھ حقیقی مجموعی پیداوار کی نمونہ اندازہ 5.8 فیصد ہے جو کہ 13 سالوں کا بلند ترین ہے۔ تاہم خراب ہوتا ہوا بیرونی ادائیگیوں کا توازن اور بلند مالیاتی خسارہ اصل مسئلہ کی جڑ ہے گا۔

سال 2017-18 میں پاکستان کی معیشت کی جھلکیاں درج ذیل ہیں۔

- ملکی مجموعی قومی پیداوار کی شرح 5.8 فیصد رہی جو کہ 13 سال کی بلند ترین نمو ہے۔
- پاکستان کے زرعی، صنعتی اور خدمات کے سیکٹر کی ترقی 3.8 فیصد ہوئی۔

SIX YEAR'S FINANCIAL SUMMARY

BALANCE SHEET

(Rs in Million)

Year Ended June 30.	2012	2013	2014	2015	2016	2017
CURRENT ASSETS						
Cash and bank balances	0.05	3.52	30.35	24.58	20.70	13.91
Ijarah rental receivables	1.92	0.32	0.49	0.53	0.99	0.38
Advances, prepayments & other receivables	40.10	36.94	33.54	13.64	12.34	10.35
Short term investments	2.17	22.01	7.77	11.87	36.18	7.64
Current portion of musharikhah receivables	74.49	19.37	3.96	16.50	14.41	42.39
Current portion of murabaha receivables	-	23.00	6.65	22.21	18.34	-
Total Current Assets	118.73	105.16	82.76	89.32	102.96	74.67
NON-CURRENT ASSETS						
Long term murabaha receivables	23.00	-	21.84	-	-	-
Long term musharikhah receivables	-	-	-	-	-	29.03
Long term advances and deposits	3.41	3.21	2.71	2.71	2.71	2.71
Investment Property	-	97.08	92.08	87.08	82.08	77.08
Fixed assets under ijarah arrangements	9.46	11.68	22.49	31.89	35.64	42.29
Fixed assets under own use	1.15	2.44	1.74	1.28	0.78	2.57
Intangible assets	0.75	0.42	0.09	0.17	0.08	-
Investment in subsidiary	57.31	-	-	-	-	-
Total Non-Current Assets	95.07	114.83	140.95	123.12	121.30	153.68
Total Assets	213.80	219.98	223.71	212.44	224.26	228.35
CURRENT LIABILITIES						
Creditors, accrued & other liabilities	14.99	12.08	4.29	3.61	5.20	1.49
Short term borrowing	-	-	-	-	10.00	15.00
Musharikhah profit payable	1.43	1.43	1.43	1.43	1.43	1.43
Musharikhah finance	14.64	12.14	11.20	8.20	4.20	0.70
Current portion of non current liabilities	6.49	7.87	5.02	4.41	5.08	7.73
Provision for taxation	3.19	3.19	3.19	-	-	-
Unclaimed profit distribution	7.69	7.65	9.82	8.41	9.48	9.37
Total current Liabilities	48.44	44.36	34.94	26.06	35.38	35.72
NON CURRENT LIABILITIES						
Long term security deposits	2.70	1.94	6.57	10.25	10.05	9.76
Deffered murabaha income	-	-	2.41	-	-	-
	2.70	1.94	8.98	10.25	10.05	9.76
EQUITY						
Issued, subscribed & paid up capital	201.88	201.88	201.88	201.88	201.88	201.88
Reserves	39.99	43.60	49.06	47.81	46.69	49.79
Revenue Reserve and Unappropriated profit	(79.23)	(71.79)	(71.14)	(73.56)	(69.73)	(68.80)
Total Equity	162.64	173.68	179.79	176.12	178.84	182.87
Total Equity & Liabilities	213.80	219.98	223.71	212.44	224.26	228.35

SIX YEAR'S FINANCIAL SUMMARY

PROFIT & LOSS SUMMARY

(Rs in Million)

Year Ended June 30.	2012	2013	2014	2015	2016	2017
INCOME						
Income from Ijarah	2.90	3.32	5.54	10.12	12.72	15.49
Profit on murabaha investments	4.03	4.03	4.19	3.66	2.25	-
Profit on musharika investments	0.94	0.00	0.56	1.65	3.61	6.34
Income from investment property	-	4.37	7.50	7.50	7.50	7.50
Profit on deposits	0.82	0.54	0.67	0.38	1.54	1.42
Income from short term investments	0.09	0.09	0.17	3.96	6.29	0.48
	8.77	12.36	18.61	27.26	33.90	31.23
OTHER INCOME						
Reversal of provision against non performing musharika receivables	-	14.54	11.02	4.34	9.85	10.24
Reversal of musharika profit held in suspense account	-	1.99	0.00	2.64	0.00	2.98
balances written back	-	0.66	5.32	0.83	0.00	0.54
Other income	0.20	0.58	1.11	0.69	0.16	2.40
	0.20	17.77	17.45	8.51	10.01	16.16
Total Income	8.97	30.13	36.06	35.77	43.91	47.39
EXPENSES						
Operating Expenses	13.90	14.23	19.36	19.49	21.49	23.97
Depreciation on assets under Ijarah	5.76	3.97	5.16	8.85	10.83	11.75
Provision against non performing musharika receivables	26.02	-	-	-	-	-
Musharika profit held in suspense account	1.76	-	-	-	-	-
Finance cost	1.65	-	-	-	-	-
Other operating expenses	1.41	1.61	1.25	1.52	0.67	0.47
Total Expenses	50.51	19.81	25.77	29.85	32.98	36.19
Taxation	-	-	-	-	-	0.09
Profit/ (loss) before Management Fee	(41.54)	10.32	10.29	5.92	10.93	11.11
Management Fee	-	1.03	1.03	0.59	1.09	1.11
Net Profit	(41.54)	9.29	9.26	5.33	9.84	10.00

Statement of Compliance with Code of Corporate Governance For the period ended June 30, 2018

This statement is being presented to comply with the Code of Corporate Governance contained in Regulation # 5.19, sub regulations # 5.19.24 stipulated in Rule Book of Pakistan Stock Exchange for the purpose of establishing a framework of good governance, whereby a listed company is managed in compliance with the best practices of corporate governance.

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

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

Male	03
Female	None

2. The composition of board is as follows:

Independent Directors	01
Other Non-executive Director	01
Executive Directors	01

3. The directors have confirmed that none of them is serving as a director on more than seven 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 the Board / shareholders 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 the Board.
8. The Board of directors has a formal policy and transparent procedures for remuneration of directors in accordance with the Act and these Regulations.
9. The Board has not yet arranged Directors' Training program for the directors as some of the directors had already obtained the relevant training or is exempt under the regulations.
10. The Board has approved appointment of CFO, Company Secretary and Head of Internal Audit, including their remuneration and terms and conditions of employment and complied with relevant requirements of the Regulations.

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. Naveed Amin	Chairman
Mr. Arslan Khan Khakwani	Member
Mr. Shaheen Rashid	Member (died on May 2018)
Mr. Muhammed Ilyas	Secretary

b) HR and Remuneration Committee:

As on June 30, 2018:

Mr. Shaheen Rashid	Chairman (died on May 2018)
Mr. Naveed Amin	Member
Mr. Arslan Khan Khakwani	Member

As on reporting date:

Mr. Naveed Amin	Chairman
Mr. Arslan Khan Khakwani	Member
Mr. Shiraz Butt	Member

13. Chairman of HR & R committee (Mr. Shaheen Rashid who died on May 15, 2018) was non-executive director till May 2018. As on reporting date in accordance with the Rule Book of Pakistan Stock Exchange, Mr. Naveed Amin (Independent Director) is new Chairman of HR & R committee.

14. The terms of reference of the aforesaid committees have been formed, documented and advised to the committee for compliance.

15. CEO and the Chairman of IBL Modaraba Management (Private) Limited, The Management Company of First IBL Modaraba, was the same person and Chairman was an Executive Director as on June 30, 2018. As on reporting date, Mr. Shiraz Butt is Chief Executive / Director of IBL Modaraba Management (Private) Limited and Mr. Arslan Khan Khakwani is Chairman of the Board.

As on reporting date in compliance to the Rule Book of Pakistan Stock Exchange Chairman and CEO are two separate persons.

16. The frequency of meetings (quarterly/half yearly and yearly) of the committee was as per following:

Audit Committee	04
HR and Remuneration Committee	04

17. The Board has set up an effective internal audit function. Mr. Hasnain Shafqat who is considered suitably qualified and experienced for the purpose and is conversant with the policies and procedures of the company.

18. The statutory auditors of the Company 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.
19. 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.
20. We confirm that all other requirements of the Regulations have been complied with.

S/D

Chairman
October 26, 2018

Review Report on the Statement of Compliance contained in Listed Companies (Code of Corporate Governance) Regulations, 2017

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 First IBL Modaraba Management (Private) limited for the year ended June 30, 2018 in accordance with the requirements of regulation 40 of the Regulations.

The responsibility for compliance with the Regulations is that of the Board of Directors of the Company. Our responsibility is to review whether the Statement of Compliance reflects the status of the 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 Company's personnel and review of various documents prepared by the 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 Company's corporate governance procedures and risks.

The Regulations require the Company 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 Company's compliance, in all material respects, with the Regulations as applicable to the Company for the year ended June 30, 2018.

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

Serial no.	Paragraph reference	Description
i	13	Chairman of the Human Resource and Remuneration committee is a non-executive director.
ii	15	Chief Executive Officer and Chairman of the Modaraba is the same person.

HORWATH HUSSAIN CHAUDHURY & CO.
Chartered Accountants
(Engagement Partner: Muhammad Nasir Muneeb)

Lahore
Dated: October 26, 2018

AUDITORS' REPORT TO THE CERTIFICATE HOLDERS

We have audited the annexed balance sheet of **First IBL Modaraba** ("the Modaraba") as at June 30, 2018 and the related profit and loss account, statement of comprehensive income, cash flow statement and statement of changes in equity together with the notes forming part thereof (hereinafter referred to as the financial statements), for the year then ended and we state that we have obtained all the information and explanations which, to the best of our knowledge and belief, were necessary for the purposes of our audit.

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

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

- a) We were unable to verify receivable balances aggregating to Rs. 6.322 million (2017: Rs. 7.163 million) included in "Advances, prepayments and other receivables" and any movement therein owing to non-availability of related records / information / direct confirmation.
- b) in our opinion, proper books of accounts have been kept by the Modaraba Company in respect of the Modaraba as required by the Modaraba Companies and Modaraba (Floatation and Control) Ordinance, 1980 (XXXI of 1980) and the Modaraba Companies and Modaraba Rules, 1981;
- c) 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 accordance with the accounting policies consistently applied;
 - (ii) the expenditure incurred during the year was for the purpose of the Modaraba's business; and
 - (iii) the business conducted, investments made and the expenditure incurred during the year were in accordance with the objects, terms and conditions of the Modaraba;
- d) in our opinion and to the best of our information and according to the explanations given to us, except for the possible effects of the matter described in preceding paragraph "a", 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 June 30, 2018 and of the profit, comprehensive loss, its cash flows and changes in equity for the year then ended; and
- e) 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
Dated: October 26, 2018

HORWATH HUSSAIN CHAUDHURY & CO.
Chartered Accountants

(Engagement Partner: Muhammad Nasir Muneer)

SHARI'AH ADVISOR'S REPORT

FOR THE YEAR ENDED June 30, 2018

I have conducted the Shari'ah review of First IBL Modaraba managed by IBL Modaraba Management (Pvt.) Ltd. for the year ended June 30, 2018 in accordance with requirement of the Shari'a Compliance and Shari'ah Audit Mechanism for Modaraba.

I acknowledge and certify that as Sharia Advisor of the Modaraba, the financial arrangements, contracts and transactions entered into by the company with its customers, stake holders and participants are in compliance with the requirements of Sharia rules and principles.

During the review I have verified the following in compliance with Shariah mechanism:

The transactions of Ijarah, Murabaha and Diminishing Musharakah were reviewed on random selection basis.

Declarations, description of assets, relevant purchase invoices, sequence and order of the documents and time difference between purchases and declaration where applicable were reviewed to obviate the possibility of fictitious transactions.

Sharia Compliance Checklists (SCC) of transactions was also reviewed on random basis.

During the year, credit approvals, customer-specific transaction process flows, text of documents and security documents were reviewed to ensure Shariah compliance while offering financing products to the customers.

Random physical inspections and concrete measures were taken to verify the purchase evidences and invoices of financing transactions, thus further improving the quality of internal controls.

Other related documents and procedures followed by different functional areas were found proper.

During the year onsite training has been given to the staff.

There is no receipt of charity during the financial year accordingly no amount was credited into charity account.

Conclusion

In this context of detailed Shari'ah review carried by the undersigned for the Year ended June 30, 2018, transactions during the period executed by FIBLM were found satisfactory as required by Shari'ah Audit Mechanism.



MUFTI SALMAN AHMED KHAN
SHARIAH ADVISOR
FIRST IBL MODARABA

Dr. Mufti Salman Ahmad Khan

Shari'ah Advisor
First IBL Modaraba
October 26, 2018

BALANCE SHEET AT JUNE 30, 2018

	Note	2018 Rupees	2017 Rupees
ASSETS			
Current Assets			
Bank balances	6	23,503,774	13,917,457
Ijarah rentals receivable	7	439,111	376,363
Advances, prepayments and other receivables	8	9,212,560	10,358,870
Short term investments	9	5,927,880	7,639,596
Short term musharaka receivables	10	53,857,958	42,878,982
Current portion of long term musharaka receivables	11	11,204,478	10,496,836
Murabaha receivable		500,000	-
		104,645,761	85,668,104
Non-Current Assets			
Long term musharaka receivables	11	1,891,061	18,035,698
Long term advances and deposits	12	2,619,260	2,709,260
Investment property	13	72,083,662	77,083,690
Fixed assets under ijarah arrangements	14	40,132,004	42,287,085
Fixed assets under own use	15	2,850,284	2,566,646
Intangible asset	16	-	-
		119,576,271	142,682,379
Total Assets		<u>224,222,032</u>	<u>228,350,483</u>
LIABILITIES			
Current Liabilities			
Creditors, accrued and other liabilities	17	1,044,156	1,489,834
Short term borrowing	18	-	15,000,000
Musharaka profit payable		1,430,192	1,430,192
Musharaka finances		700,000	700,000
Current portion of long term security deposits	19	11,114,320	7,728,560
Deferred murabaha income		17,600	-
Unpresented profit warrants		10,480,807	9,372,983
		24,787,075	35,721,569
Non-Current Liabilities			
Long term security deposits	19	10,155,550	9,764,180
Total Liabilities		<u>34,942,625</u>	<u>45,485,749</u>
NET ASSETS		<u>189,279,407</u>	<u>182,864,734</u>
REPRESENTED BY:			
Certificate capital	20	216,875,000	201,875,000
Reserves	21	48,385,700	49,798,523
Accumulated loss		(75,981,293)	(68,808,789)
Contingencies and commitments	22	-	-
		<u>189,279,407</u>	<u>182,864,734</u>

The annexed notes from 1 to 40 form an integral part of these financial statements.

S/D
CHIEF EXECUTIVE

S/D
DIRECTOR

S/D
DIRECTOR

**PROFIT AND LOSS ACCOUNTS
FOR THE YEAR ENDED JUNE 30, 2018**

	Note	2018 Rupees	2017 Rupees
INCOME FROM OPERATION			
Income from Ijarah	23	20,231,423	15,499,595
Profit on murabaha investment		64,466	-
Profit on musharaka investments		6,707,422	6,343,460
Income from investment property		7,495,440	7,495,440
Profit on modaraba certificate, term deposit receipts and bank deposits		144,550	1,424,104
Income from short term investments	24	-	472,844
		34,643,301	31,235,443
OTHER INCOME			
Reversal of provision against non-performing musharaka receivables - net	10.2	-	10,246,548
Reversal of musharaka profit held in suspense account		-	2,979,037
Balances written back		-	540,022
Other income	25	1,046,069	2,398,870
		1,046,069	16,164,477
TOTAL INCOME		35,689,370	47,399,920
EXPENSES			
Operating expenses	26	(21,191,898)	(23,970,954)
Depreciation on assets under Ijarah	14	(13,631,214)	(11,754,536)
Other operating expenses	27	(818,432)	(465,139)
		(35,641,544)	(36,190,629)
Profit before Tax		47,826	11,209,291
Taxation		-	(89,647)
Profit before Modaraba Company's Management Fee		47,826	11,119,644
Modaraba Company's management fee	28	(4,783)	(1,111,964)
Net Profit for the Year		43,043	10,007,680
Earnings per Modaraba Certificate - Basic and Diluted	29	0.002	0.496

The annexed notes from 1 to 40 form an integral part of these financial statements.

S/D
CHIEF EXECUTIVE

S/D
DIRECTOR

S/D
DIRECTOR

**STATEMENT OF COMPREHENSIVE INCOME
FOR THE YEAR ENDED JUNE 30, 2018**

	2018 Rupees	2017 Rupees
Net Profit for the Year	43,043	10,007,680
Other comprehensive income:		
Items that may be reclassified subsequently to profit or loss		
Unrealized (loss) / income on available for sale investments	(1,421,432)	1,110,715
Items that will not be reclassified subsequently to profit or loss	-	-
Other comprehensive (loss) / income for the year	(1,421,432)	1,110,715
Total Comprehensive Loss/Income for the Year	<u>(1,378,389)</u>	<u>11,118,395</u>

The annexed notes from 1 to 40 form an integral part of these financial statements.

S/D
CHIEF EXECUTIVE

S/D
DIRECTOR

S/D
DIRECTOR

**CASH FLOW STATEMENT
FOR THE YEAR ENDED JUNE 30, 2018**

	Note	2018 Rupees	2017 Rupees
CASH FLOW FROM OPERATING ACTIVITIES			
Cash Generated from / (Used in) operations	30	27,770,104	(7,519,409)
Income taxes paid		(84,199)	(118,674)
Net Cash Generated from / (Used in) Operating Activities		27,685,905	(7,638,083)
CASH FLOW FROM INVESTING ACTIVITIES			
Purchase of fixed assets under Ijarah arrangements		(14,103,900)	(31,337,100)
Purchase of fixed assets under own use		(148,010)	(246,550)
Capital work in progress		(752,000)	(2,233,000)
Proceeds from disposal of fixed assets under own use		46,641	309,103
Proceeds from disposal of assets on terminating Ijarahs		2,812,245	13,503,638
Proceeds from disposal of short term investments		-	30,000,000
Dividend income received		-	127,591
Profit on term deposit receipts and bank deposits		144,550	1,424,104
Net Cash (Used in) / Generated from Investing Activities		(12,000,474)	11,547,786
CASH FLOW FROM FINANCING ACTIVITIES			
Musharaka finances		-	(3,500,000)
Dividends paid		(6,099,114)	(7,194,664)
Net Cash Used in Financing Activities		(6,099,114)	(10,694,664)
Net Increase / (Decrease) in Cash and Cash Equivalents		9,586,317	(6,784,961)
Cash and cash equivalents at the beginning of the year		13,917,457	20,702,418
Cash and Cash Equivalents at the End of the Year		23,503,774	13,917,457

The annexed notes from 1 to 40 form an integral part of these financial statements.

S/D
CHIEF EXECUTIVE

S/D
DIRECTOR

S/D
DIRECTOR

**STATEMENT OF CHANGES IN EQUITY
FOR THE YEAR ENDED JUNE 30, 2018**

Particulars	Certificate Capital	Reserves			Accumulated Loss	Total Equity
		Statutory Reserve	Unrealized Gain on Revaluation of Available for Sale Investments	Total		
Rupees						
Balance as at June 30, 2016	201,875,000	41,058,348	5,627,924	46,686,272	(69,729,120)	178,832,152
Comprehensive income for the year						
Net profit for the year	-	-	-	-	10,007,680	10,007,680
Other comprehensive income for the year	-	-	1,110,715	1,110,715	-	1,110,715
Total comprehensive income for the year	-	-	1,110,715	1,110,715	10,007,680	11,118,395
Transferred to statutory reserve	-	2,001,536	-	2,001,536	(2,001,536)	-
Transactions with owners						
Profit distributed for the year ended June 30, 2016	-	-	-	-	(7,085,813)	(7,085,813)
Balance as at June 30, 2017	201,875,000	43,059,884	6,738,639	49,798,523	(68,808,789)	182,864,734
Comprehensive income for the year						
Net profit for the year	-	-	-	-	43,043	43,043
Other comprehensive loss for the year	-	-	(1,421,432)	(1,421,432)	-	(1,421,432)
Total comprehensive loss for the year	-	-	(1,421,432)	(1,421,432)	43,043	(1,378,389)
Issuance of Capital Certificates	15,000,000	-	-	-	-	15,000,000
Transferred to statutory reserve	-	8,609	-	8,609	(8,609)	-
Transactions with owners						
Profit distributed for the year ended June 30, 2017	-	-	-	-	(7,206,938)	(7,206,938)
Balance as at June 30, 2018	216,875,000	43,068,493	5,317,207	48,385,700	(75,981,293)	189,279,407

The annexed notes from 1 to 40 form an integral part of these financial statements.

S/D
CHIEF EXECUTIVE

S/D
DIRECTOR

S/D
DIRECTOR

NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENT FOR THE YEAR ENDED JUNE 30, 2018

Note 1

Legal Status and Nature of Business

First IBL Modaraba ("the Modaraba") is a multi purpose, perpetual and multi dimensional Modaraba formed under the Modaraba Companies and Modaraba (Floatation and Control) Ordinance, 1980 and rules framed thereunder, having its registered office at Room # 1, 87-Aurangzaib Block, New Garden Town, Lahore. The Modaraba is managed by IBL Modaraba Management (Private) Limited (Modaraba Management Company) incorporated in Pakistan under the Companies Act, 2017 and registered with the Registrar of Modaraba Companies.

The Modaraba is listed on Pakistan stock exchange. It commenced its operations on October 19, 1989 and is currently engaged in various Islamic modes of financing and operations including ijarah, musharaka and murabaha arrangements.

Note 2

Basis of Preparation

2.1 Statement of compliance

These financial statements have been prepared in accordance with the accounting and reporting standards as applicable in Pakistan. The accounting and reporting standards applicable in Pakistan comprise of:

- International Financial Reporting Standards ("IFRSs") and the Islamic Financial Accounting Standards (IFASs) as are notified under the provisions of the Companies Act, 2017 and made applicable to Modarabas under the Modaraba Companies and Modaraba (Floatation and Control) Ordinance, 1980; and
- The requirements of the Modaraba Companies and Modaraba (Floatation and Control) Ordinance, 1980, the Modaraba Companies and Modaraba Rules, 1981; prudential regulations and directives issued by the Securities and Exchange Commission of Pakistan (the Modaraba Regulations).

Wherever, the requirements of the Modaraba Regulations differ from the requirements of these standards, the requirements of the Modaraba Regulations take precedence.

2.2 Accounting convention

These financial statements have been prepared under the historical cost convention except for the measurement of certain financial instruments at fair value in accordance with the requirements of IAS-39 (Financial Instruments: Recognition and Measurement) and at the overall contract price in accordance with IFAS-1 (Murabaha).

2.3 Functional and presentation currency

These financial statements are presented in Pak Rupees which is Modaraba's functional and presentation currency. All financial information presented in Pak Rupees has been rounded off to the nearest rupee unless otherwise stated.

Note 3

Use of Estimates and Judgments

The preparation of financial statements in conformity with approved accounting standards requires management to make judgments, estimates and assumptions that affect application of policies and reported amounts of assets, liabilities, income and expenses. These estimates and associated assumptions are based on historical experience and various other factors that are believed to be reasonable under circumstances, results of which form the basis of making judgment about carrying amounts of assets and liabilities that are not readily apparent from other sources. Actual results may differ from these estimates.

These estimates and underlying assumptions are reviewed on an ongoing basis. Revisions to accounting estimates are recognized in the period in which estimates are revised if the revision affects only that period, or in the period of revision and future periods if the revision affects both current and future periods.

Judgments made by the management that have significant effect on the financial statements and estimates with a significant risk of material adjustment in the next year are as under:

Fixed assets

The Modaraba reviews the useful lives of fixed assets, both under own use and ijarah arrangements, on regular basis. Any change in the estimate might affect the carrying amounts of the respective items of fixed assets with a corresponding effect on the depreciation charge and impairment, if any.

Short term investments

The Modaraba has recorded its short term investments by using quotations from active market. This valuation is subjective to market price fluctuation and therefore, cannot be determined with precision.

Ijarah rentals, musharaka and murabaha investments

Ijarah rentals, musharaka receivables and murabaha investments are stated net of provision, where applicable. Provision is recognised for ijarah rentals receivable, musharaka receivables and murabaha investment in accordance with the prudential regulations for the Modarabas issued by the Securities and Exchange Commission of Pakistan (SECP). Bad and doubtful receivables are written-off when identified.

Note 4

Changes in Accounting Standards, Interpretations and Pronouncements

4.1 Standards, interpretations and amendments to approved accounting standards which became effective during the year

IAS 7, "Statement of Cash Flows" has introduced an additional disclosure that will enable users of financial statements to evaluate changes in liabilities arising from financing activities.

4.2 Standards, interpretation and amendments to approved accounting standards that are not yet effective

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

Standard or Interpretation		Effective Date (Period beginning on or after)
IFRIC 22	Foreign Currency Transactions and Advance Consideration	January 1, 2018
IFRS 9	Financial Instruments: Classification and Measurement	July 1, 2018
IFRS 15	Revenue from Contracts with Customers	July 1, 2018
IFRS 16	Leases	January 1, 2019
IAS 23	Borrowing costs	January 1, 2019

The Modaraba expects that such improvements to the standards will not have any material impact on the Modaraba's financial statements in the period of initial application; except for IFRS 9.

In addition to the above standards and amendments, improvements to various accounting standards have also been issued by the IASB. Such improvements are generally effective for accounting periods beginning on or after 01 January 2019.

Further, following new standards have been issued by IASB which are yet to be notified by the SECP for the purpose of applicability in Pakistan.

	Effective Date (Period beginning on or after)
-IFRS 14 'Regulatory Deferral Accounts'	January 1, 2016
-IFRS 17 'Insurance Contracts'	January 1, 2021

The Modaraba expects that such improvements to the standards will not have any material impact on the Modaraba's financial statements.

Note 5

Summary of Significant Accounting Policies

The significant accounting policies adopted in the preparation of these financial statements are set out below. These policies have been consistently applied to all periods presented, unless stated otherwise.

5.1 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 consist of cash in hand and balances with banks.

5.2 Murabaha investment

Murabaha investments are stated net of provision against potential murabaha losses. Provision is recognized in accordance with prudential regulations for Modarabas issued by the SECP or on the estimate of management, whichever is higher. Bad debts are written off when identified. Murabaha receivables are recorded by the Modaraba at invoiced amount and disclosed as such in the balance sheet.

Purchases and sales under murabaha and the resultant profit are accounted for on the culmination of murabaha transaction. However, the profit on that portion of sales revenue not due for payment is deferred and shown in the balance sheet as liability.

5.3 Financial assets

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

5.3.1 Financial assets at fair value through profit or loss

Financial assets classified as held for trading are included in the category 'Financial assets at fair value through profit or loss'. Financial assets are classified as held for trading if they are acquired for the purpose of selling in the near term. Gains or losses on investments held for trading are recognised in the profit and loss account.

5.3.2 Held-to-maturity

Non-derivatives financial assets with fixed or determinable payments and fixed maturity are classified as held-to-maturity when the Modaraba has the positive intention and ability to hold to maturity. Investments intended to be held for an undefined period are not included in this classification. Other long-term investments, that are intended to be held-to-maturity, are subsequently measured at amortized cost.

This cost is computed as the amount initially recognized minus principal repayments, plus or minus the cumulative amortization, using the effective markup rate method, of a difference between the initially recognised amount and the maturity amount. This calculation includes all fees and charges paid or received between parties to the contract that are an integral part of the effective markup rate, transaction cost and all other premiums and discounts. For investments carried at amortized cost, gains and losses are recognized in the profit and loss account and then the investments are derecognized or impaired, as well as, through the amortization process.

5.3.3 Loans and receivables

Loans and receivables are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market. These are included in current assets, except for maturities greater than twelve months after the reporting date, which are classified as non-current assets. Loans and receivables comprise loans, deposits and other receivables in the balance sheet.

5.3.4 Available-for-sale

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

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

5.4 Financial liabilities

Financial liabilities are classified according to the substance of the contractual arrangements entered into. Significant financial liabilities are secured deposits against Ijarah (lease) assets, musharaka payable and other liabilities.

5.5 Recognition and derecognition of financial instruments

All financial assets and liabilities are recognized at the time when the Modaraba becomes a party to the contractual provisions of the instrument and are derecognized: in the case of asset, when the contractual rights under the instrument are derecognized, expired or surrendered; and in case of liability, when the obligation is discharged, cancelled or expired.

Any gain / (loss) on the recognition and derecognition of financial assets and liabilities is included in the profit / (loss) for the period in which it arises.

Assets and liabilities that are not of contractual nature and that are created as a result of statutory requirements are not financial instruments of the Modaraba.

5.6 Offsetting of financial assets and financial liabilities

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

5.7 Musharaka investment

Musharaka investments are stated net of provision. Provision is recognized in accordance with prudential regulations for Modarabas issued by the SECP or on the estimate of management, whichever is higher. Bad debts are written off when identified.

5.8 Fixed assets

Assets given to customers under ijarah arrangements

Assets given to customers under ijarah arrangements are accounted for as operating lease and are stated at cost less accumulated depreciation and impairment loss, if any. Assets under ijarah arrangements are depreciated using the straight line basis over the shorter of ijarah term or asset's useful life. In respect of additions and transfer during the year, depreciation is charged proportionately over the period of ijarah.

Assets in own use - Tangible

Tangible fixed assets are stated at cost less accumulated depreciation and impairment loss, if any. Cost in relation to assets comprises acquisition and other directly attributable costs. Subsequent costs are included in assets' carrying amounts 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. Carrying amount of parts so replaced, if any, is derecognized. All other repairs and maintenance are charged to profit and loss account as and when incurred. Gains / losses on disposals are carried to the profit and loss account in the year of disposal.

Depreciation is charged to profit and loss account using the straight line method at the rates as specified in note 15 to these financial statements so as to write off the cost of assets over their estimated useful lives without taking into account any residual value. Depreciation on additions to the tangible fixed assets is charged from the month in which an asset is available for use while no depreciation is charged for the month in which the asset is disposed off.

Assets in own use - Intangible

Expenditure incurred on intangible asset is capitalized and stated at cost less accumulated amortization and any identified impairment loss. Intangible assets are amortized on straight line basis over a period of three years.

5.9 Investment property

Property not held for own use or for sale in the ordinary course of business is classified as investment property. The Modaraba values its investment property, which is held to earn rentals and / or for capital appreciation purposes, using the cost model i.e. at cost less any accumulated depreciation and any identified impairment loss.

Depreciation on investment property is charged to income on straight-line method over its estimated useful life at the rates specified in note 13 to the financial statements. Depreciation on additions to investment property is charged from the month in which a property is available for use while no depreciation is charged for the month in which the property is disposed off.

5.10 Creditors and other liabilities

Creditors and other liabilities are measured at cost which is the fair value of the consideration to be paid in future for goods and services received whether billed to the Modaraba or not.

5.11 Provisions

Provisions are recognized when the Modaraba has a present, legal or constructive obligation as a result of past events and it is probable that an outflow of resources embodying economic benefits would be required to settle the obligation and a reliable estimate of the amount can be made. Provisions are reviewed at each the reporting date and adjusted to reflect the current best estimates.

The amount recognized as a provision is the best estimate of the consideration required to settle the present obligation at the reporting date, taking into account the risks and uncertainties surrounding the obligation. Future operating losses are not provided for.

5.12 Revenue recognition

Ijarah rentals are recognized as income on accrual basis, as and when the rental becomes due over the lease period.

Profit on murabaha investment is recognized on pro-rata accrual basis, calculated on number of days for which funds are utilized.

Return on deposits with bank is recognized on accrual basis.

Profit on investment under musharaka arrangements is recognized on accrual basis and additional profit, if any, is recognized on declaration by the investee company in accordance with terms of issue.

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

Income from fee and commission is recognized as and when it becomes due.

5.13 Taxation

Under the current tax law, the income of a non-trading Modaraba is exempt from income tax provided that the Modaraba distributes ninety percent (90%) of its profits for the year, as cash dividend to the certificate holders, after appropriating statutory reserves. Where such profit is not distributed, provision for tax is made on taxable income at the current tax rates applicable to the Modaraba after taking into account available tax exemptions and tax credits, if any.

5.14 Proposed profit distribution to certificate holder

Profit distribution to certificate holders is recognized as a liability in the period in which such distributions are approved by the Board of Directors of the Management Company.

5.15 Related party transactions

Transactions involving related parties arising in the normal course of business are conducted at arm's length on the same terms and conditions as are applicable to third party transactions or otherwise as approved by the Board of Directors.

5.16 Impairment

Carrying amounts of the Modaraba's assets are reviewed at each the reporting date to determine whether there is any indication of impairment. If such an indication exists, the recoverable amount of such asset is estimated and impairment loss is recognized in the profit and loss account. Where an impairment loss subsequently reverses, the carrying amount of the asset is increased to the revised recoverable amount but limited to the extent of the initial cost of the asset. A reversal of the impairment loss is recognized as loss in the profit and loss account.

5.17 Segment reporting

Operating segments are reported in a manner consistent with the internal reporting provided to the Chief Operating Decision Maker (the Chief Executive Officer of the Modaraba). Segment results, assets and liabilities include items directly attributable to a segment. Segment capital expenditure is the total cost incurred during the year to acquire fixed assets and intangible assets.

Note 6	Note	2018	2017
Bank Balances		Rupees	Rupees
Profit bearing bank account		21,372,393	11,166,494
Non profit bearing bank accounts		2,131,381	2,750,963
		<u>23,503,774</u>	<u>13,917,457</u>

Note 7
Ijarah Rentals Receivable

Considered good		439,111	376,363
Considered doubtful	7.2	8,902,560	8,855,077
		<u>9,341,671</u>	<u>9,231,440</u>
Provision against doubtful ijarah rentals		(8,902,560)	(8,855,077)
		<u>439,111</u>	<u>376,363</u>

7.1 These represent rentals receivable against assets given under Ijarah arrangements.

7.2 Movement in provision against doubtful ijarah rentals is as follows:

Opening balance		8,855,077	9,525,449
Addition during the year		214,063	787,175
Reversed during the year		(166,580)	(406,829)
	23.1	<u>47,483</u>	<u>380,346</u>
Ijarah balances written off		-	(1,050,718)
Closing balance		<u>8,902,560</u>	<u>8,855,077</u>

Note 8
Advances, Prepayments and Other Receivables

Advance income tax		1,121,457	1,037,257
Advance to employees (Unsecured - considered good)		597,651	648,066
Prepayments:		440,066	596,404
		<u>2,159,174</u>	<u>2,281,727</u>
Accrued profit on musharaka receivable:			
- Profit receivable		11,209,724	11,437,648
- Less: Profit held in suspense account	11.2	(10,600,386)	(10,523,063)
		<u>609,338</u>	<u>914,585</u>
Accrued profit on murabaha receivable		11,666	-
Other receivables		6,432,382	7,162,558
		<u>9,212,560</u>	<u>10,358,870</u>

Note 9
Short Term Investments

Investments in listed equity securities are classified as:			
- Available for sale	9.1	5,317,249	6,738,681
- At fair value through profit or loss	9.2	610,631	900,915
		<u>5,927,880</u>	<u>7,639,596</u>

9.1 Available for sale

2018	2017	Name of entity		
No. of shares / certificates				
Holdings are in ordinary				
15,662	13,162	The Searle Company Limited	5,317,249	6,738,681

9.2 At fair value through profit or loss

Holdings are in ordinary				
219	200	IBL Health Care	17,570	24,400
200	200	Attock Refinery Limited	43,062	76,516
100,000	100,000	First Punjab Modaraba	550,000	800,000
<u>100,419</u>	<u>100,400</u>		<u>610,632</u>	<u>900,916</u>

Note 10
Short Term Musharaka Receivables

	Note	2018 Rupees	2017 Rupees
Short term musharaka receivables	10.1	53,857,958	42,878,982

10.1 This represents musharaka finance provided to customers for business activities for a maximum period of one years. The provisional rate of profit on these finances ranges from 12% to 15% (2017: 10.5% to 18.48%) per annum and secured by way of hypothecation of goods, book debts and equitable mortgage of property. These charges have not been registered.

Note 11
Long Term Musharaka Receivables

Considered good		13,095,539	28,532,534
Considered doubtful		6,093,971	6,093,971
	11.1	19,189,510	34,626,505
Provision against classified portfolio	11.2	(6,093,971)	(6,093,971)
Less: Current portion		(11,204,478)	(10,496,836)
		1,891,061	18,035,698

11.1 This represents musharaka finance provided to customers for business activities for a maximum period of five years. The provisional rate of profit on these finances ranges from 12% to 15% (2017: 10.5% to 18.48%) per annum and secured by way of hypothecation of goods, book debts and equitable mortgage of property. These charges have not been registered.

11.2 This represents provision made against overdue principal amount of musharaka finance on time based criteria in terms of the requirement of the prudential regulations applicable to the Modaraba. Accrued profit of Rs. 10,600,386 (2017: Rs. 10,523,063) is held in suspense account (Refer to note 8). Movement in provision against classified portfolio is as follows:

Opening balance		6,093,971	16,340,519
Recognized during the year		-	-
Reversed during the year	11.2.1	-	(10,246,548)
		-	(10,246,548)
Closing balance		6,093,971	6,093,971

11.2.1 This represents reversal of provision against outstanding principal after cash recovery from different parties.

Note 12
Long Term Advances and Deposits

Advances		1,500,000	1,500,000
Deposits		1,119,260	1,209,260
		2,619,260	2,709,260

Note 13
Investment Property

Cost			
Opening balance	13.1	100,000,465	100,000,465
Additions during the year		-	-
Closing balance		100,000,465	100,000,465

Accumulated Depreciation

Opening balance		(22,916,775)	(17,916,752)
Charged during the year	13.2 & 26	(5,000,028)	(5,000,023)
Closing balance		(27,916,803)	(22,916,775)
		72,083,662	77,083,690

13.1 This represents fifth floor of the Library Building situated at C-II, Johar Town, Lahore. This floor measures 13,370 square feet.

13.2 The Modaraba depreciates investment property on straight line basis @ 5% per annum.

13.3 The fair value of investment property as at June 30, 2018 was estimated to be Rs. 102.769 million (2017: Rs. 102.769 million). This management estimate was based on the latest valuation carried on June 30, 2017 by an independent valuer.

13.4 The forced sale value of investment property as at June 30, 2018 was estimated to be Rs. 87.354 million (2017: Rs. 87.354 million). This management estimate was based on the latest valuation carried on June 30, 2017 by an independent valuer.

Note 14
Fixed Assets under Ijarah Arrangements

Description	Plant and Machinery	Vehicles	Office Equipment and Computers	Total
	Rupees	Rupees	Rupees	Rupees
Year Ended June 30, 2018				
Cost				
Balance as at July 01, 2017	22,975,853	44,511,033	603,825	68,090,711
Additions	55,400	14,048,500	-	14,103,900
Disposals	-	(3,524,000)	-	(3,524,000)
Balance as at June 30, 2018	23,031,253	55,035,533	603,825	78,670,611
Accumulated depreciation				
Balance as at July 01, 2017	7,572,025	17,697,157	534,444	25,803,626
Charge for the year	6,241,680	7,389,534	-	13,631,214
Disposals	-	(896,233)	-	(896,233)
Balance as at June 30, 2018	13,813,705	24,190,458	534,444	38,538,607
Total as at June 30, 2018	9,217,548	30,845,075	69,381	40,132,004
Year Ended June 30, 2017				
Cost				
Balance as at July 01, 2016	16,155,813	43,747,533	603,825	60,507,171
Additions	12,721,600	18,615,500	-	31,337,100
Disposals	(5,901,560)	(17,852,000)	-	(23,753,560)
Balance as at June 30, 2017	22,975,853	44,511,033	603,825	68,090,711
Accumulated depreciation				
Balance as at July 01, 2016	8,016,771	16,312,130	534,444	24,863,345
Charge for the year	4,266,338	7,488,198	-	11,754,536
Disposals	(4,711,084)	(6,103,171)	-	(10,814,255)
Balance as at June 30, 2017	7,572,025	17,697,157	534,444	25,803,626
Total as at June 30, 2017	15,403,828	26,813,876	69,381	42,287,085

14.1 General description of significant ijarah arrangements (IFAS-2)

This represents Ijarah arrangements made by the Modaraba at profit rates ranging from 10.00% to 17.00% (2017: 10.00% to 17.00%) per annum. These arrangements are secured against assets under ijarah, personal / corporate guarantees, demand promissory notes executed by Musta'jir and other collaterals.

14.2 Aggregate amount of future Ijarah rentals receivable on the basis of Ijarah arrangements executed upto the reporting date are as follows:

	Note	2018 Rupees	2017 Rupees
Not later than one year		8,222,828	28,861,240
Later than one year but not later than five years		8,273,683	10,739,185
		<u>16,496,511</u>	<u>39,600,425</u>

Note 15

Fixed Assets under Own Use

Operating fixed assets	15.1	2,250,284	333,646
Capital work in progress - Advance for purchase of vehicle		600,000	2,233,000
		<u>2,850,284</u>	<u>2,566,646</u>

15.1 Operating fixed assets

Description	Machinery Rupees	Furniture and Fittings Rupees	Vehicles Rupees	Office Equipment Rupees	Computers and Accessories Rupees	Total Rupees
Year Ended June 30, 2018						
Cost						
Balance as at July 01, 2017	1,987,400	4,763,295	358,700	1,400,017	2,585,138	11,094,550
Additions	-	-	2,461,020	44,500	27,490	2,533,010
Disposals	-	-	(253,700)	(15,000)	-	(268,700)
Balance as at June 30, 2018	<u>1,987,400</u>	<u>4,763,295</u>	<u>2,566,020</u>	<u>1,429,517</u>	<u>2,612,628</u>	<u>13,358,860</u>
Accumulated depreciation						
Balance as at July 01, 2017	1,972,286	4,644,410	334,920	1,278,665	2,530,623	10,760,904
Charge for the year	15,114	35,040	492,284	42,348	31,585	616,371
Disposals	-	-	(253,699)	(15,000)	-	(268,699)
Balance as at June 30, 2018	<u>1,987,400</u>	<u>4,679,450</u>	<u>573,505</u>	<u>1,306,013</u>	<u>2,562,208</u>	<u>11,108,576</u>
Total as at June 30, 2018	-	83,845	1,992,515	123,504	50,420	2,250,284
Year Ended June 30, 2017						
Cost						
Balance as at July 01, 2016	1,987,400	4,639,595	1,904,210	1,344,867	2,517,438	12,393,510
Additions	-	123,700	-	55,150	67,700	246,550
Disposals	-	-	(1,545,510)	-	-	(1,545,510)
Balance as at June 30, 2017	<u>1,987,400</u>	<u>4,763,295</u>	<u>358,700</u>	<u>1,400,017</u>	<u>2,585,138</u>	<u>11,094,550</u>
Accumulated depreciation						
Balance as at July 01, 2016	1,953,110	4,615,557	1,324,624	1,214,469	2,505,718	11,613,478
Charge for the year	19,176	28,853	323,980	64,196	24,905	461,110
Disposals	-	-	(1,313,684)	-	-	(1,313,684)
Balance as at June 30, 2017	<u>1,972,286</u>	<u>4,644,410</u>	<u>334,920</u>	<u>1,278,665</u>	<u>2,530,623</u>	<u>10,760,904</u>
Total as at June 30, 2017	15,114	118,885	23,780	121,352	54,515	333,646
Depreciation rates	20%	20%	20%	20%	33.33%	

15.2 These contain fully depreciated assets of Rs: 10,257,654 (2017: Rs: 10,244,640) that are still in use by the Modaraba.

Note 16	Note	2018	2017	
Intangible Asset		Rupees	Rupees	
Carrying value of intangible - computer software	16.1	-	-	
16.1 Net Carrying Value				
Net carrying value - opening balance		-	83,338	
Additions during the year		-	-	
		-	83,338	
Amortization during the year		-	(83,338)	
		-	-	
16.2 Gross Carrying Value				
Cost		1,250,000	1,250,000	
Accumulated amortization		(1,250,000)	(1,250,000)	
Net book value		-	-	
Note 17				
Creditors, Accrued and Other Liabilities				
Accrued expenses		279,448	307,362	
Payable to the Modaraba Management Company		4,783	711,964	
Other liabilities		759,925	470,508	
		1,044,156	1,489,834	
Note 18				
Short Term Borrowing				
This represented short term borrowing received from a director. During the current year, fully paid certificates have been issued against these payables.				
Note 19				
Long Term Security Deposits				
Security deposit - Ijarah		21,269,870	17,492,740	
Less: Current portion		(11,114,320)	(7,728,560)	
		10,155,550	9,764,180	
Note 20				
Certificate Capital				
2018	2017			
Number of certificates				
Authorized:				
50,000,000	50,000,000	Modaraba Certificates of Rs. 10 each	500,000,000	500,000,000
Issued, subscribed and paid-up:				
2018	2017			
Number of certificates				
20,000,000	18,500,000	Modaraba Certificates of Rs. 10 each issued as fully paid in cash	200,000,000	185,000,000
1,687,500	1,687,500	Modaraba Certificates of Rs. 10 each issued as fully paid bonus certificate	16,875,000	16,875,000
21,687,500	20,187,500		216,875,000	201,875,000
20.1	During the current year 1,500,000 modaraba certificates of Rs 10 each, have been issued to a Director (refere to note 17).			
20.2	Reconciliation of the number of certificates outstanding as at the beginning and at the end of the year is as under:			
Opening balance of certificates		20,187,500	20,187,500	
Certificates issued during the year		1,500,000	-	
Closing balance of certificates		21,687,500	20,187,500	

		Note	2018 Rupees	2017 Rupees
20.3	Certificates of the Modaraba held by associates / related parties are as under:			
	2,030,905	2,030,905	IBL Modaraba Management (Pvt.) Limited	20,309,050
	3,070,000	3,070,000	University of Management and Technology	30,700,000
	3,015,820	1,515,820	Director	30,158,200
	8,116,725	6,616,725		81,167,250

Note 21

Reserves

Statutory reserve	21.1	43,068,493	43,059,884
Unrealized gain on revaluation of available for sale investments		5,317,207	6,738,639
		<u>48,385,700</u>	<u>49,798,523</u>

21.1 Statutory reserve represents profits set aside in compliance with the requirements of prudential regulations for Modarabas issued by the SECP. These regulations require the Modaraba to transfer at least 20% after tax profit, if any, up to a maximum of 50%, in the statutory reserves until the reserve equals 100% of the paid up capital. Thereafter, a sum not less than 5% of the after tax profit is to be transferred into the statutory reserve each year. During the year, an amount of Rs. 8,609 (2017: Rs. 2,001,536) has been transferred from profit for the year to statutory reserve with the approval of the Board of Directors of the Management Company.

Note 22

Contingencies and Commitments

There were no material contingencies and commitments outstanding as at the reporting date (2017: Nil).

Note 23

Income from Ijarah

Income from ijarah rental		20,278,906	15,879,941
Ijarah income suspended - net	7.2 & 23.1	(47,483)	(380,346)
		<u>20,231,423</u>	<u>15,499,595</u>

23.1 This represents ijarah income suspended in accordance with the prudential regulations applicable to the Modaraba.

Note 24

Income from Short Term Investments

Dividend income	-	127,591
Dividend income at fair value through profit or loss	-	345,253
	-	<u>472,844</u>

Note 25

Other Income

Documentation charges	191,968	190,073
Gain on termination of ijarah arrangements	184,478	564,333
Gain on disposal of fixed assets under own use	46,641	77,279
Miscellaneous	622,982	1,567,185
	<u>1,046,069</u>	<u>2,398,870</u>

Note 26

Operating Expenses

Salaries, allowances and other benefits	26.1	9,796,718	10,200,648
Communication expenses		232,946	265,921
Travelling and conveyance	26.2	891,737	1,217,765
Postage and stamps		137,572	98,870
Advertisement		61,900	56,240
Legal and professional charges		1,429,788	3,787,547
Rent, rates and taxes		900,232	860,338
Fees and subscription		883,960	752,130
Repairs and maintenance		313,425	209,413
Utilities		269,616	259,097
Insurance		204,371	198,428
Stationery, printing and other expenses		259,747	287,378

	Note	2018 Rupees	2017 Rupees
Depreciation / amortization:			
- Investment property	13	5,000,028	5,000,023
- Owned - tangible	15	616,371	461,110
- Intangible assets	16	-	83,338
Entertainment		113,351	118,665
Bank charges		8,388	7,706
Office supplies		71,748	106,337
		<u>21,191,898</u>	<u>23,970,954</u>

26.1 Remuneration of Officers

Salaries and other benefits include remuneration of officers:

Remuneration	4,282,787	6,709,574
Employer's contribution to provident fund	<u>221,280</u>	<u>381,300</u>
	<u>4,504,067</u>	<u>7,090,874</u>
Number of persons:	<u>4</u>	<u>4</u>

26.2 Officers include Chief Operating Officer (COO), Chief Financial Officer (CFO), Head of Internal Auditor and Company Secretary.

26.3 COO and CFO are also provided with Modaraba owned and maintained vehicles.

Note 27

Other Operating Expenses

Auditors' remuneration	27.1	450,825	447,525
Provision on musharaka profit receivable		77,323	-
Default surcharge on withholding tax		-	17,614
Unrealized loss on re-measurement of investments at fair value through profit or loss		<u>290,284</u>	<u>-</u>
		<u>818,432</u>	<u>465,139</u>

27.1 Auditors' remuneration

Audit fee	275,000	275,000
Review of half yearly financial statements and other certifications	158,125	157,525
Out of pocket expenses	<u>17,700</u>	<u>15,000</u>
	<u>450,825</u>	<u>447,525</u>

Note 28

Modaraba Company's Management Fee

In accordance with Section 18 of the Modaraba Companies and Modaraba (Floatation and Control) Ordinance, 1980, management fee @ 10% of annual profits is paid to the Modaraba Management Company.

Note 29

Earnings per Modaraba Certificate - Basic and Diluted

The calculation of the basic earnings per modaraba certificate is based on the following data:

Net profit for the year (Rupees)	<u>43,043</u>	<u>10,007,680</u>
Weighted average number of modaraba certificates outstanding (Numbers)	<u>20,687,500</u>	<u>20,187,500</u>
Earnings per certificate - basic (Rupees)	<u>0.002</u>	<u>0.496</u>

29.1 Basic earnings per modaraba certificate have been computed by dividing profit for the year as stated above with weighted average number of Modaraba certificates.

29.2 There is no dilutive effect on the basic earnings per modaraba certificate.

Note	Note	2018 Rupees	2017 Rupees
Cash Generated from Operations			
Net profit for the Year		43,043	10,007,680
Adjustment for:			
- Depreciation on fixed assets under own use		616,371	461,110
- Depreciation on investment property		5,000,028	5,000,023
- Depreciation on fixed assets under ijarah arrangements		13,631,214	11,754,536
- Amortization on intangible asset		-	83,338
- Balances written back		-	(540,022)
- Gain on disposal of fixed assets under own use		(46,641)	(77,279)
- Reversal of provision against non-performing musharaka receivables - net		-	(10,246,548)
- Reversal of musharaka profit held in suspense account		77,323	(2,979,037)
- Revaluation loss / (gain) on investment at fair value through profit or loss		290,284	(345,253)
- Gain on termination of ijarah arrangements		(184,478)	(564,333)
- Profit on term deposit receipts and bank deposits		(144,550)	(1,424,104)
- Dividend income		-	(127,591)
		<u>19,239,551</u>	<u>994,840</u>
Operating profit before working capital changes		19,282,594	11,002,520
Decrease / (Increase) in operating assets:			
- Advances, prepayments and other receivables		1,170,787	5,077,012
- Ijarah rentals receivable		(62,748)	612,459
- Long term musharaka receivables		15,436,995	(46,754,073)
- Short term musharaka receivables		(10,978,976)	-
- Long term murabaha receivable		(500,000)	18,340,882
- Long term loans and deposits		90,000	-
Increase / (Decrease) in operating liabilities:			
- Long term security deposits		3,777,130	2,367,262
- Short term borrowings		-	5,000,000
- Creditors, accrued and other liabilities		(445,678)	(3,165,471)
Net changes in working capital		<u>8,487,510</u>	<u>(18,521,929)</u>
Cash Generated from / (Used in) Operations		<u>27,770,104</u>	<u>(7,519,409)</u>

30.1 Liabilities arising from financing activities

	As at June 30, 2017	Non-cash changes	Cash flows (Net)	As at June 30, 2018
			Rupees	
Short term borrowing	15,000,000	(15,000,000)	-	-
Total liabilities from financing activities	<u>15,000,000</u>	<u>(15,000,000)</u>	<u>-</u>	<u>-</u>

Note 31
Maturity of Assets and Liabilities

	Up to one month	One month to three months	Three months to one year	One year to five years	Five years and above	Total
	Rupees	Rupees	Rupees	Rupees	Rupees	Rupees
Assets						
Bank balances	23,503,774	-	-	-	-	23,503,774
Ijarah rentals receivable	439,111	-	-	-	-	439,111
Advances, prepayments and other receivables	621,004	-	8,591,556	-	-	9,212,560
Short term investments	610,631	-	5,317,249	-	-	5,927,880
Musharaka receivables	25,847,108	8,771,946	30,443,382	1,891,061	-	66,953,497
Murabaha receivable	-	-	500,000	-	-	500,000
Long term advances and deposits	-	-	-	2,619,260	-	2,619,260
Investment property	416,669	1,250,007	3,333,352	20,000,112	47,083,522	72,083,662
Fixed assets	8,720,678	915	6,666,505	27,594,190	-	42,982,288
Total Assets - June 30, 2018	60,158,975	10,022,868	54,852,044	52,104,623	47,083,522	224,222,032
Liabilities						
Creditors, accrued and other liabilities	279,448	217,802	546,906	-	-	1,044,156
Unpresented profit warrants	10,480,807	-	-	-	-	10,480,807
Musharaka profit payable	1,430,192	-	-	-	-	1,430,192
Musharaka finances	700,000	-	-	-	-	700,000
Deferred murabaha income	-	-	17,600	-	-	17,600
Security deposits	10,559,560	-	554,760	10,155,550	-	21,269,870
Total Liabilities - June 30, 2018	23,450,007	217,802	1,119,266	10,155,550	-	34,942,625
Net Assets - June 30, 2018	36,708,968	9,805,066	53,732,778	41,949,073	47,083,522	189,279,407
<hr/>						
Total Assets - June 30, 2017	20,464,533	870,967	79,523,023	54,267,130	73,224,830	228,350,483
Total Liabilities - June 30, 2017	18,945,048	1,130,559	15,645,962	9,764,180	-	45,485,749
Net Assets - June 30, 2017	1,519,485	(259,592)	63,877,061	44,502,950	73,224,830	182,864,734
<hr/>						
					2018	2017
					Rupees	Rupees
Certificate capital					216,875,000	201,875,000
Reserves					48,385,700	49,798,523
Accumulated loss					(75,981,293)	(68,808,789)
					189,279,407	182,864,734
<hr/>						
Represented by:						
<hr/>						

Note 32
Segment Analysis

32.1 Geographical segments

The Modaraba's assets are employed and its income is derived in Pakistan.

32.2 Business segments

Murabaha receivable and profit on murabaha receivable

	2018		2017	
	Rupees	%	Rupees	%
Construction	500,000	100.00	-	-

Musharaka receivable and profit on musharaka receivable

	2018		2017	
	Rupees	%	Rupees	%
Media advertising	22,177,370	33.12	37,736,695	52.84
Construction	2,643,133	3.95	27,811,734	38.95
Education	6,179,507	9.20	-	-
Individuals	35,953,488	53.70	5,863,086	8.21
	66,953,498	99.97	71,411,515	100.00

Ijarah receivable

Medical and pharmaceuticals	-	-	67,483	18.00
Media advertising	-	-	4,200	1.00
Individuals	401,346	91.40	138,750	37.00
Others	37,765	8.60	165,930	44.00
	<u>439,111</u>	<u>100.00</u>	<u>376,363</u>	<u>100.00</u>

Investment in ijarah under (IFAS-2)

Individuals	23,025,727	57.40	21,118,131	49.90
Medical and pharmaceuticals	1,439,752	3.60	1,484,196	3.50
Media advertising	7,870,517	19.60	13,827,979	32.70
Leasing	283,906	0.70	283,906	0.70
Hotel	120,000	0.30	120,000	0.30
Engineering	60,000	0.10	60,000	0.10
Others	7,332,102	18.30	5,392,873	12.80
	<u>40,132,004</u>	<u>100.00</u>	<u>42,287,085</u>	<u>100.00</u>

Note 33**Balances and Transactions with Related Parties**

33.1 In accordance with Section 18 of the Modaraba Companies and Modaraba (Floatation and Control) Ordinance, 1980, management fee @ 10% of annual profits is paid to the Modaraba Management Company.

33.2 Related parties comprise the Management Company, major certificate holders of the Modaraba and their close family members, directors of the management company and their close family members, key management personnel of the Management Company and their close family members and entities with common directors or under common management.

33.3 Details of transactions with related parties and balances outstanding with them as at the reporting date are as follows:

Transactions during the year			2018 Rupees	2017 Rupees
Related party	Relationship	Nature of Transaction		
IBL Modaraba Management (Private) Limited	Management Company	Management fee accrued during the year	217,802	1,111,964
		Management fee paid during the year	711,964	1,493,303
University of Management and Technology	Holds 14.16% of the paid up certificates of Modaraba	Rent of library building received	7,495,440	7,495,440
		Dividend paid during the year	1,095,990	1,077,570
IBL Modaraba Management (Pvt.) Limited	Holds 9.36% of the paid up certificates of Modaraba	Dividend paid during the year	725,033	712,848
		Dividend paid during the year	541,148	532,053
Director	Director	Short term borrowing obtained	-	5,000,000
		Short term borrowing converted to certificate capital	15,000,000	-
Outstanding Balance at the year end				
Short term borrowing			-	15,000,000
Payable to the Modaraba Management Company			4,783	711,964

Transactions with related parties, except for the management fee payable to the Management Company, are carried at an arm's length in the normal course of business.

Note 34
Capital Risk Management

While managing capital, the objectives of the Modaraba are to ensure that it continues to meet the going concern assumption, enhances certificate holders' wealth and meets stakeholders' expectations. The Modaraba ensures its sustainable growth viz. maintaining optimal capital structure and keeping its profits payable low thus maintaining smooth capital management.

In line with others in the industry, the Modaraba monitors capital on the basis of the gearing ratio. This ratio is calculated as net debt divided by total capital. Net debt is calculated as total borrowings (including current and non current) less cash and cash equivalents. Total capital is calculated by adding equity, as shown in the balance sheet, into net debt. As on the reporting date, the Modaraba is geared 5% (2017: 15%).

Note 35
Financial Risk Management

35.1 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 Modaraba Management Company ("the Board") has overall responsibility for the establishment and oversight of the Modaraba's risk management framework. The Board is responsible for developing and monitoring the Modaraba's risk management policies.

The Modaraba's risk management policies are established to identify and analyze the risks faced by the Modaraba, to set appropriate risk limits and controls and to monitor risks and adherence to limits. Risk management policies and systems are reviewed regularly to reflect changes in market conditions and the Modaraba's activities. The Modaraba, through its training and management standards and procedures, aims to develop a disciplined and constructive control environment in which all employees understand their roles and obligations.

The Modaraba's Audit Committee oversees how the management monitors compliance with the Modaraba's risk management policies and procedures and reviews the adequacy of the risk management framework in relation to the risks faced by the Modaraba. The Audit Committee is assisted in its oversight role by the Internal Audit Department.

35.2 Credit Risk:

35.2.1 Credit risk and concentration of credit risk

Credit risk represents the accounting loss that would be recognized at the reporting date if counter parties to the financial instruments fail to perform as contracted. The Modaraba is exposed to credit risk from its operating activities (primarily from investments in ijarah, murabaha and musharaka contracts), deposits with banks and financial institutions and other financial instruments.

35.2.2 Credit risk related to receivables

The Modaraba has adopted a policy of only dealing with creditworthy parties and obtaining sufficient collateral, where appropriate, as a means of mitigating the risk of financial loss from defaults. The Modaraba only transacts with those parties that are rated the equivalent of investment grade and above. The Modaraba has internally developed rating criteria to rate its customers which is supplemented by ratings supplied by independent rating agencies, where available. The Modaraba also uses other publicly available financial information and its own trading records to rate its customers. The Modaraba's exposure and the credit ratings of its counterparties are continuously monitored and the aggregate value of transactions concluded is spread amongst approved parties. Credit exposure is controlled by credit limits that are internally reviewed and approved by the risk management committee annually.

The management monitors and limits the Modaraba's exposure to credit risk through monitoring of clients' credit exposure, reviews and conservative estimates of provisions for doubtful receivables, if any, and through the prudent use of collateral policy. The management is of the view that it is not exposed to significant concentration of credit risk as its financial assets are adequately diversified in organizations of sound financial standing covering various industrial sectors and segments.

35.2.3 Credit risk related to financial instruments and cash deposits

The Modaraba limits its exposure to credit risk by only investing in liquid securities and only with parties that have a track record. Given these high credit ratings, the management does not expect any party to fail to meet its obligations, except to the extent of impairment loss recognized.

35.2.4 Exposure to credit risk

Carrying amounts of financial assets represent the maximum credit exposure. The maximum exposure to credit risk at the reporting date was:

Financial assets	Note	2018 Rupees	2017 Rupees
Bank balances	6	23,503,774	13,917,457
Ijarah rentals receivable	7	439,111	376,363
Advances and other receivables	8	7,053,386	8,077,143
Short term investments	9	5,927,880	7,639,596
Musharaka receivables	10 & 11	66,953,497	71,411,516
Murabaha receivable		500,000	-
Long term advances and deposits	12	2,619,260	2,709,260
		<u>106,996,908</u>	<u>104,131,335</u>

Geographically all credit exposure is concentrated in Pakistan.

The maximum exposure to credit risk for receivables against Ijarah, musharaka and murabaha investment at the reporting date by type of customer was:

Education	6,179,507	-
Medical and pharmaceuticals	-	67,483
Media advertising	22,177,370	37,740,895
Individuals	36,354,834	6,001,836
Construction	3,143,133	27,811,734
Others	37,765	165,930
	<u>67,892,609</u>	<u>71,787,878</u>

The maximum exposure to credit risk for the following financial assets at the reporting date by mode of financing was as under:

Ijarah rentals receivable	439,111	376,363
Accrued profit on murabaha and musharaka	621,004	914,585
Musharaka receivables	66,953,497	71,411,516
Murabaha receivable	500,000	-
	<u>68,513,612</u>	<u>72,702,464</u>

Impairment losses

The aging of financial assets at the reporting date was:

	Gross 2018 Rupees	Impairment 2018 Rupees	Gross 2017 Rupees	Impairment 2017 Rupees
Not past due				
Past due 0-90 days	77,232	-	221,880	215,973
Past due 90-180 days	60,280	60,280	202,449	202,449
Past due over 180 days	25,596,917	25,596,917	26,171,890	25,053,689
	<u>25,734,429</u>	<u>25,657,197</u>	<u>26,596,219</u>	<u>25,472,111</u>

35.3 Liquidity risk

Liquidity risk is the risk that the Modaraba will not be able to meet its financial obligations as they fall due. Prudent liquidity risk management implies maintaining sufficient cash and marketable securities, the availability of funding to an adequate amount of committed credit facilities and the ability to close out market positions due to dynamic nature of the business. 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 maturity profile of the Modaraba's financial liabilities based on contractual amounts is disclosed in Note 30 to the financial statements.

35.3.1 Market risk

Market risk is the risk that changes in market prices, such as foreign exchange rates, interest rates and equity prices will affect the Modaraba's income or the value of its holdings of financial instruments. The objective of market risk management is to manage and control market risk exposures within acceptable parameters, while optimizing the return on risk.

35.3.2 Exposure to currency risk

The Modaraba has no exposure to foreign currency risk as at the reporting date.

35.3.3 Other market price risk

Other price risk represents the risk that the fair value or future cash flows of a financial instrument will fluctuate because of changes in market prices (other than those arising from interest rate risk or currency risk), whether those changes are caused by factors specific to the individual financial instrument or its issuer, or factors affecting all similar financial instrument traded in the market. The Modaraba is exposed to equity price risk in respect of short term investments available for sale and at fair value through profit or loss.

35.3.4 Sensitivity analysis - equity price risk

A change of 1% in value of investments would have increase or decrease equity by Rs. 59,279 (2017: Rs. 76,396).

35.3.5 Fair value of financial assets and liabilities

The carrying values of all financial assets and financial liabilities approximate to their fair values.

Note 36 Provident Fund Related Disclosures

The Modaraba operates a recognized provident fund for its permanent employees wherein equal monthly contributions are made by the Modaraba and employees into the fund at the rate of 10% of the basic salary. Obligation for contributions to defined contribution plan is recognized as an expense in the profit and loss account. The following is information of fund as on June 30,:

	2018	2017
Fund Balance	1,787,953	2,740,317

36.1 The Modaraba has maintained provident fund account in MCB Bank Limited which has balance of Rs. 1,787,953 (2017: Rs. 2,740,317).

Note 37 Number of Employees

	Numbers	Numbers
Employees as at June 30,	14	15
Average number of employees during the year	14	15

Note 38
Date of Authorization for Issue

These financial statements were approved and authorized for issue on October 26, 2018 by the Board of Directors of IBL Modaraba Management (Private) Limited (the Management Company).

Note 39
Profit Distribution

Subsequent to the year ended June 30, 2018, the Board of Directors of the Management Company in their meeting held on October 26, 2018 declared a final profit distribution of Rs. Nil (2017: Rs. 0.357) per Modaraba certificate which in total amounts to Rs. Nil (2017: Rs. 7,206,938).

Note 40
General

Corresponding figures have been re-arranged, wherever necessary, to facilitate comparison. Following material rearrangements have been made in these financial statements for better presentation:

From	To	Amount (Rupees)
Long term musharaka receivables	Current portion of long term musharaka receivables	10,496,836
	Short term musharaka receivables	492,710
Current portion of long term musharaka receivables	Short term musharaka receivables	42,878,982

S/D
CHIEF EXECUTIVE

S/D
DIRECTOR

S/D
DIRECTOR

**DETAIL OF CATEGORIES OF CERTIFICATE HOLDERS
AS AT JUNE 30, 2018**

Categories of Shareholder	Total	% age
Directors, Chief Executive Officer, Their Spouses and Minor Children		
Directors		
Mr. HASSAN SOHAIB MURAD	3,015,820	13.91
	3,015,820	13.91
Associated Companies, Undertakings & Related Parties		
UNIVERSITY OF MANAGEMENT & TECHNOLOGY	3,070,000	14.16
IBL MODARABA MANAGEMENT (PRIVATE) LIMITED	2,030,905	9.36
	5,100,905	23.52
NIT & ICP (Name Wise Detail)		
CDC - TRUSTEE NATIONAL INVESTMENT (UNIT) TRUST	1,078,774	4.97
	1,078,774	4.97
Banks, NBFCs, DFIs, Takaful, Pension Funds	140,596	0.65
Modarabas	70	0.00
Insurance Companies	517,033	2.38
Other Companies, Corporate Bodies, Trust etc.	4,722,813	21.78
General Public	7,111,489	32.79
	21,687,500	100.00

**CATEGORIES OF CERTIFICATE HOLDERS
AS AT JUNE 30, 2018**

Categories of Shareholder	Number	Holding	% age
Modarabas	1	70	0.00%
Related parties	2	5,100,905	23.52%
Directors	1	3,015,820	13.91%
Banks	6	140,596	0.65%
Insurance Companies	3	517,033	2.38%
NIT & ICP	2	1,078,774	4.97%
Other	12	4,722,813	21.78%
Individuals	1226	7,111,489	32.79%
	1,253	21,687,500	100%

**PATTERN CERTIFICATE HOLDING
BY CERTIFICATE HOLDERS
AS AT JUNE 30, 2018**

No. of Shareholders	Shareholding		Total Shares held
	From	To	
429	1	100	15,967
308	101	500	87,297
185	501	1,000	132,585
230	1,001	5,000	500,097
46	5,001	10,000	339,336
14	10,001	15,000	180,287
5	15,001	20,000	97,500
3	20,001	25,000	67,500
2	25,001	30,000	56,000
3	30,001	35,000	97,875
1	35,001	40,000	36,000
2	40,001	45,000	88,500
2	45,001	50,000	96,000
1	50,001	55,000	51,087
1	80,001	85,000	82,000
1	90,001	95,000	92,700
3	130,001	135,000	397,941
1	145,001	150,000	150,000
1	165,001	170,000	170,000
1	240,001	245,000	240,068
1	245,001	250,000	250,000
1	280,001	285,000	280,507
1	310,001	315,000	313,500
1	460,001	465,000	460,500
1	470,001	475,000	473,000
1	505,001	510,000	509,990
1	1,045,001	1,050,000	1,050,000
1	1,075,001	1,080,000	1,078,774
1	1,745,001	1,750,000	1,750,000
1	2,030,001	2,035,000	2,030,905
1	3,015,001	3,020,000	3,015,820
1	3,065,001	3,070,000	3,070,000
1	4,425,001	4,430,000	4,425,764
1,252			21,687,500



First IBL Modaraba

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