



# **First IBL Modaraba**

ANNUAL REPORT 2017



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## CORPORATE INFORMATION

Modaraba Management Company	IBL Modaraba Management (Pvt.) Limited	
Board of Directors	Dr. Hasan Sohaib Murad Shaheen Rashid Arslan Khan Khakwani Naveed Amin	Chairman/ CEO Director Director Director
Chief Operating Officer	Shiraz Butt	
Company Secretary	Sohail A. Sheikh (outgoing) Hassan Fareed (incoming)	
Chief Financial Officer	Zeeshan Ahmed	
Internal Auditor	Hasnain Shafqat	
Audit Committee	Naveed Amin Shaheen Rashid Arslan Khan Khakwani Muhammed Ilyas	Chairman Member 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 Silk Bank Limited – Islamic Banking	
Registrar	Corp Tec Associates (Pvt.) Limited 503 E, Johar Town, Lahore.	
Registered Office	Suit # 105, 1 <sup>st</sup> Floor, Fortune Center, 45 A, Block 6, PECHS, Shahrah e Faisal, Karachi.	
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 17<sup>th</sup> Annual Review Meeting [ARM] of certificate holders will be held on Thursday October 26, 2017 at 04:30 p.m. at Auditorium of NBFI and Modaraba Association of Pakistan, 602, 6<sup>th</sup> Floor, Progressive Centre, 30-A, Block-6, P.E.C.H.S., Shahrah-e-Faisal, Karachi to review the performance of First IBL Modaraba for the year ended June 30, 2017.

The persons entitled to attend the meeting will be those certificate holders whose names are entered in the register of certificate holders seven (07) days before October 26, 2017.

**Company Secretary**

October 04, 2017

## 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, 2017 along with Auditors' Report thereon.

### Financial Results:

Summarized results for the year under report are as under:

(Rs. in "000")

	June 2017	June 2016
Operating income	31,235	33,902
Other income	16,164	10,013
Management fee- 10%	1,111	1,093
Net profit after Tax	10,007	9,839

### Review of Operations:

By the grace of Almighty, another successful financial year is concluded by the management of First IBL Modaraba and management is pleased to maintain the confidence of its certificate holders on them by reporting net profit after tax of Rs. 10.007 million.

Keeping the trend of continuous declaration of dividend, increase in profitability for its certificate holders the Modaraba is on its way to growth. The management of Modaraba is confident to grow further in future.

Despite of low profit rates, competition with other market players such as conventional commercial banks, Islamic banks, leasing companies and other financial institutions operating in Pakistan, the management of Modaraba put its best efforts to achieve the satisfactory performance during the year. Therefore during the period under review, the main focus was on recovery from non-performing portfolio and increased profitability from major source of revenue. All possible measures were exercised for recovery including, negotiations, repossession, law suits and execution of collaterals, etc., which resulted in significant successes during the reporting period. Amount of Rs. 13.225 million was recovered against non-performing assets and funds were subsequently invested in Ijarah and musharikhah segments to get better profitability which resulted in significant increase in income from Ijarah (increase of 21.88%) and musharikhah segments (75.92%).

During the financial year 2016-17 investments were withdrawn from low income generating segments and invested in higher profit generating segments i.e. investment in Ijarah was Rs. 31.337 million and musharikhah was 116.28 million.

Another major achievement made by the management during the period was recovery from un verifiable receivable balances. Amount of Rs. 1.307 million were recovered under this head and negotiations for further recoveries are also in progress.

The management of Modaraba is paying core attention toward enhancement of certificate capital of Modaraba and in this regards further Rs. 5 million were also received and reported under the head of short term borrowing in the financial statements.

Below mentioned table reflects the breakup of the revenue generated from Operations during the period ended June 30, 2017.

INCOME	June 2017 Amount (Rs.)	June 2016 Amount (Rs.)
Income from Ijarah	15,499,595	12,717,171
Profit on Murabahah Investment	-	2,254,333
Profit on Musharikhah Investment	6,343,460	3,605,796
Income from Investment Property	7,495,440	7,495,440
Profit on Deposits	1,424,104	1,542,139
Income from Short Term Investments	472,844	6,287,255
<b>Total</b>	<b>31,235,443</b>	<b>33,902,134</b>

The table given below shows the details of expenses recorded by the Modaraba during the year:

<b>EXPENSES</b>	<b>June 2017 Amount (Rs.)</b>	<b>June 2016 Amount (Rs.)</b>
Operating Expenses	23,970,954	21,485,757
Depreciation on Assets Subject to Ijarah	11,754,536	10,828,700
Other Operating Expenses	465,139	667,905
<b>Total</b>	<b>36,190,629</b>	<b>32,982,362</b>

As at reporting date, the reserves of the Modaraba stood at Rs.49.798 million as compare to Rs. 46.686 million in the preceding period.

**Attendance of Board Meetings:**

During the year under review, Six (06) meetings of Board of Directors were held, which were attended by the directors as under:

<b>Sr. #</b>	<b>Name of Director</b>	<b>Number of Meetings</b>	<b>No. of Meetings Attended</b>	<b>Leave of Absence</b>
1	Dr. Hasan Sohaib Murad	6	6	-
2	Mr. Shaheen Rashid	6	6	-
3	Mr. Arslan Khan Khakwani	6	3	3
4	Mr. Naveed Amin	6	6	-

**Operating Data for six years:**

The operating data of the Modaraba for six (6) years is annexed to this report.

**Pattern of Certificates Holding:**

The detailed pattern of certificates holding as at June 30, 2017 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.

**Economic Review**

In recent release of an International Monetary Fund (IMF) report on Pakistan's economy, the IMF is praising the government for strengthening macroeconomic resilience. The report notes that the country's outlook for economic growth is favorable with real GDP estimated at 5.3% in FY 2016-17 and strengthening to 6% over the medium-term.

Pakistan's economic growth rate surpassed an estimated projection of 5.2% for FY 2016- 17; as it has been recorded @ 5.28%, as per recent economic survey released by the government of Pakistan. The growth rate for 2016-17 is estimated to be over 5%, the first time after 2006-07.

Growth in the industrial sector, i.e. 5%, has been respectable, though it declined from 5.8% in 2015-16. The large scale manufacturing sector grew at 4.9% within the industrial sector. The services sector has recorded an increase in growth as it finished at 5.98% in 2016-2017 compared to last year's figures which enabled it to stand at 5.70%. The country's service exports recorded 1.76% growth year-on-year to \$5.55 billion in 2016-17.

The country's total liquid forex reserves (comprising SBP and banks) stood at \$ 21.37 billion as on June 30, 2017 compared to \$ 23.08 billion on June 30, 2016, depicting a decrease of \$ 1.71 billion in FY17. Albeit, the country's forex reserves hit a peak of \$24.461 billion in October 2016 as proceeds from \$ 1 billion Sukuk were received, however, this level could not be sustained due to increasing current account gap and lower external inflows.

Overseas Pakistani workers remitted \$ 19,303.58 million in FY17 (July to June), compared with \$ 19,916.76 million received during the same period in the preceding year.



Pakistan also registered a growth in Foreign Direct Investment (FDI) for this year, as 12.75%. Currently, Pakistan's FDI stands at \$ 1.733 billion, whereas last year it was stood at \$ 1.537 billion. Major FDI inflows during the period under review were received from China, \$ 744.4 million.

Investment to GDP ratio has reached at 15.78% in FY 2017. Fixed investment has increased to Rs. 4,517 billion as compared to Rs. 4,061 billion last year. National savings were 13.1% of GDP in FY2017 against 14.3% last year. Domestic savings are recorded at 7.5% of GDP in the outgoing fiscal year as compared to 8.2% of GDP last year.

Inflation rate remained 4.09%, while the volume of Pakistan's economy surpassed \$300 billion.

Government borrowing from commercial banks exceeded to Rs. 1.0 trillion mark during the last fiscal year ended in June, mainly due to high public spending. The government borrowed Rs.1.087 trillion from banks for budgetary support in FY17, up 37.38% from a year earlier.

During the fiscal year 2016-17, the World Bank disbursed \$958 million, including a policy loan of \$302 million. In respect of debt servicing, the revised estimates show that more than 70% of the net revenue receipts are consumed by debt servicing only. However, for 2017-18, a reduction of more than Rs. 218 million in debt servicing expenditure is estimated.

The country's fiscal deficit is touched to 5% of GDP against the desired target of 4.3% for the last fiscal year ended June 30, 2017. The country's current account deficit hit 4% of GDP for the last fiscal year, surpassing the annual targets of the government and the IMF, as the deficit amounted to \$12.098 billion 2016/17 up almost two times over the last year.

Due to historically low interest rates, the private-sector borrowing jumped by 126% in 2016-17. The private sector borrowed Rs. 633 billion in 2016-17 against Rs. 280 billion in the preceding fiscal year.

Bank credit to agriculture sector rose 17.8% during the last fiscal year of 2016-17. Banks extended Rs. 704.5 billion worth of agriculture loans in FY17, compared with Rs.598.3 billion in the preceding year.

The World Bank forecasts that Pakistan is expected to pick up to a 5.5% in the next fiscal year. The overall growth in the South Asian region is forecast to pick up to 7.1% in 2018. The recent acceleration in activity in some of the largest emerging markets is a welcome development for growth in their regions and for the global economy. Now is the time for emerging market and developing economies to assess their vulnerabilities and strengthen policy buffers against adverse shocks.

### **Stock Market Review**

Good times continued to roll for the Pakistan Stock Exchange (PSX) well into FY 2017. On May 25, 2017, the benchmark KSE-100 Index hit an intra-day all-time high at 53124 points, i.e., above 10.0% from 48240 points reflected on January 02, 2017.

For a country with an annual GDP growth rate of 4.7%, it looks impressive that its stock market continues to outperform those of its neighbors, India and China (both economies expanding at more than 6.0% per annum).

However, due to post FY 2017 political uncertainty, especially after Panama decision announced by the Supreme Court on July 28, 2017, a declining trend has been observed and KSE 100 Index reduced from 46,565.29 points on June 30, 2017 to 42,683.57 points on September 14, 2017; though it was enhanced by 23.24% on a year- to- year basis, as it was recorded at 37,783.54 points as on June 30, 2016. Market Capitalization has also increased to Rs. 9,522. 35 billion as of June 30, 2017 from Rs. 7,588.47 billion recorded in the same period last year.

### **Future Outlook:**

In terms of profitability FY 2017-18 would be more challenging period for Modaraba sector. Lower profit rates being offered by giant financial institution in the market will give the tough time to Modaraba industry.

Keeping in view the current market scenario the management of FIBLM is taking concrete steps to make more effective future business and marketing strategies to increase profitability as well as more effective system of internal controls.

Preference will also be given to recovery of un verifiable receivable balances for which the management is putting its best efforts which include negotiation with the debtors.

Major focus of the management is on enhancement of certificate capital of Modaraba for which Rs. 15 million had already been received and reported under the head of "Short term borrowings" in the financial statements.

Due to recent political unrest, two national and one international proposed investor had withheld their investments. The management is in discussion process to convince them for investment. Further proposals are also being presented to various other national and international stakeholders/ investors and it is probable that reasonable progress will be reported in future.

**Auditors:**

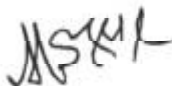
The present auditors M/s. Horwath Hussain Chaudhury, Chartered Accountants, being due for retirement, have offered themselves for re-appointment for the year ending June 30, 2018. Their appointment has been confirmed by the Board, subject to approval by the Registrar, Modaraba Companies and Modarabas.

**Acknowledgement:**

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



**Dr. Hasan Sohaib Murad**  
**Chairman**

September 29, 2017

## ڈائریکٹر رپورٹ

بیسرز آئی بی ایل مضاربہ منجمنٹ (پرائیویٹ) لمیٹڈ، جو فرسٹ آئی بی ایل مضاربہ کی منجمنٹ کہتی ہے، کے بورڈ آف ڈائریکٹرز، فرسٹ آئی بی ایل مضاربہ کے 30 جون 2017 کو اختتام پذیر ہونے والے سال کی تصدیق شدہ (آڈیٹڈ) مالیاتی دستاویزات معاً ڈیٹرز کی رپورٹ کو پیش کرتے ہوئے خوشی محسوس کرتا ہے۔

### مالیاتی نتائج:

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

رقم پاک روپوں میں		
جون 2016	جون 2017	
33,902	31,235	آپریٹنگ آمدنی
10,013	16,164	دیگر آمدنی
1,093	1,111	منجمنٹ فیس (10 فیصد)
9,839	10,007	منافع قبل از ٹیکس

### آپریٹیشن کا جائزہ:

فرسٹ آئی بی ایل مضاربہ کی منجمنٹ نے اللہ تعالیٰ کے فضل و کرم سے ایک اور مالیاتی سال کامیابی کے ساتھ مکمل کیا اور خوش اسلوبی سے سرٹیفکیٹ ہولڈرز کا اعتماد بحال رکھتے ہوئے 10,007 ملین روپے کا خالص منافع ظاہر کیا۔

مضاربہ مسلسل ڈیوڈنڈ کے اعلان اور اپنے سرٹیفکیٹ ہولڈر کیلئے منافع میں اضافے کے رجحان کو برقرار رکھتے ہوئے مضاربہ ترقی کی راہ پر گامزن ہے۔ مضاربہ کی منجمنٹ مستقبل کی ترقی کیلئے بھی بڑا اعتماد ہے۔ کم شرح منافع اور پاکستان کے دیگر مالیاتی ادارے مثلاً کمرشل و اسلامک بینک، لیژنٹ ادارے اور دیگر مالیاتی اداروں کے ساتھ مقابلے کے باوجود دوران سال مضاربہ نے اپنی کاوشوں کو بروئے کار لاتے ہوئے تسلی بخش کارکردگی کو قائم رکھا۔

لہذا، بیان کردہ مدت کے دوران مرکزی توجہ دہجہ بند پورٹ فولیو کی بحالی اور آمدنی کے اہم ذرائع سے منافع میں اضافہ کیا اور اس بحالی کے لیے ہم نے تمام ممکنہ اقدامات بشمول مذاکرات، اپنے اثاثوں کا دوبارہ قبضہ قانونی چارہ جوئی اور جمع شدہ اثاثے کی نقدی میں تبدیلی وغیرہ کو اختیار کیا جس کے باعث گذشتہ سال کے دوران میں اہم کامیابیاں حاصل ہوئیں۔ درجہ بند فورٹ فولیو کی مدت میں 13,225 ملین روپے وصول کیے گئے، اور ان رقم کو بہتر منافع کے حصول کے لیے اجارہ اور مشارکہ کی مدت میں لگا دیا گیا۔ جسکے نتیجے میں اجارہ اور مشارکہ کی آمدنی میں باترتیب 21.88% اور 75.92% کا اضافہ ہوا ہے۔

مالی سال 2016-17 کے دوران کم آمدنی دینے والی سرمایہ کاری کو زیادہ آمدنی والے سرمایہ کاری کے طبقات میں تبدیل کر دیا گیا، جو کہ اجارہ کی مدت میں 31,337 ملین روپے اور مشارکہ کی مدت میں 116,28 ملین روپے کی گئی۔ مضاربہ کی منجمنٹ کی ایک اور کامیابی یہ ہے کہ غیر تصدیق شدہ البتہ رقم میں سے 1,307 ملین روپے اس سال کے دوران میں وصول کئے جبکہ اس مدت میں مزید رقم کی وصولی کے لیے کوششیں اور مذاکرات جاری ہیں۔

مضاربہ کی منجمنٹ نے اپنی خاص توجہ مضاربہ کے سرمایہ کو بڑھانے پر مرکوز ہے، اور اس سلسلے میں مزید 5,00 ملین روپے وصول ہو چکے ہیں۔ جو کہ مالی تھیلیات کو بیان کرنے ہوئے تھیلی مدت کے قرضہ جات کی مدت میں دیکھے جاسکتے ہیں۔

نیچے دیئے گئے چارٹ میں 30 جون 2017 کے ختم ہونے والے سال کے دوران میں آپریٹیشن سے حاصل ہونے والی آمدنی تفصیل دیکھی جاسکتی ہے:

جون 2016	جون 2017	آمدنی (رقم پاک روپوں میں)
12,717,171	15,499,595	اجارہ سے آمدنی
2,254,333	-	مراہدہ سرمایہ کاری سے منافع
3,605,796	6,343,460	مشارکہ سرمایہ کاری سے آمدنی
7,495,440	7,495,440	جائیداد میں سرمایہ کاری سے آمدنی
1,542,139	1,424,504	قرضہ ڈپازٹ رسیدوں اور بینک ڈپازٹس سے منافع
6,287,255	472,844	تفصیلی المدت سرمایہ کاری سے آمدنی
33,902,134	31,235,443	کل آمدنی

نیچے دیے گئے ٹیبل میں ان اخراجات کی تفصیل کو بیان کیا گیا کہ جو مضارب نے گزر جانے والے سال کے دوران کیے:

اخراجات (روپاکہ، پونہ)	جون 2017	جون 2016
آپریٹن کے اخراجات	23,970,950	21,485,757
امارو کے تحت اثاثہ جات کی فرسودگی	11,754,536	10,828,700
دیگر آپریٹن کے اخراجات	465,139	667,905
کل اخراجات	36,190,629	32,982,362

مطلع کی جانے والی تاریخ تک مضاربہ کے ذخائر 49.7981 ملین روپے پر گزرے ہیں۔ جبکہ یہ ذخائر پچھلے سال اسی تاریخ کے لیے 46.681 ملین روپے تھے۔

بورڈ کے اجلاس میں حاضری:

دوران سال بورڈ آف ڈائریکٹرز کی چھ (6) ملاقاتیں ہوئیں۔ جنکی حاضری کی تفصیل مندرجہ ذیل ہے۔

سرل نمبر	ڈائریکٹر کا نام	میٹنگز کی تعداد	میٹنگز میں حاضری کی تعداد	غیر موجودگی کی چھٹیاں
1	ڈاکٹر حسن صہیب مراد صاحب	6	6	—
2	شاجین رشید صاحب	6	6	--
3	ارسلان خان خاکوانی صاحب	6	3	3
4	نوید امین صاحب	6	6	--

گذشتہ چھ (6) سال کے آپریٹنگ اعداد و شمار:

مضاربہ کے گذشتہ چھ (6) سالوں کے آپریٹنگ اعداد و شمار اس رپورٹ کے ساتھ منسلک ہیں۔

سرٹیفکیٹ رکھنے کا رجحان:

سرٹیفکیٹ کے بیٹرن کی تفصیل مورخہ 30 جون 2017 کے مطابق منسلک کی جاتی ہے۔ جیسا کہ متعلقہ Code کے مطابق مطلوب ہے۔

بیان اس امر کی بھی تصدیق کی جاتی ہے کہ مضاربہ کے کسی ڈائریکٹر، چیف ایگزیکٹو، چیف فنانس آفیسر، ایگزیکٹو اور ان کے بیوی، بچوں نے مضاربہ کے شیئرز کی خرید و فروخت نہیں کی ہے۔

معاشی جائزہ:

بین الاقوامی مالیاتی فنڈ کی طرف سے حال میں جاری ہونے والی ایک رپورٹ میں اس ادارے نے حکومت کی تعریف کی ہے کہ اس نے منہجہ اقتصادی پیکھاری کو مضبوط بنایا ہے۔ اس رپورٹ میں کہا گیا ہے کہ اقتصادی و سماجی ترقی کے اشارے سے ملک کا نقطہ نظر ملک کی مجموعی گھریلو پیداوار (GDP) کے حوالے سے مطابقت رکھتا ہے، جو کہ مالیاتی سال 2016-17 کے لیے 5.3% اور جو کہ درمیانی مدت کے لیے مزید بہتر ہو کر 6% تک ہو جائے گا۔

حکومت پاکستان کی طرف سے حالیہ جاری ہونے والے اقتصادی سروے میں بتایا گیا ہے کہ پاکستان کی اقتصادی ترقی کی شرح اعزاز کی جانے والی پریجیکشن جو کہ مالیاتی سال 2016-17 کے لیے 5.2% تھی۔ 5.28% پر ریکارڈ کی گئی ہے۔ ترقی کی یہ شرح سال 2006-07 کے بعد پہلی مرتبہ 5.0% سے بڑھ کر اعزاز لگائی گئی ہے۔

صنعتی شعبے کی ترقی جو کہ 5.0% رہی یہ قابل ذکر ہے گوکہ ترقی کی یہ شرح سال 2015-16 کے مقابلے میں جبکہ یہ 5.8% تھی، کم دیکھنے میں آتی ہے۔ بڑے پیمانے پر کی گئی ہینڈلنگ کے شعبے کی ترقی 4.9% (فیصد) رہی۔ شعبہ خدمات کی ترقی میں اضافہ جو کہ گذشتہ سال یعنی 2015-16 میں 5.70% رہا تھا، اس سال 2016-17 میں یہ اضافہ 5.98% دیکھنے میں آیا ہے۔ ملک کی بیرونی خدمات کے شعبے میں 1.76% کی ترقی ہوئی جو کہ سال 2016-17 میں \$5.5 بلین ریکارڈ کیا گیا ہے۔ ملک کے مائع غیر ملکی کرنسی کے ذخائر جو کہ پچھلے سال جون 2016 میں \$23.08 بلین تھے وہ ختم ہونے والے سال جون 2017 پر \$21.37 بلین ہیں یعنی \$1.71 بلین سے ان میں کمی واقع ہوئی۔ گوکہ ملک کے غیر ملکی کرنسی کے ذخائر اکتوبر 2016 میں \$24.461 بلین پر سب سے زیادہ دیکھنے میں آئے تھے۔ جبکہ سکوک (Sukuk) کی مدتیں \$1.0 بلین

وصول ہوئے تھے لیکن موجودہ اکاؤنٹ اور برڈنی فنڈز کی آٹھ میں کمی کی وجہ سے یہ اس سطح پر برقرار ضروری تھی۔  
 بیرون ملک پاکستانی کارکنوں نے ختم ہونے والے سال یعنی جولائی 2016 سے جون 2017 کے دوران کل \$19303.58 ملین ترسیل کیے جبکہ یہ ترسیل رقم جولائی 2015 سے جون 2016 کے دوران \$19916.76 ملین دیکھی گئی تھی۔

جون 2017 کو ختم ہونے والے سال پر براہ راست غیر ملکی سرمایہ کاری %12.75 اضافے کے ساتھ \$1.733 بلین پر ریکارڈ کی گئی تھی جو کہ جون 2016 کے اختتام پر یہ \$1.537 بلین دیکھی گئی تھی۔ جبکہ اس مدت میں بڑی سرمایہ کاری \$744.4 ملین تھی جو کہ چین نے کی تھی۔

جون 2017 میں سرمایہ کاری کا مجموعی گھریلو پیداوار (GDP) سے تناسب %15.78 تک پہنچ گیا تھا۔ سترہ سرمایہ کاری جون 2017 میں بڑھ کر \$4517 بلین روپے تک دیکھی گئی ہے جو کہ جون 2016 میں \$4.061 بلین روپے پر تھی۔ قومی بچت کی رقم جون 2017 میں مجموعی گھریلو پیداوار (GDP) کی %13.1 تھی۔ جبکہ پچھلے سال یعنی جون 2016 میں یہ رقم GDP کی %14.3 تھی اس سال جون 2017 میں یہ (GDP) کی %7.5 ریکارڈ کی گئی۔

افراط زر کی شرح %4.09 (فیصد) رہی جبکہ پاکستان کا اقتصادی حجم \$300.0 بلین سے تجاوز کر گیا۔  
 گذشتہ سال جون 2017 کے اختتام پر حکومتی خرچات جو کہ کرنل بینکوں سے لیے گئے وہ \$1.00 کھرب روپے سے زیادہ ہو گئے جسکی بڑی وجہ عوامی اخراجات کی زیادتی ہے۔ حکومت نے بجٹ کو سہارا دینے کیلئے 2017 کی مالی سال میں \$1.087 کھرب روپے کرنل بینک سے قرضے لیے جو کہ پچھلے سال یعنی ختم ہونے والے جون 2016 سے %37.38 زیادہ تھے۔

مالیاتی سال 2016-17 کے دوران عالمی بینک نے \$958 ملین کا قرضہ دیا۔ جس میں \$302 ملین کا ایک پالیسی قرضہ شامل ہے۔ قرضہ جات کی ادائیگی کے سلسلے نظر ہائی شدہ اندازہ کہتا ہے کہ یہ حاصل ہونے والی خالص آمدنی کا %70 سے زیادہ ہے جبکہ سال 2017-18 کیلئے اس مدت میں \$218 ملین روپے کی کمی دیکھی جا رہی ہے۔  
 جون 2017 پر ختم ہونے والے سال پر ملک کا مالیاتی خسارہ (GDP) کا %5 دیکھا گیا۔ جبکہ اس کا مطلوبہ جرف (GDP) کے %4.3 تھا اور یہ حکومت اور عالمی مالیاتی فنڈ (IMF) کے جرف سے اوپر پہنچ گیا، اس طرح یہ خسارہ ختم ہونے والے سال 2016-17 پر \$12.098 بلین تک جا پہنچا جو کہ پچھلے سال یعنی 2016 سے دو گنا سے بھی زیادہ تھا۔  
 سال 2016-17 کے دوران چونکہ شرح سود میں تاریخی کمی دیکھی گئی اس وجہ سے فنی شعبہ کے قرضہ جات میں %126 اضافہ ہوا جو کہ پچھلے سال میں \$280 ملین روپے کے تھے بڑھ کر \$633 ملین روپے تک پہنچ گئے۔

بینکوں نے جون 2017 پر ختم ہونے والے سال کے دوران \$704.5 بلین روپے کے زری قرضہ جات دیے جو کہ پچھلے سال اسی مدت کے اختتام پر دیے جانے والے قرضے جو کہ \$598.3 بلین روپے سے %17.8 زیادہ تھے۔

عالمی بینک پیش گوئی کرتا ہے کہ پاکستان اگلے مالی سال میں %5.5 اقتصادی ترقی دیکھا سکتا ہے۔ جبکہ جنوبی ایشیا میں 2018 کے مالی سال کیلئے مجموعی طور پر ترقی %7.1 (فیصد) پر دیکھی جا سکتی ہے۔ کچھ خطوں میں بڑی ابھرتی ہوئی مارکیٹوں کی حالیہ تیز رفتار سرگرمیاں ان خطوں اور عالمی معیشت کیلئے ایک بہت ہی خوش آئند بات ہے۔ اور اب یہ وقت ہے کہ ابھرتی ہوئی مارکیٹیں اور ترقی پزیر معیشت اپنے اپنے آنے والے خطرات کو جانچ کر سمجھیں اور کسی بھی منفی جھٹکے کو سنبھالنے کے لیے اپنی مضبوط پالیسیاں مرتب کریں۔

### اسٹاک مارکیٹ کا جائزہ:

پاکستان اسٹاک مارکیٹ کا اچھا وقت جون 2017 تک جاری رہا مورخہ 25 مئی 2017 پاکستان اسٹاک مارکیٹ کا KSE-100 انڈیکس دن میں اپنی تاریخی حیثیت سے سب سے زیادہ رہا کہ جب یہ 53,124 پوائنٹس تک گیا جو مورخہ جنوری 2017 کے انڈیکس کے 48,240 کے مقابلے میں %10 سے بڑھا ہوا تھا۔ یہ بات انتہائی متاثر کن ہے کہ ایک ملک کی جتنی مجموعی گھریلو پیداوار (GDP) میں سالانہ اضافے کی شرح %4.7 ہو اور اس کی اسٹاک مارکیٹ اپنے پروسی ممالک انڈیا اور چائینہ جن کی معیشت کا پچھلاؤ %6 سے زیادہ ہے۔ سے بہتر کارکردگی دکھا رہی ہو۔

اہلہ جون 2017 کے گزر جانے والے سال کے بعد خاص کر مورخہ 28 جولائی 2017 جبکہ سپریم کورٹ کا پانامہ کیس کے سلسلے میں فیصلہ سنانے کے بعد سیاسی غیر یقینی صورت حال کی وجہ سے اسٹاک مارکیٹ کی کارکردگی میں کمی کا رجحان پایا گیا اور KSE-100 انڈیکس جو کہ 30 جون 2017 کو 46,565.29 پوائنٹس پر آ گیا، کو کہ یہ سطح گزشتہ برس اسی مدت کے ختم پر یعنی 30 جون 2016 جبکہ انڈیکس 37,783.54 پوائنٹس پر تھا، اس سے %23.24 بڑھی ہوئی تھی۔ اسٹاک مارکیٹ کی کل سرمایہ کاری جو کہ پچھلے سال اسی مدت یعنی 30 جون 2016 کو \$7,588.47 بلین روپے تھی، مورخہ 30 جون 2017 کو بڑھ کر \$9,522.35 بلین روپے تک پہنچ گئی۔

## مستقبل کا نقطہ نظر:

مضارہ پبلسنگز کیلئے مالیاتی سال 2017-2018 منافع کمانے کے اعتبار سے کافی سخت خیال کیا جاتا ہے اور مارکیٹ میں موجود بڑے مالیاتی اداروں کی طرف سے کم شرح سود ہونے کی وجہ سے بھی مضارہ پبلسنگز کو مشکل پیش آسکتی ہے۔ مضارہ پبلسنگز کی منجمنٹ مارکیٹ کے موجودہ منظر نامہ کے سامنے رکھتے ہوئے مطلوبہ اقدامات جاری رہے تاکہ مستقبل میں زیادہ موثر کاروبار کیا جاسکے اس سلسلے میں منجمنٹ نے نہ صرف منافع میں اضافے کیلئے بہتر حکمت عملی ترتیب دے رہی ہے بلکہ اندرونی کنٹرول کیلئے بھی ایک مزید موثر نظام تشکیل دے رہی ہے۔

غیر مصدق شدہ قابل وصول رقم کی وصولی کو بھی ترجیحات میں رکھا جائے گا۔ اور اس سلسلے میں منجمنٹ اپنی تمام تر بہترین کوششیں کر رہی ہے جس میں متعلقہ قرض دہندگان سے مذاکرات بھی شامل ہیں۔ مضارہ پبلسنگز نے اپنی خاص توجہ مضارہ پبلسنگز کے کچھ بڑے حوالے پر رکھی ہے اور اس مدت اب تک 15 ملین روپے وصول ہو چکے ہیں کہ جن کو مالی تفصیلات کو بیان کرتے ہوئے قلیل مدت کے قرضہ جات میں دکھایا گیا ہے۔

حالیہ غیر چینی سیاسی صورت حال کی وجہ سے دوہلی اور ایک بین الاقوامی سرمایہ کاروں کی طرف سے کی جانے والی مثبت پیشرفت کو سرمایہ کاری میں تبدیل نہ کیا جاسکا۔ منجمنٹ ان سرمایہ کاروں سے بات چیت کے عمل سے گزری ہے تاکہ ان کو سرمایہ کاری کیلئے قائل کیا جاسکے۔ سرمایہ کاری کی مزید تھابڑ کی دوسرے ملکی و غیر ملکی اسٹیک ہولڈرز سرمایہ کاروں کو پیش کیے جا رہے ہیں اس سلسلے میں مستقبل میں مناسب پیش رفت کے بارے میں مطلع کیا جائے گا۔


## آڈیٹرز:

موجودہ آڈیٹرز میسرز ہاورتھ حسین چوہدری اینڈ کو۔ چارٹرز اکاؤنٹینٹس، جنگی خدمات کی مدت 30 جون 2017 کو ختم ہو رہی ہے، انہوں نے 30 جون 2018 تک دوبارہ تقرری کے لئے اپنی خدمات پیش کی ہیں اور بورڈ ان کو مضارہ پبلسنگز کے بطور بیرونی آڈیٹرز برائے سال اختتامی 30 جون 2018 کے لئے تقرری کی توثیق کر چکا ہے جبکہ یہ رجسٹرار مضارہ پبلسنگز، سیکورٹی اینڈ ایکسچینج کمیشن آف پاکستان، کی منظوری سے مشروط ہے۔

## اعتراف:

بورڈ، سیکورٹی اینڈ ایکسچینج کمیشن آف پاکستان، رجسٹرار مضارہ پبلسنگز، بینک دولت پاکستان اور ایم بی ایف آئی اینڈ مضارہ پبلسنگز کی طرف سے کی جانے والی حمایت اور رہنمائی پر احسان مندی کا اظہار کرتا ہے۔ بورڈ اپنے سر فیڈبیک کنندگان اور گاہکوں کا مضارہ پبلسنگز پر اعتماد کرنے کو سراہتا ہے اور ان کا شکر گزار ہے۔ مزید برآں اس بات کا یقین دلاتا ہے کہ مناسب اندرونی نگرانی کے نظام کو برقرار رکھے گا۔ خدمات کی فراہمی میں ذاتی توجہ اور بہتر کارپوریٹ گورننس (حسن کارکردگی) کی ادائیگی کے تمام شعبوں میں مثالی ماحول کو بھی برقرار رکھے گا۔ اور آخر میں بورڈ فرسٹ آئی بی ایل مظاہرہ کی منجمنٹ اور ٹیم کی لگن اور محنت محنت کا بھی اعتراف ہے اور ان کی ان کاوشوں کو بھی سراہتا ہے۔

نتیجہ: فرسٹ آئی بی ایل مضارہ پبلسنگز



ڈاکٹر اکھبر حسین صاحب مراد  
چیئر مین

مورخہ: 29 ستمبر 2017ء

## SIX YEAR'S FINANCIAL SUMMARY

### BALANCE SHEET

(Rs in Million)

BALANCE SHEET						
Year Ended June 30.	2011	2012	2013	2014	2015	2016
<b>CURRENT ASSETS</b>						
Cash and bank balances	1.98	0.05	3.52	30.35	24.58	20.70
Ijarah rental receivables	4.14	1.92	0.32	0.49	0.53	0.99
Advances, prepayments & other receivables	53.27	40.10	36.94	33.54	13.64	12.34
Short term investments	14.22	2.17	22.01	7.77	11.87	36.18
Musharikhah receivables	123.13	74.49	19.37	3.96	16.50	14.41
Current portion of murabaha receivables	-	-	23.00	6.65	22.21	18.34
<b>Total Current Assets</b>	<b>196.74</b>	<b>118.73</b>	<b>105.16</b>	<b>82.76</b>	<b>89.32</b>	<b>102.96</b>
<b>NON-CURRENT ASSETS</b>						
Long term murabaha receivables	23.00	23.00	-	21.84	-	-
Long term advances and deposits	3.38	3.41	3.21	2.71	2.71	2.71
Investment Property			97.08	92.08	87.08	82.08
Fixed assets under ijarah arrangements	15.86	9.46	11.68	22.49	31.89	35.64
Fixed assets under own use	2.78	1.15	2.44	1.74	1.28	0.78
Intangible assets	-	0.75	0.42	0.09	0.17	0.08
Investment in subsidiary	57.06	57.31	-	-	-	-
<b>Total Non-Current Assets</b>	<b>102.07</b>	<b>95.07</b>	<b>114.83</b>	<b>140.95</b>	<b>123.12</b>	<b>121.30</b>
<b>Total Assets</b>	<b>298.81</b>	<b>213.80</b>	<b>219.98</b>	<b>223.71</b>	<b>212.44</b>	<b>224.26</b>
<b>CURRENT LIABILITIES</b>						
Creditors, accrued & other liabilities	10.18	14.99	12.08	4.29	3.61	5.20
Short term borrowing	-	-	-	-	-	10.00
Musharikhah profit payable	1.43	1.43	1.43	1.43	1.43	1.43
Musharikhah finance	29.14	14.64	12.14	11.20	8.20	4.20
Current portion of non current liabilities	0.22	6.49	7.87	5.02	4.41	5.08
Provision for taxation		3.19	3.19	3.19	-	-
Short term finance	9.50	-	-	-	-	-
Unclaimed profit distribution	7.99	7.69	7.65	9.82	8.41	9.48
<b>Total current Liabilities</b>	<b>58.46</b>	<b>48.44</b>	<b>44.36</b>	<b>34.94</b>	<b>26.06</b>	<b>35.38</b>
<b>NON CURRENT LIABILITIES</b>						
Long term security deposits	9.37	2.70	1.94	6.57	10.25	10.05
Deffered murabaha income	-	-	-	2.41	-	-
	<b>9.37</b>	<b>2.70</b>	<b>1.94</b>	<b>8.98</b>	<b>10.25</b>	<b>10.05</b>
<b>EQUITY</b>						
Issued, subscribed & paid up capital	201.88	201.88	201.88	201.88	201.88	201.88
Reserves	39.17	39.99	43.60	49.06	47.81	46.69
Revenue Reserve and Unappropriated profit	(10.07)	(79.23)	(71.79)	(71.14)	(73.56)	(69.73)
<b>Total Equity</b>	<b>230.98</b>	<b>162.64</b>	<b>173.68</b>	<b>179.79</b>	<b>176.12</b>	<b>178.84</b>
<b>Total Equity &amp; Liabilities</b>	<b>298.81</b>	<b>213.80</b>	<b>219.98</b>	<b>223.71</b>	<b>212.44</b>	<b>224.26</b>

## SIX YEAR'S FINANCIAL SUMMARY

### INCOME STATEMENT

(Rs in Million)

Year Ended June 30.	2011	2012	2013	2014	2015	2016
<b>INCOME</b>						
Income from Ijarah	6.73	2.90	3.32	5.54	10.12	12.72
Profit on murabaha investments	3.85	4.03	4.03	4.19	3.66	2.25
profit on musharikhah investments	35.84	0.94	0.00	0.56	1.65	3.61
Income from investment property	-	-	4.37	7.50	7.50	7.50
Profit on deposits	0.29	0.82	0.54	0.67	0.38	1.54
Income from short term investments	0.19	0.09	0.09	0.17	3.96	6.29
	<u>46.90</u>	<u>8.77</u>	<u>12.36</u>	<u>18.61</u>	<u>27.26</u>	<u>33.90</u>
<b>OTHER INCOME</b>						
Reversal of provision against non performing musharikhah receivables	-	-	14.54	11.02	4.34	9.85
Reversal of musharikhah profit held in suspense account balances written back	-	-	1.99	0.00	2.64	0.00
Other income	2.68	0.20	0.58	1.11	0.69	0.16
	<u>2.68</u>	<u>0.20</u>	<u>17.77</u>	<u>17.45</u>	<u>8.51</u>	<u>10.01</u>
<b>Total Income</b>	<b><u>49.58</u></b>	<b><u>8.97</u></b>	<b><u>30.13</u></b>	<b><u>36.06</u></b>	<b><u>35.77</u></b>	<b><u>43.91</u></b>
<b>EXPENSES</b>						
Operating Expenses	14.82	13.90	14.23	19.36	19.49	21.49
Depreciation on assets under ijarah	5.19	5.76	3.97	5.16	8.85	10.83
Provision against non performing musharikhah receivables	14.31	26.02	-	-	-	-
Musharikhah profit held in suspense account	11.79	1.76	-	-	-	-
Finance cost	13.28	1.65	-	-	-	-
Other operating expenses	0.38	1.41	1.61	1.25	1.52	0.67
<b>Total Expenses</b>	<b><u>59.77</u></b>	<b><u>50.51</u></b>	<b><u>19.81</u></b>	<b><u>25.77</u></b>	<b><u>29.85</u></b>	<b><u>32.98</u></b>
Profit/ (loss) before Management Fee	(10.19)	(41.54)	10.32	10.29	5.92	10.93
Management Fee	-	-	1.03	1.03	0.59	1.09
<b>Net Profit</b>	<b><u>(10.19)</u></b>	<b><u>(41.54)</u></b>	<b><u>9.29</u></b>	<b><u>9.26</u></b>	<b><u>5.33</u></b>	<b><u>9.84</u></b>
<b>Appropriations</b>						
Final dividend	-	-	6.76	6.68	4.04	7.09
Statutory reserves	-	-	1.86	1.85	1.07	1.97



# STATEMENT OF COMPLIANCE WITH THE CODE OF CORPORATE GOVERNANCE

FOR THE PERIOD ENDED JUNE 30, 2017

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 applied the principles contained in the CCG in the following manner:

1. The company encourages representation of independent non-executive directors and directors representing minority interests on its board of directors. At present the board includes:

Category	Names
Independent Director	Mr. Naveed Amin
Executive Director	Dr. Hasan Sohaib Murad
Non-Executive Directors	Mr. Shaheen Rashid Mr. Arslan Khan Khakwani

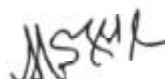
The independent director meets the criteria of independence under clause 5.19.1(b) of the CCG.

2. 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).
3. All the resident directors of the company are registered as taxpayers and none of them has defaulted in payment of any loan to a banking company, a DFI or an NBFIs or, being a member of a stock exchange, has been declared as a defaulter by that stock exchange.
4. No casual vacancy was occurring on the board during the period from July 01, 2016 to June 30, 2017.
5. 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.
6. 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.
7. All the powers of the board have been duly exercised and decisions on material transactions, including appointment and determination of remuneration and terms and conditions of employment of the CEO, other executive and non-executive directors, have been taken by the board/ shareholders.
8. The meetings of the board were presided over by the Chairman and, in his absence, by a director elected by the board for this purpose and the board met at least once in every quarter. Written notices of the board meetings, along with agenda and working papers, were circulated at least seven days before the meetings. The minutes of the meetings were appropriately recorded and circulated.
9. The board arranged has not arranged training programs for its directors during the year
10. The board has approved appointment of CFO, Company Secretary and Head of Internal Audit, including their remuneration and terms and conditions of employment.
11. The directors' report for this year has been prepared in compliance with the requirements of the CCG and fully describes the salient matters required to be disclosed.
12. The financial statements of the company were duly endorsed by CEO and CFO before approval of the board.

13. The directors, CEO and executives do not hold any interest in the shares of the company other than that disclosed in the pattern of shareholding.
14. The company has complied with all the corporate and financial reporting requirements of the CCG.
15. The board has formed an Audit Committee. It comprises three (3) members, of whom two (2) are non-executive directors and one (1) is an independent director. The chairman of the committee is a non-executive independent director.
16. The meetings of the audit committee were held at least once every quarter prior to approval of interim and final results of the company and as required by the CCG. The terms of reference of the committee have been formed and advised to the committee for compliance
17. The board has formed an HR and Remuneration Committee. It comprises three (3) members, of whom two (2) are non-executive directors and one (1) is an independent director. The chairman of the committee is also a non-executive director.
18. The board has set up an effective internal audit function and Mr. Husnain Shafqat who is considered suitably qualified and experienced for the purpose and is conversant with the policies and procedures of the company.
19. 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, 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.
20. The statutory auditors or the persons associated with them have not been appointed to provide other services except in accordance with the listing regulations and the auditors have confirmed that they have observed IFAC guidelines in this regard.
21. The 'closed period', prior to the announcement of interim/ final results, and business decisions, which may materially affect the market price of company's securities, was determined and intimated to directors, employees and stock exchange(s).
22. Material/ price sensitive information has been disseminated among all market participants at once through stock exchange(s).
23. CEO and the Chairman of IBL Modaraba Management (Private) Limited, Management Company of First IBL Modaraba, is the same person and Chairman is an Executive Director. The board is taking all possible efforts to comply with the requirements of the Code
24. The company has complied with the requirements relating to maintenance of register of persons having access to inside information by designated senior management officer in a timely manner and maintained proper record including basis for inclusion or exclusion of names of persons from the said list.
25. We confirm that all other material principles enshrined in the CCG have been complied with, except referred above in Sr. # 23 towards which reasonable progress is being made.

Thanking you.

Yours truly,



**Dr. Hasan Sohaib Murad**  
**Chairman**

September 29, 2017

## **REVIEW REPORT TO THE CERTIFICATE HOLDERS**

### **ON STATEMENT OF COMPLIANCE WITH BEST PRACTICES OF CODE OF CORPORATE GOVERNANCE**

We have reviewed the enclosed Statement of Compliance with the best practices contained in the Code of Corporate Governance (the Code) prepared by the Board of Directors of IBL Modaraba Management (Private) Limited (the Management Company) in respect of First IBL Modaraba (the Modaraba) for the year ended June 30, 2017 to comply with requirements of the Listing Regulation No. 5.19 stipulated in the Rule Book of the Pakistan Stock Exchange where the Modaraba is listed.

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

As a part of our audit of 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 Modaraba's corporate governance procedures and risks.

The Code requires the Modaraba to place before the Audit Committee, and upon recommendation of the Audit Committee, place before the Board of Directors for their review and approval its related party transactions distinguishing between transactions carried out on terms equivalent to those that prevail in arm's length transactions and transactions which are not executed at arm's length price and recording proper justification for using such alternate pricing mechanism. 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 any procedures to determine whether the related party transactions were undertaken at arm's length price or not.

Based on our review nothing has come to our attention which causes us to believe that the Statement of Compliance does not appropriately reflect the Modaraba's compliance, in all material respects, with the best practices contained in the Code as applicable to the Modaraba for the year ended June 30, 2017.

Further, we highlight below instance of non-compliance with the requirements of the Code as reflected in paragraph reference where this is stated in the Statement of Compliance:

<b>Serial no.</b>	<b>Paragraph reference</b>	<b>Description</b>
i	23	CEO and Chairman of the Modaraba is the same person and the Chairman is an executive director.

LAHORE  
Dated: September 29, 2017

**HORWATH HUSSAIN CHAUDHURY & CO.**  
Chartered Accountants

(Engagement Partner: Muhammad Nasir Muneer)

## AUDITORS' REPORT TO THE CERTIFICATE HOLDERS

We have audited the annexed balance sheet of **First IBL Modaraba** ("the Modaraba") as at June 30, 2017 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. 7.163 million (2016: Rs. 8.470 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, 2017 and of the profit, comprehensive income, 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: September 29, 2017

**HORWATH HUSSAIN CHAUDHURY & CO.**

Chartered Accountants

(Engagement Partner: Muhammad Nasir Muneer)

## SHARI'AH ADVISOR'S REPORT FOR THE YEAR ENDED JUNE 30, 2017

I have conducted the Shari'ah review of **First IBL Modaraba** managed by **IBL Modaraba Management (Private) Limited** for the Financial Year ended **June 30, 2017** in accordance with the requirements of the Shari'ah Compliance and Shari'ah Audit Mechanism for Modarabas and report that except the observations as reported hereunder, in my opinion:

- i. During the financial year high level of interest in strengthening Shari'ah compliance in letter and spirit was being showed by FIBLM and more efficient systems have introduced, procedures and policies which are in line with the Shari'ah principles;
- ii. The agreements enter in to by the Modaraba during the reporting period, are Shari'ah compliant and fulfill the guidelines as specified by the religious board.
- iii. During the financial year 2016-17 following were the major developments that took place:
  - a) No investment was made in non-Shari'ah compliant investments.
  - b) In Ijarah and Musharikah transactions, physical inspection was also conducted.
- iv. The major portfolio of FIBLM is in Ijarah and Musharikah segments.
- v. To the best of my information and according to the explanations given to me, the business transactions undertaken by the Modaraba and all other matters incidental thereto are in conformity with the Shari'ah requirements as well as the requirements of the Prospectus, Islamic Financial Accounting Standards as applicable in Pakistan and the Shari'ah Compliance and Shari'ah Audit Regulations for Modarabas.
- vi. During the period, no earning were realized from the source or by means, prohibited by Shari'ah.
- vii. 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, 2016, 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  
Dated: September 20, 2017

## BALANCE SHEET

AS AT JUNE 30, 2017

<b>ASSETS</b>	Note	<b>2017</b> Rupees	<b>2016</b> Rupees
<b>Current Assets</b>			
Bank balances	6	13,917,457	20,702,418
Ijarah rentals receivable	7	376,363	988,822
Advances, prepayments and other receivables	8	10,358,870	12,338,171
Short term investments	9	7,639,596	36,183,629
Current portion of long term Musharaka receivables	10	42,386,272	-
Murabaha receivable		-	18,340,882
<b>Non-Current Assets</b>		74,678,558	88,553,922
Long term Musharaka receivables	10	29,025,244	14,410,895
Long term advances and deposits	11	2,709,260	2,709,260
Investment property	12	77,083,690	82,083,713
Fixed assets under ijarah arrangements	13	42,287,085	35,643,826
Fixed assets under own use	14	2,566,646	780,032
Intangible asset	15	-	83,338
<b>Total Assets</b>		<u>153,671,925</u>	<u>135,711,064</u>
		<u>228,350,483</u>	<u>224,264,986</u>
<b>LIABILITIES</b>			
<b>Current Liabilities</b>			
Creditors, accrued and other liabilities	16	1,489,834	5,195,330
Short term borrowing	17	15,000,000	10,000,000
Musharaka profit payable		1,430,192	1,430,192
Musharaka finances		700,000	4,200,000
Current portion of long term security deposits	18	7,728,560	5,078,443
Unpresented profit warrants		9,372,983	9,481,834
		35,721,569	35,385,799
<b>Non-Current Liabilities</b>			
Long term security deposits	18	9,764,180	10,047,035
<b>Total Liabilities</b>		45,485,749	45,432,834
<b>NET ASSETS</b>		<u>182,864,734</u>	<u>178,832,152</u>
<b>REPRESENTED BY:</b>			
Certificate capital	19	201,875,000	201,875,000
Reserves	20	49,798,523	46,686,272
Accumulated loss		(68,808,789)	(69,729,120)
Contingencies and commitments	21	-	-
		<u>182,864,734</u>	<u>178,832,152</u>

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

  
**CHIEF EXECUTIVE**

  
**DIRECTOR**

  
**DIRECTOR**

# PROFIT AND LOSS ACCOUNT

FOR THE YEAR ENDED JUNE 30, 2017

	Note	2017 Rupees	2016 Rupees
<b>INCOME FROM OPERATION</b>			
Income from ijarah	22	15,499,595	12,717,171
Profit on murabaha investment		-	2,254,333
Profit on musharaka investments		6,343,460	3,605,796
Income from investment property		7,495,440	7,495,440
Profit on modaraba certificate, term deposit receipts and bank deposits		1,424,104	1,542,139
Income from short term investments	23	472,844	6,287,255
		31,235,443	33,902,134
<b>OTHER INCOME</b>			
Reversal of provision against non-performing musharaka receivables - net	10.2	10,246,548	9,854,514
Reversal of musharaka profit held in suspense account		2,979,037	-
Balances written back		540,022	-
Other income	24	2,398,870	158,748
		16,164,477	10,013,262
<b>TOTAL INCOME</b>		<u>47,399,920</u>	<u>43,915,396</u>
<b>EXPENSES</b>			
Operating expenses	25	(23,970,954)	(21,485,757)
Depreciation on assets under ijarah		(11,754,536)	(10,828,700)
Other operating expenses	26	(465,139)	(667,905)
		(36,190,629)	(32,982,362)
<b>Profit before Tax</b>		11,209,291	10,933,034
Taxation		(89,647)	-
<b>Profit before Modaraba Company's Management Fee</b>		11,119,644	10,933,034
Modaraba Company's management fee	27	(1,111,964)	(1,093,303)
<b>Net Profit for the Year</b>		<u>10,007,680</u>	<u>9,839,731</u>
<b>Earnings per Modaraba Certificate - Basic and Diluted</b>	28	<u>0.50</u>	<u>0.49</u>

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

  
**CHIEF EXECUTIVE**

  
**DIRECTOR**

  
**DIRECTOR**

# STATEMENT OF COMPREHENSIVE INCOME

FOR THE YEAR ENDED JUNE 30, 2017

	2017 Rupees	2016 Rupees
<b>Net Profit for the Year</b>	10,007,680	9,839,731
Other comprehensive income		
<b>Items that may be reclassified subsequently to profit and loss</b>		
Unrealized gain in value of available for sale investments	1,110,715	3,126,981
Gain on disposal of short term investments	-	(6,221,698)
<b>Items that will not be reclassified subsequently to profit and loss</b>	-	-
Other comprehensive income / (loss) for the year	1,110,715	(3,094,717)
<b>Total Comprehensive Income for the Year</b>	<u>11,118,395</u>	<u>6,745,014</u>

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

  
CHIEF EXECUTIVE

  
DIRECTOR

  
DIRECTOR



## CASH FLOW STATEMENT

FOR THE YEAR ENDED JUNE 30, 2017

	Note	2017 Rupees	2016 Rupees
<b>CASH FLOWS FROM OPERATING ACTIVITIES</b>			
<b>Cash (Used in) / Generated from operations</b>	29	(7,519,409)	37,300,065
Income taxes paid		(118,674)	(157,296)
<b>Net Cash (Used in) / Generated from Operating Activities</b>		<u>(7,638,083)</u>	<u>37,142,769</u>
<b>CASH FLOW FROM INVESTING ACTIVITIES</b>			
Purchase of fixed assets under ijarah arrangements		(31,337,100)	(16,131,330)
Purchase of fixed assets under own use		(246,550)	(11,000)
Capital work in progress		(2,233,000)	-
Proceeds from disposal of fixed assets under own use		309,103	-
Proceeds from disposal of assets on terminating ijarahs		13,503,638	1,548,572
Proceeds from disposal / (purchase) of short term investments		30,000,000	(25,000,000)
Proceeds from encashment of short term investments		-	3,935,320
Dividend income received		127,591	65,557
Profit on term deposit receipts and bank deposits		1,424,104	1,542,139
<b>Net Cash Generated from / (Used in) Investing Activities</b>		11,547,786	(34,050,742)
<b>CASH FLOW FROM FINANCING ACTIVITIES</b>			
Musharaka finances		(3,500,000)	(4,000,000)
Dividends paid		(7,194,664)	(2,966,461)
<b>Net Cash Used in Financing Activities</b>		<u>(10,694,664)</u>	<u>(6,966,461)</u>
<b>Net Decrease in Cash and Cash Equivalents</b>		(6,784,961)	(3,874,434)
Cash and cash equivalents at the beginning of the year		20,702,418	24,576,852
<b>Cash and Cash Equivalents at the End of the Year</b>		<u><u>13,917,457</u></u>	<u><u>20,702,418</u></u>

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

  
CHIEF EXECUTIVE

  
DIRECTOR

  
DIRECTOR

## STATEMENT OF CHANGES IN EQUITY

### FOR THE YEAR ENDED JUNE 30, 2017

Particulars	Certificate Capital	Statutory reserve	Unrealized gain on revaluation of available for sale investments	Accumulated loss	Total Equity
<b>Balance as at June 30, 2015</b>	201,875,000	39,090,402	8,722,641	(73,563,405)	176,124,638
<b>Comprehensive income for the year</b>					
Net profit for the year	-	-	-	9,839,731	9,839,731
Other comprehensive loss for the year	-	-	(3,094,717)	-	(3,094,717)
<b>Total comprehensive income for the year</b>	-	-	(3,094,717)	9,839,731	6,745,014
Transferred to statutory reserve	-	1,967,946	-	(1,967,946)	-
<b>Transactions with owners</b>					
Profit distributed for the year ended June 30, 2015	-	-	-	(4,037,500)	(4,037,500)
<b>Balance as at June 30, 2016</b>	201,875,000	41,058,348	5,627,924	(69,729,120)	178,832,152
<b>Comprehensive income for the year</b>					
Net profit for the year	-	-	-	10,007,680	10,007,680
Other comprehensive income for the year	-	-	1,110,715	-	1,110,715
<b>Total comprehensive income for the year</b>	-	-	1,110,715	10,007,680	11,118,395
Transferred to statutory reserve	-	2,001,536	-	(2,001,536)	-
<b>Transactions with owners</b>					
Profit distributed for the year ended June 30, 2016	-	-	-	(7,085,813)	(7,085,813)
<b>Balance as at June 30, 2017</b>	<u>201,875,000</u>	<u>43,059,884</u>	<u>6,738,639</u>	<u>(68,808,789)</u>	<u>182,864,734</u>

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

  
CHIEF EXECUTIVE

  
DIRECTOR

  
DIRECTOR

# NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS

## FOR THE YEAR ENDED JUNE 30, 2017

### 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 Suite # 105, 1st Floor, Fortune Center, 45-A, Block-6, PECHS, Shahrah-e-Faisal, Karachi. The Modaraba is managed by IBL Modaraba Management (Private) Limited (Modaraba Management Company) incorporated in Pakistan under the Companies Ordinance, 1984 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 approved accounting standards as applicable in Pakistan 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). Approved accounting standards comprise such International Financial Reporting Standards ("IFRSs") and the Islamic Financial Accounting Standards (IFASs) as are notified under the provisions of the Companies Ordinance, 1984 and made applicable to Modarabas under the Modaraba Companies and Modaraba (Floatation and Control) Ordinance, 1980. 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 in future years 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 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

The following key amendments to standards are relevant that became effective during the year. These amendments are not likely to have any impact on the Modaraba's financial statement.

	<b>Effective Date</b> (Period beginning on or after)
IFRS 7 - Financial Instruments: Disclosures [Amendments]	January 01, 2016
IAS 1 - Presentation of Financial Statements [Amendments]	January 01, 2016
IAS 16 - Property, Plant and Equipment [Amendments]	January 01, 2016
IAS 19 - Employee Benefits [Amendments]	January 01, 2016
IAS 38 - Intangible Assets [Amendments]	January 01, 2016

#### 4.2 Standards, interpretations and amendments to approved accounting standards which became effective during the year but are not relevant

There were certain amendments to the approved accounting standards which became effective during the year but are considered not to be relevant or have any significant effect on the Modaraba's operations and are, therefore, not disclosed in these financial statements.

#### 4.3 Standards, interpretations and amendments to approved accounting standards that are relevant but not yet effective

i) IAS 7 'Cash flow statements: Disclosure initiative' (effective for periods beginning on or after January 1, 2017). This amendment requires disclosure to explain changes in liabilities for which cash flows have been, or will be classified as financing activities in the statement of cash flows. The amendment only covers balance sheet items for which cash flows are classified as financing activities. In case other items are included within the reconciliation, the changes in liabilities arising from financing activities will be identified separately. A reconciliation of the opening to closing balance is not specifically required but instead the information can be provided in other ways. In the first year of adoption, comparative information need not be provided.

ii) IAS 40 'Investment Property: Transfer of investment property' (effective for periods beginning on or after January 1, 2018). The amendments clarify when an entity should transfer property, including property under construction or development into, or out of investment property. The amendments state that a change in use occurs when the property meets, or ceases to meet, the definition of investment property and there is evidence of the change in use. A mere change in management's intentions for the use of a property does not provide evidence of a change in use.

iii) IFRS 15, 'Revenue from contracts with customers' (effective for periods beginning on or after January 1, 2018). This standard is yet to be notified by the SECP. This standard deals with revenue recognition and establishes principles for reporting useful information to users of financial statements about the nature, amount, timing and uncertainty of revenue and cash flows arising from an entity's contracts with customers. Revenue is recognized when a customer obtains control of a good or service and thus has the ability to direct the use and obtain the benefits from the good or service. The standard replaces IAS 18 'Revenue' and IAS 11 'Construction contracts' and related interpretations.

#### 4.4 Standards, interpretations and amendments to approved accounting standards that are neither relevant and nor yet effective

##### 'Revision / improvements / amendments to IFRS and interpretations

	<b>Effective Date</b> (Period beginning on or after)
-Amendments to IAS 12 'Income Taxes' (Unrealised losses on debt instruments)	January 1, 2017
-Amendments to IFRS 2 - 'Share-based Payment'	January 1, 2018
-IFRS 12 'Disclosure of Interests in Other Entities'	January 1, 2017
-Amendments to IAS 28 'Investment in Associates and Joint Ventures'	January 1, 2018

#### 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, 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 Receivables

Receivables are due on normal trade terms. These are carried at original invoice amount less provision for doubtful debts, if any. Balances considered bad and irrecoverable are written off when identified.

##### 5.3 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.

##### 5.4 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 cost. The Modaraba determines the classification of its financial assets after initial recognition and, where allowed and appropriate, re-evaluates this designation at each financial year-end.

##### 5.4.1 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.

##### 5.4.2 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.

### **5.4.3 Loans and receivables**

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

### **5.4.4 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 balance sheet date. For investments where there is no active market, value is determined using valuation techniques.

## **5.5 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.

## **5.6 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.

## **5.7 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.

## **5.8 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.

## **5.9 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 income 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 income using the straight line method at the rates as specified in note 14 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.

#### **5.10 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 12 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.

#### **5.11 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.

#### **5.12 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 balance sheet 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 balance sheet date, taking into account the risks and uncertainties surrounding the obligation. Future operating losses are not provided for.

#### **5.13 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.

#### 5.14 Taxation

Under the current tax law, the income of 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.

#### 5.15 Proposed profit distribution to certificate holder

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

#### 5.16 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.

#### 5.17 Impairment

Carrying amounts of the Modaraba's assets are reviewed at each balance sheet 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 income in the profit and loss account.

#### 5.18 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

##### Cash and Bank Balances

	2017 Rupees	2016 Rupees
Profit bearing bank account	11,166,494	498,895
Non profit bearing bank accounts	2,750,963	20,203,523
	<u>13,917,457</u>	<u>20,702,418</u>

#### Note 7

##### Ijarah Rentals Receivable

Considered good		376,363	988,822
Considered doubtful	7.2	8,855,077	9,525,449
		<u>9,231,440</u>	<u>10,514,271</u>
Provision against doubtful ijarah rentals		<u>(8,855,077)</u>	<u>(9,525,449)</u>
		<u>376,363</u>	<u>988,822</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:

	Note	2017 Rupees	2016 Rupees
Opening balance		9,525,449	8,771,008
Addition during the year		787,175	1,211,524
Reversed during the year		(406,829)	(457,083)
	23.1	380,346	754,441
Ijarah balances written off		(1,050,718)	-
Closing balance		8,855,077	9,525,449

#### Note 8

##### Advances, Prepayments and Other Receivables

Advance income tax		1,037,257	918,583
Advance to employees (Unsecured - considered good)		648,066	802,175
Prepayments		596,404	560,554
		2,281,727	2,281,312
Accrued profit on musharaka receivable:			
- Profit receivable		11,437,648	13,663,968
- Less: Profit held in suspense account	10.2	(10,523,063)	(13,502,100)
		914,585	161,868
Accrued profit on murabaha receivable		-	1,295,548
Accrued profit on modaraba certificate and bank deposits		-	118,751
Other receivables		7,162,558	8,480,692
		10,358,870	12,338,171

#### Note 9

##### Short Term Investments

Investments in listed equity securities are classified as:

- Available for sale	9.1	6,738,681	5,627,966
- At fair value through profit or loss	9.2	900,915	555,663
Investment in modaraba certificate - Held to Maturity	9.3	-	30,000,000
		7,639,596	36,183,629

##### 9.1 Available for sale

	2017	2016	Name of entity		
	No. of shares/ certificates				
Holdings are in ordinary shares of Rupees 10 each.					
	13,162	10,497	The Searle Company Limited	6,738,681	5,627,967

##### 9.2 At fair value through profit or loss

Holdings are in ordinary shares / certificates of Rupees 10 each.					
	200	174	IBL Health Care	24,400	56,028
	200	200	Attock Refinery Limited	76,516	27,635
	100,000	100,000	First Punjab Modaraba	800,000	472,000
	100,400	100,374		900,916	555,663

- 9.3** This represents investment in monthly modaraba certificate with Habib Bank Limited that carry profit @ of 3.78% to 5.59% (2016: 4.0 to 5.5%) per annum, on profit and loss sharing basis.

**Note 10**

**Long Term Musharaka Receivables**

	Note	2017 Rupees	2016 Rupees
Considered good		71,411,516	14,410,895
Considered doubtful		6,093,971	16,340,519
	10.1	<u>77,505,487</u>	<u>30,751,414</u>
Provision against classified portfolio	10.2	(6,093,971)	(16,340,519)
Less: Current portion		<u>(42,386,272)</u>	<u>-</u>
		<u>29,025,244</u>	<u>14,410,895</u>

- 10.1** 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 10.5% to 18.48% (2016: 10% to 23.84%) per annum and secured by way of hypothecation of goods, book debts and equitable mortgage of property. These charges have not been registered.

- 10.2** 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. 10,523,063 (2016: Rs. 13,502,100) is held in suspense account (Refer to note 8). Movement in provision against classified portfolio is as follows:

Opening balance		16,340,519	26,195,033
Recognized during the year		-	145,486
Reversed during the year	10.2.1	(10,246,548)	(10,000,000)
		<u>(10,246,548)</u>	<u>(9,854,514)</u>
Closing balance		<u>6,093,971</u>	<u>16,340,519</u>

- 10.2.1** This represents reversal of provision against outstanding principal after cash recovery from different parties.

**Note 11**

**Long Term Advances and Deposits**

Advances		1,500,000	1,500,000
Deposits		1,209,260	1,209,260
		<u>2,709,260</u>	<u>2,709,260</u>

**Note 12**

**Investment Property**

**Cost**

Opening balance	12.1	100,000,465	100,000,465
Additions during the year		-	-
Closing balance		100,000,465	100,000,465

**Accumulated Depreciation**

Opening balance		(17,916,752)	(12,916,729)
Charged during the year	12.2 & 25	(5,000,023)	(5,000,023)
Closing balance		<u>(22,916,775)</u>	<u>(17,916,752)</u>
		<u>77,083,690</u>	<u>82,083,713</u>

- 12.1** This represents fifth floor of the Library Building situated at C-II, Johar Town, Lahore. This floor measures 13,370 square feet.
- 12.2** The Modaraba depreciates investment property on straight line basis @ 5% per annum.
- 12.3** The fair value of investment property as at June 30, 2017 was Rs. 102.769 million (2016: Rs. 117.654 million), as per the latest valuation report by an independent valuer.

**Note 13**  
**Fixed Assets under Ijarah Arrangements**

Description	Plant and Machinery	Vehicles	Office Equipment and Computers	Total
	Rupees	Rupees	Rupees	Rupees
<b>Year Ended June 30, 2017</b>				
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
<b>Total as at June 30, 2017</b>	<b>15,403,828</b>	<b>26,813,876</b>	<b>69,381</b>	<b>42,287,085</b>
<b>Year Ended June 30, 2016</b>				
Cost				
Balance as at July 01, 2015	14,205,813	34,370,003	603,825	49,179,641
Additions	3,594,000	12,537,330	-	16,131,330
Disposals	(1,644,000)	(3,159,800)	-	(4,803,800)
Balance as at June 30, 2016	16,155,813	43,747,533	603,825	60,507,171
Accumulated depreciation				
Balance as at July 01, 2015	5,628,953	11,128,425	534,444	17,291,822
Charge for the year	3,707,418	7,121,282	-	10,828,700
Disposals	(1,319,600)	(1,937,577)	-	(3,257,177)
Balance as at June 30, 2016	8,016,771	16,312,130	534,444	24,863,345
<b>Total as at June 30, 2016</b>	<b>8,139,042</b>	<b>27,435,403</b>	<b>69,381</b>	<b>35,643,826</b>

**13.1 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% (2016: 12.50% to 25.00%) per annum. These arrangements are secured against assets under ijarah, personal / corporate guarantees, demand promissory notes executed by Musta'jir and other collaterals.

**13.2 Aggregate amount of future ijarah rentals receivable on the basis of Ijarah arrangements executed upto the balance sheet date are as follows:**

	2017	2016
	Rupees	Rupees
Not later than one year	28,861,240	22,002,234
Later than one year but not later than five years	10,739,185	12,450,630
	<u>39,600,425</u>	<u>34,452,864</u>

**Note 14**  
**Fixed Assets under Own Use**

	Note	2017 Rupees	2016 Rupees
Operating fixed assets	14.1	333,646	780,032
Capital work in progress - Advance for purchase of vehicle		2,233,000	-
		<b>2,566,646</b>	<b>780,032</b>

**14.1 Operating fixed assets**

Description	Machinery Rupees	Furniture and Fittings Rupees	Vehicles Rupees	Office Equipment Rupees	Computers and Accessories Rupees	Total Rupees
<b>Year Ended June 30, 2017</b>						
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>
<b>Total as at June 30, 2017</b>	<b><u>15,114</u></b>	<b><u>118,885</u></b>	<b><u>23,780</u></b>	<b><u>121,352</u></b>	<b><u>54,515</u></b>	<b><u>333,646</u></b>
<b>Year Ended June 30, 2016</b>						
Cost						
Balance as at July 01, 2015	1,987,400	4,639,595	1,904,210	1,344,867	2,506,438	12,382,510
Additions	-	-	-	-	11,000	11,000
Disposals	-	-	-	-	-	-
Balance as at June 30, 2016	<u>1,987,400</u>	<u>4,639,595</u>	<u>1,904,210</u>	<u>1,344,867</u>	<u>2,517,438</u>	<u>12,393,510</u>
Accumulated depreciation						
Balance as at July 01, 2015	1,933,934	4,605,261	974,884	1,117,762	2,474,082	11,105,923
Charge for the year	19,176	10,296	349,740	96,707	31,636	507,555
Disposals	-	-	-	-	-	-
Balance as at June 30, 2016	<u>1,953,110</u>	<u>4,615,557</u>	<u>1,324,624</u>	<u>1,214,469</u>	<u>2,505,718</u>	<u>11,613,478</u>
<b>Total as at June 30, 2016</b>	<b><u>34,290</u></b>	<b><u>24,038</u></b>	<b><u>579,586</u></b>	<b><u>130,398</u></b>	<b><u>11,720</u></b>	<b><u>780,032</u></b>
<b>Depreciation rates</b>	<b><u>20%</u></b>	<b><u>20%</u></b>	<b><u>20%</u></b>	<b><u>20%</u></b>	<b><u>33.33%</u></b>	

**14.2** These contain fully depreciated assets of Rs. 10,244,640 (2016: Rs. 9,870,860) that are still in use by the Modaraba.

**Note 15****Intangible Asset**

	Note	2017 Rupees	2016 Rupees
Carrying value of intangible - computer software	15.1	-	83,338
<b>15.1 Net Carrying Value</b>			
Net carrying value - opening balance		83,338	166,667
Additions during the year		-	-
		83,338	166,667
Amortization during the year		(83,338)	(83,329)
		-	83,338
<b>15.2 Gross Carrying Value</b>			
Cost		1,250,000	1,250,000
Accumulated amortization		(1,250,000)	(1,166,662)
Net book value		-	83,338

**15.3** The Modaraba amortizes its intangible asset on straight line basis over the period of three years and charges the amortization for the year to operating expenses (Note 26).

**Note 16****Creditors, Accrued and Other Liabilities**

Accrued expenses	307,362	432,364
Contribution to provident fund payable	-	2,583,304
Payable to the Modaraba Management Company	711,964	1,093,303
Other liabilities	470,508	1,086,359
	<u>1,489,834</u>	<u>5,195,330</u>

**Note 17****Short Term Borrowing**

This represents short term borrowing received from director and is repayable on demand. This borrowing is unsecured and mark-up free and accounted for in accordance with the requirements of TR - 32 of the Institute of Chartered Accountants of Pakistan.

**Note 18****Long Term Security Deposits**

Security deposit - Ijarah	17,492,740	15,125,478
Less: Current portion	(7,728,560)	(5,078,413)
	<u>9,764,180</u>	<u>10,047,035</u>

**Note 19****Certificate Capital**

	2017	2016		
	Number of certificates			
<b>Authorized:</b>				
	<u>50,000,000</u>	<u>50,000,000</u>	Modaraba Certificates of Rs. 10 each	<u>500,000,000</u> <u>500,000,000</u>
<b>Issued, subscribed and paid-up:</b>				
	18,500,000	18,500,000	Modaraba Certificates of Rs. 10 each issued as fully paid in cash	185,000,000    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
	<u>20,187,500</u>	<u>20,187,500</u>		<u>201,875,000</u> <u>201,875,000</u>

**19.1** There was no movement in certificate capital during the year.

**19.2** Certificates of the Modaraba held by associates / related parties are as under:

			<b>2017</b>	<b>2016</b>
		Note	Rupees	Rupees
2,030,905	2,030,905	IBL Modaraba Management (Private) Limited	20,309,050	20,309,050
3,070,000	3,070,000	University of Management and Technology	30,700,000	30,700,000
1,515,820	1,515,820	Director	15,158,200	15,158,200
<u>6,616,725</u>	<u>6,616,725</u>		<u>66,167,250</u>	<u>66,167,250</u>

**Note 20**

**Reserves**

Statutory reserve	20.1	43,059,884	41,058,348
Unrealised gain on revaluation of available for sale investments		<u>6,738,639</u>	<u>5,627,924</u>
		<u>49,798,523</u>	<u>46,686,272</u>

**20.1** 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. 2,001,536 (2016: Rs. 1,967,946) has been transferred from profit for the year to statutory reserve with the approval of the Board of Directors of the Management Company.

**Note 21**

**Contingencies and Commitments**

There were no material contingencies and commitments outstanding as at the balance sheet date (2016: Nil).

**Note 22**

**Income from Ijarah**

Income from ijarah rental		15,879,941	13,471,612
Ijarah income suspended - net	7.2 & 22.1	<u>(380,346)</u>	<u>(754,441)</u>
		<u>15,499,595</u>	<u>12,717,171</u>

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

**Note 23**

**Income from Short Term Investments**

Dividend income		127,591	65,557
Unrealised gain on re-measurement of investments at fair value through profit or loss		345,253	-
Gain on disposal of short term investments available for sale		<u>-</u>	<u>6,221,698</u>
		<u>472,844</u>	<u>6,287,255</u>

**Note 24**

**Other Income**

Documentation charges		190,073	63,273
Gain on termination of ijarah arrangements		564,333	1,949
Gain on disposal of fixed assets under own use		77,279	-
Miscellaneous		<u>1,567,185</u>	<u>93,526</u>
		<u>2,398,870</u>	<u>158,748</u>

**Note 25**  
**Operating Expenses**

	Note	2017 Rupees	2016 Rupees
Salaries, allowances and other benefits	25.1	10,200,648	8,932,821
Communication expenses		265,921	246,937
Travelling and conveyance	25.2	1,217,765	1,247,972
Postage and stamps		98,870	117,281
Advertisement		56,240	68,850
Legal and professional charges		3,787,547	2,208,514
Rent, rates and taxes		860,338	821,044
Fees and subscription		752,130	1,098,378
Repairs and maintenance		209,413	230,785
Utilities		259,097	273,230
Insurance		198,428	155,177
Stationery, printing and other expenses		287,378	241,899
Depreciation / amortization:			
- Investment property	12	5,000,023	5,000,023
- Owned - tangible	14	461,110	507,555
- Intangible assets	15	83,338	83,329
Entertainment		118,665	125,587
Bank charges		7,706	3,877
Office supplies		106,337	122,498
		<u>23,970,954</u>	<u>21,485,757</u>

**25.1 Remuneration of Officers**

Salaries and other benefits include remuneration of officers:

Remuneration	6,709,574	5,921,598
Employer's contribution to provident fund	381,300	339,639
	<u>7,090,874</u>	<u>6,261,237</u>
Number of persons	<u>4</u>	<u>4</u>

**25.2** Officers are also provided with free use of vehicles fully maintained by the Modaraba.

**Note 26**  
**Other Operating Expenses**

Auditors' remuneration	26.1	447,525	448,175
Fines and penalties		-	35,000
Default surcharge on withholding tax		17,614	-
Balances written off		-	157,703
Unrealised loss on re-measurement of investments at fair value through profit or loss		-	27,027
		<u>465,139</u>	<u>667,905</u>

**26.1 Auditors' remuneration**

Audit fee	275,000	275,000
Review of half yearly financial statements and other certifications	157,525	144,975
Out of pocket expenses	15,000	28,200
	<u>447,525</u>	<u>448,175</u>

**Note 27**  
**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 28****Earnings per Modaraba Certificate - Basic and Diluted**

	<b>2017</b>	<b>2016</b>
The calculation of the basic earnings per modaraba certificate is based on the following data:		
Profit for the year (Rupees)	<u>10,007,680</u>	<u>9,839,731</u>
Weighted average number of modaraba certificates outstanding (Numbers)	<u>20,187,500</u>	<u>20,187,500</u>
Earnings per certificate - basic (Rupees)	<u>0.50</u>	<u>0.49</u>

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

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

**Note 29****Cash Generated from Operations**

<b>Net profit for the Year</b>	10,007,680	9,839,731
Adjustment for:		
- Depreciation on fixed assets under own use	461,110	507,555
- Depreciation on investment property	5,000,023	5,000,023
- Depreciation on fixed assets under Ijarah arrangements	11,754,536	10,828,700
- Amortization on intangible asset	83,338	83,329
- Balances written back	(540,022)	-
- Gain on disposal of fixed assets under own use	(77,279)	-
- Balances written off	-	157,703
- Reversal of provision against non-performing musharaka receivables - net	(10,246,548)	(9,854,514)
- Reversal of musharaka profit held in suspense account	(2,979,037)	-
- Revaluation loss / (gain) on investment at fair value through profit or loss	(345,253)	27,027
- Gain on disposal of short term investments available for sale	-	(6,368,498)
- Gain on termination of Ijarah arrangements	(564,333)	(1,949)
- Profit on term deposit receipts and bank deposits	(1,424,104)	(1,542,139)
- Dividend income	(127,591)	(65,557)
	<u>994,840</u>	<u>(1,228,320)</u>
<b>Operating profit before working capital changes</b>	11,002,520	8,611,411
Decrease / (Increase) in operating assets:		
- Advances, prepayments and other receivables	5,077,012	1,297,318
- Ijarah rentals receivable	612,459	(463,807)
- Musharaka receivables	(46,754,073)	11,943,244
- Long term murabaha receivable	18,340,882	1,611,906
Increase / (Decrease) in operating liabilities:		
- Long term security deposits	2,367,262	2,714,690
- Short term borrowing	5,000,000	10,000,000
- Creditors, accrued and other liabilities	(3,165,471)	1,585,303
<b>Net changes in working capital</b>	<u>(18,521,929)</u>	<u>28,688,654</u>
<b>Cash (Used in) / Generated from Operations</b>	<u>(7,519,409)</u>	<u>37,300,065</u>



**Note 30**  
**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
<b>Assets</b>						
Bank balances	13,917,457	-	-	-	-	13,917,457
Ijarah rentals receivable	376,363	-	-	-	-	376,363
Advances, prepayments and other receivables	914,585	-	9,444,284	-	-	10,358,870
Short term investments	900,915	-	6,738,681	-	-	7,639,596
Musharaka receivables	133,182	-	42,253,090	29,025,243	-	71,411,515
Long term advances and deposits	-	-	-	2,709,260	-	2,709,260
Investment property	416,669	833,338	3,750,021	20,000,112	52,083,550	77,083,690
Fixed assets	3,805,361	37,629	17,336,947	2,532,514	21,141,280	44,853,731
<b>Total Assets - June 30, 2017</b>	<b>20,464,533</b>	<b>870,967</b>	<b>79,523,023</b>	<b>54,267,129</b>	<b>73,224,830</b>	<b>228,350,482</b>
<b>Liabilities</b>						
Creditors, accrued and other liabilities	470,508	711,964	307,362	-	-	1,489,834
Short term loan	-	-	15,000,000	-	-	15,000,000
Musharaka profit payable	1,430,192	-	-	-	-	1,430,192
Musharaka finances	700,000	-	-	-	-	700,000
Unpresented profit warrants	9,372,983	-	-	-	-	9,372,983
Security deposits	6,971,365	418,595	338,600	9,764,180	-	17,492,740
<b>Total Liabilities - June 30, 2017</b>	<b>18,945,048</b>	<b>1,130,559</b>	<b>15,645,962</b>	<b>9,764,180</b>	<b>-</b>	<b>45,485,749</b>
<b>Net Assets - June 30, 2017</b>	<b>1,519,485</b>	<b>(259,592)</b>	<b>63,877,061</b>	<b>44,502,949</b>	<b>73,224,830</b>	<b>182,864,733</b>
<b>Total Assets - June 30, 2016</b>	<b>80,765,775</b>	<b>13,191,969</b>	<b>17,400,407</b>	<b>55,823,253</b>	<b>57,083,582</b>	<b>224,264,986</b>
<b>Total Liabilities - June 30, 2016</b>	<b>14,005,898</b>	<b>2,343,303</b>	<b>19,036,598</b>	<b>10,047,035</b>	<b>-</b>	<b>45,432,834</b>
<b>Net Assets - June 30, 2016</b>	<b>66,759,877</b>	<b>10,848,666</b>	<b>(1,636,191)</b>	<b>45,776,218</b>	<b>57,083,582</b>	<b>178,832,152</b>
					<b>2017</b>	<b>2016</b>
					Rupees	Rupees
<b>Represented by:</b>						
Certificate capital					201,875,000	201,875,000
Reserves					49,798,523	46,686,272
Accumulated loss					(68,808,789)	(69,729,120)
					<u>182,864,734</u>	<u>178,832,152</u>

**Note 31**  
**Segment Analysis**

**31.1 Geographical segments**

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

**31.2 Business segments**

**Murabaha receivable and profit on murabaha receivable**

	2017		2016	
	Rupees	%	Rupees	%
Chemicals	-	-	19,636,430	100.0

**Musharaka receivable and profit on musharaka receivable**

Media advertising	37,736,695	52.8	12,394,453	85.1
Construction	27,811,734	39.0	-	-
Education	-	-	2,178,310	14.9
Individual	5,863,086	8.2	-	-
	<u>71,411,515</u>	<u>100.0</u>	<u>14,572,763</u>	<u>100.0</u>

**Ijarah receivable**

Medical and pharmaceuticals	67,483	17.9	231,680	23.0
Media advertising	4,200	1.1	-	-
Individuals	138,750	36.9	361,172	37.0
Others	165,930	44.1	-	-
Textile	-	-	395,970	40.0
	<u>376,363</u>	<u>100.0</u>	<u>988,822</u>	<u>100.0</u>

**Investment in ijarah under (IFAS-2)**

Individuals	21,118,131	49.9	21,677,112	60.8
Textiles	-	-	5,207,209	14.6
Medical and pharmaceuticals	1,484,196	3.5	2,349,346	6.6
Media advertising	13,827,979	32.7	4,437,193	12.4
Leasing	283,906	0.7	283,906	0.8
Hotel	120,000	0.3	120,000	0.3
Engineering	60,000	0.1	60,000	0.2
Others	5,392,873	12.8	1,509,060	4.2
	<u>42,287,085</u>	<u>100</u>	<u>35,643,826</u>	<u>100</u>

**Note 32****Balances and Transactions with Related Parties**

**32.1** 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.

**32.2** 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.

**32.3** Details of transactions with related parties and balances outstanding with them as at the balance sheet date are as follows:

**Transactions during the year**

Related party	Relationship	Nature of Transaction	2017	2016
			Rupees	Rupees
IBL Modaraba Management (Private) Limited	Management Company	Management fee paid during the year	1,493,303	592,036
University of Management and Technology	Holds 15.2% of the paid up certificates of Modaraba	Rent of Library Building received	7,495,440	7,495,440
Director	Director	Short term borrowing obtained	5,000,000	10,000,000

**Outstanding Balance at the year end**

Short term borrowing	15,000,000	10,000,000
Payable to the Modaraba Management Company	711,964	1,093,303

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 33**

#### **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 balance sheet date, the Modaraba is geared 14% (2016: -30%).

### **Note 34**

#### **Financial Risk Management**

##### **34.1** 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.

##### **34.2 Credit Risk:**

###### **34.2.1** 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.

###### **34.2.2** Credit risk related to receivables

The Modaraba has adopted a policy of only dealing with creditworthy counterparties and obtaining sufficient collateral, where appropriate, as a means of mitigating the risk of financial loss from defaults. The Modaraba only transacts with those counter 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 counterparties. Credit exposure is controlled by counterparty 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.

### 34.2.3 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 counterparties that have a track record. Given these high credit ratings, the management does not expect any counterparty to fail to meet its obligations, except to the extent of impairment loss recognized.

### 34.2.4 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	2017	2016
		Rupees	Rupees
Bank balances	6	13,917,457	20,702,418
Ijarah rentals receivable	7	376,363	988,822
Advances and other receivables	8	8,077,143	10,056,859
Short term investments	9	7,639,596	36,183,629
Musharaka receivables	10	71,411,516	14,410,895
Murabaha receivable		-	18,340,882
Long term advances and deposits	11	2,709,260	2,709,260
		<u>104,131,335</u>	<u>103,392,765</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:

Chemicals	-	19,636,430
Textiles	-	395,970
Education	-	2,178,310
Medical and pharmaceuticals	67,483	231,680
Media advertising	37,740,895	12,394,453
Individuals	6,001,836	361,172
Construction	27,811,734	-
Others	165,930	-
	<u>71,787,878</u>	<u>35,198,015</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	376,363	988,822
Accrued profit on murabaha and musharaka	914,585	1,457,416
Musharaka receivables	71,411,516	14,410,895
Murabaha receivable	-	18,340,882
	<u>72,702,464</u>	<u>35,198,015</u>

### Impairment losses

The aging of financial assets at the reporting date was:

	Gross 2017 Rupees	Impairment 2017 Rupees	Gross 2016 Rupees	Impairment 2016 Rupees
Not past due	-	-	15,561,584	-
Past due 0-90 days	221,880	215,973	19,910,269	273,838
Past due 90-180 days	202,449	202,449	234,480	234,480
Past due over 180 days	26,171,890	25,053,689	38,859,748	38,859,748
	<u>26,596,219</u>	<u>25,472,111</u>	<u>74,566,081</u>	<u>39,368,066</u>

### 34.3 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.

#### 34.3.1 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.

#### 34.3.2 Exposure to currency risk

The Modaraba has no exposure to foreign currency risk as at balance sheet date.

#### 34.3.3 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.

#### 34.3.4 Sensitivity analysis - equity price risk

A change of 1% in value of investments would have increased or decreased equity by Rs. 76,396 (2016: Rs. 361,836).

#### 34.3.5 Fair value of financial assets and liabilities

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

### Note 35

#### 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, 2017:

	<u>2017</u>
Fund Balance	<u>2,740,317</u>

**35.1** The Modaraba has maintained provident fund account in MCB Bank Limited which has balance of Rs. 2,740,317.

### Note 36

#### Number of Employees

	<u>2017</u>	<u>2016</u>
	Numbers	Numbers
Employees as at June 30,	15	14
Average employees during the year	15	14

**Note 37**

**Date of Authorization for Issue**

These financial statements were authorized for issue on September 29, 2017 by the Board of Directors of IBL Modaraba Management (Private) Limited (the Management Company).

**Note 38**

**Profit Distribution**

Subsequent to the year ended June 30, 2017, the Board of Directors of the Management Company in their meeting held on September 29, 2017 declared a final profit distribution of Rs. 0.357 (2016: Rs. 0.351) per Modaraba certificate which in total amounts to Rs. 7,206,938 (2016: Rs. 7,085,813).

**Note 39**

**General**

Corresponding figures have been rearranged, wherever necessary during the year. No material rearrangements have been made in these financial statements.

  
**CHIEF EXECUTIVE**

  
**DIRECTOR**

  
**DIRECTOR**

## DETAIL OF CATEGORIES OF CERTIFICATES HOLDERS

AS AT JUNE 30, 2017

Categories of Shareholder	Total	% age
<b>Directors, Chief Executive Officer, Their Spouses and Minor Children</b>		
<b>Directors</b>		
Mr. Hasan Sohaib Murad	1,515,820	7.51
	<b>1,515,820</b>	<b>7.51</b>
<b>Executives</b>	<b>15,000</b>	<b>0.07</b>
<b>Associated Companies, Undertakings &amp; Related Parties</b>		
University of Management & Technology	3,070,000	15.21
IBL Modaraba Management (Private) Limited	2,030,905	10.06
	<b>5,100,905</b>	<b>25.27</b>
<b>NIT &amp; ICP (Name Wise Detail)</b>		
CDC - Trustee National Investment (Unit) Trust	1,078,774	5.34
Investment Corporation of Pakistan Limited	3,006	0.01
	<b>1,081,780</b>	<b>5.36</b>
<b>Banks, NBFCs, DFIs, Takaful, Pension Funds</b>	<b>137,590</b>	<b>0.68</b>
<b>Modarabas</b>	<b>70</b>	<b>0.00</b>
<b>Insurance Companies</b>	<b>517,608</b>	<b>2.56</b>
<b>Other Companies, Corporate Bodies, Trust etc.</b>	<b>6,473,866</b>	<b>32.07</b>
<b>General Public</b>	<b>5,344,861</b>	<b>26.48</b>
	<b>20,187,500</b>	<b>100.00</b>

## CATEGORIES OF CERTIFICATES HOLDERS

AS AT JUNE 30, 2017

Categories of Shareholder	Number	Holding	% age
Modarabas	1	70	0.00%
Related Parties	2	5,100,905	25.27%
Executives	1	15,000	0.07%
Directors	1	1,515,820	7.51%
Banks	5	137,590	0.68%
Insurance companies	4	517,608	2.56%
NIT & ICP	2	1,081,780	5.36%
Other	14	6,473,866	32.07%
Individuals	1254	5,344,861	26.48%
<b>Total</b>	<b>1285</b>	<b>20,187,500</b>	<b>100%</b>



## PATTERN OF CERTIFICATE HOLDING BY CERTIFICATE HOLDERS

AS AT JUNE 30, 2017

No. of Shareholders	Shareholding		Total Shares held
	From	To	
432	1	100	16,077
308	101	500	86,278
197	501	1,000	142,430
238	1,001	5,000	520,691
48	5,001	10,000	349,185
17	10,001	15,000	215,471
7	15,001	20,000	136,500
4	20,001	25,000	88,000
4	25,001	30,000	115,000
3	30,001	35,000	97,812
2	35,001	40,000	71,500
1	45,001	50,000	50,000
2	50,001	55,000	104,087
1	55,001	60,000	58,500
1	60,001	65,000	65,000
1	80,001	85,000	82,000
1	90,001	95,000	92,700
2	130,001	135,000	265,441
1	150,001	155,000	154,500
1	155,001	160,000	156,500
2	165,001	170,000	336,500
1	235,001	240,000	235,068
1	280,001	285,000	280,507
1	310,001	315,000	313,500
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	1,515,001	1,520,000	1,515,820
1	1,995,001	2,000,000	2,000,000
1	2,030,001	2,035,000	2,030,905
1	3,065,001	3,070,000	3,070,000
1	4,425,001	4,430,000	4,425,764
<b>1,285</b>			<b>20,187,500</b>



# IBL

## First IBL Modararba

Managed by: IBL Modaraba Management (Pvt.) Ltd.

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