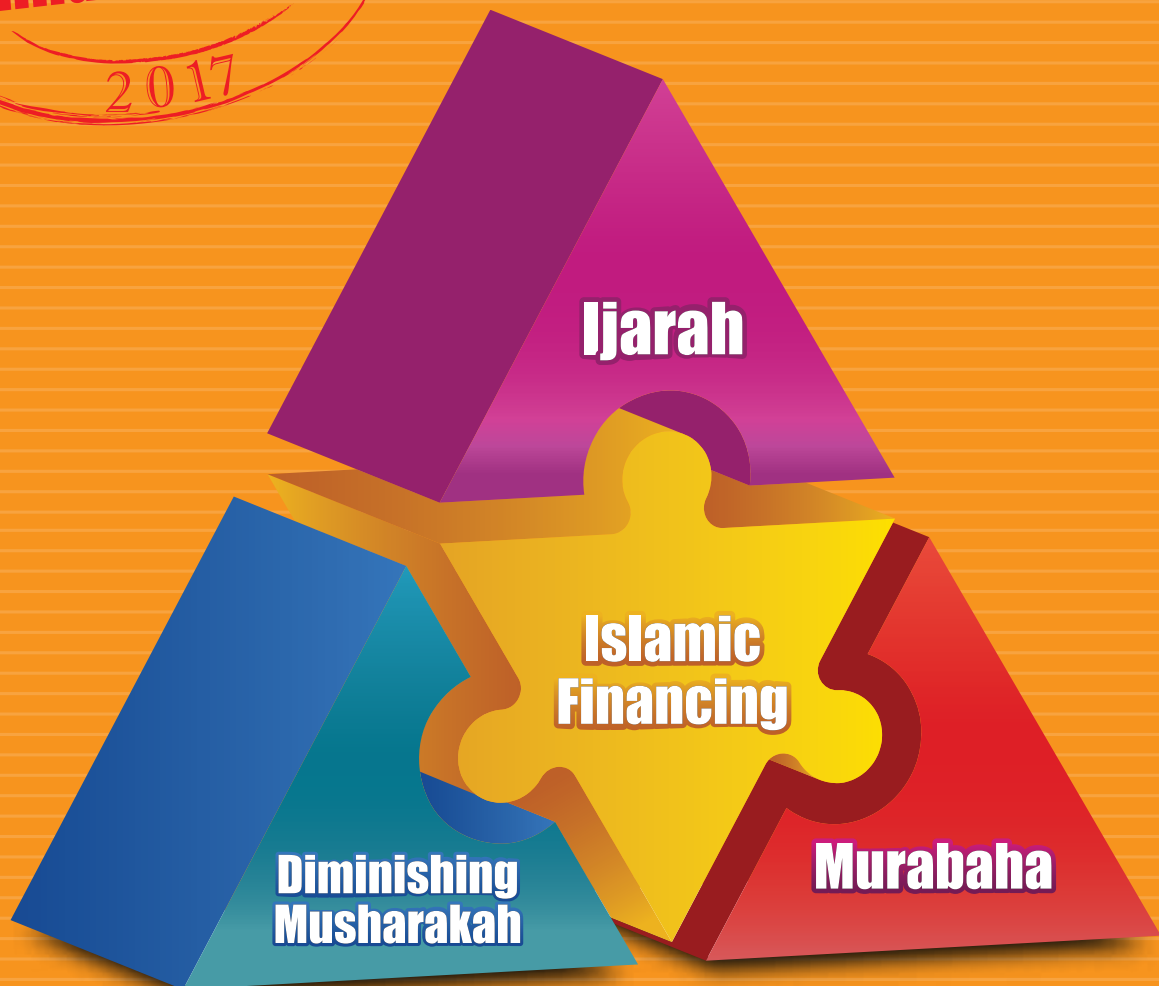


Growth + Prosperity

# First Punjab Modaraba

*(An Islamic Financial Institution)*



# Contents

Corporate Profile	02
Our Vision and Our Mission	03
Financial Highlights	04
Jama Punji	06
Six Years at a Glance	07
Directors' Report	08
Directors' Report (Urdu)	12
Statement of Compliance With Best Practices of Corporate Governance	17
Review Report on Statement of Compliance of Corporate Governance	19
Notice of Book Closure & Annual Review Meeting	20
Pattern of Certificate Holders	21
Categories of Certificate Holders	22

## Financial Statements

Auditors' Report	24
Annual Shari'ah Advisor's Report	25
Balance Sheet	26
Profit and Loss Account	27
Statement of Comprehensive Income	28
Cash Flow Statement	29
Statement of Changes in Equity	30
Notes to the Financial Statements	31

## Consolidated Financial Statements

Auditors' Report	75
Balance Sheet	76
Profit and Loss Account	77
Statement of Comprehensive Income	78
Cash Flow Statement	79
Statement of Changes in Equity	80
Notes to the Financial Statements	81



## Corporate Profile

### Board of Directors

Punjab Modaraba Services (Pvt.) Ltd.

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

### Chief Financial Officer & Company Secretary

Mudassar Kaiser Pal

### Audit Committee

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

### Human Resource Committee

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

### Auditors of the Modaraba

Deloitte Yousuf Adil  
Chartered Accountants

### Auditors of the Management Company

Hameed Chaudhry & Co.  
Chartered Accountants

### Bankers

The Bank of Punjab  
Bank Alfalah Limited

### Registrar

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

### Registered Office

Mega Tower, Office No 100, 4th Floor 63-B,  
Main Boulevard, Gulberg II, Lahore, Pakistan  
PABX: (+92-42) 35777537  
URL: [www.punjabmodaraba.com.pk](http://www.punjabmodaraba.com.pk)



First Punjab Modaraba

## Our Vision

Connect the Community to  
Islamic Mode of Financing.

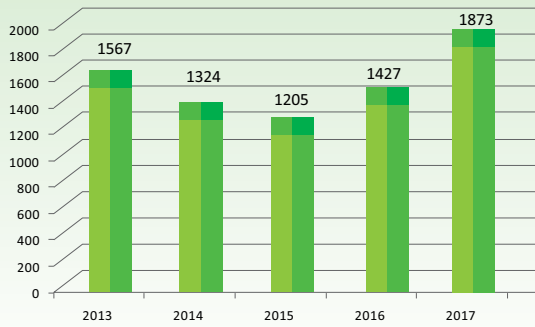


## Our Mission

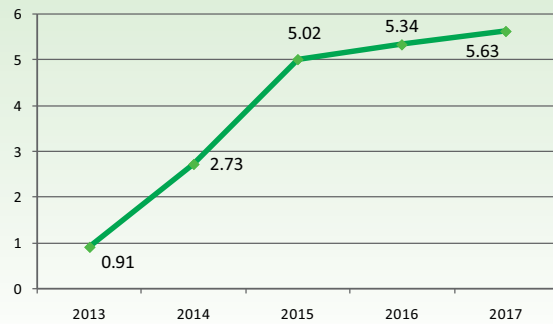
We have committed  
to progressively  
enhance fully  
researched Islamic  
Financing Products  
and shall continue to  
meet our customers'  
needs.

## Financial Highlights

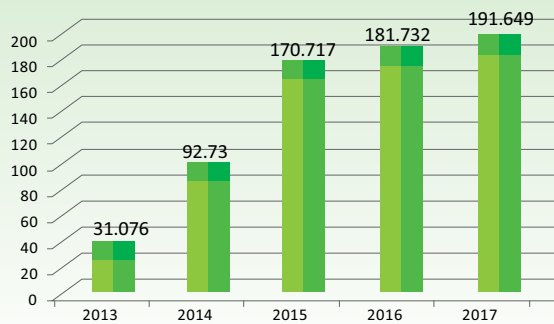
Total Assets



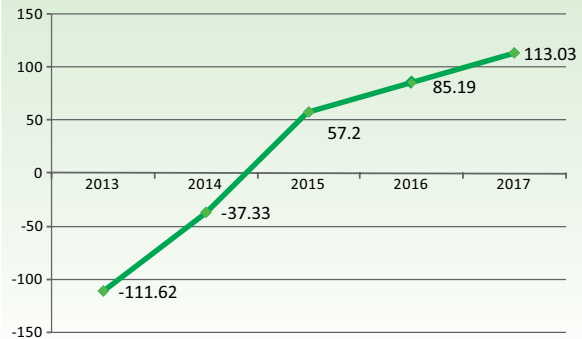
Break up value Trend



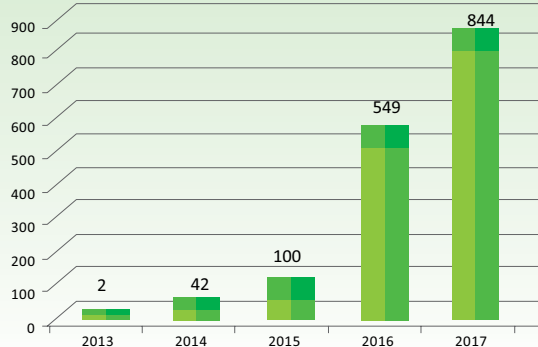
Equity Trend



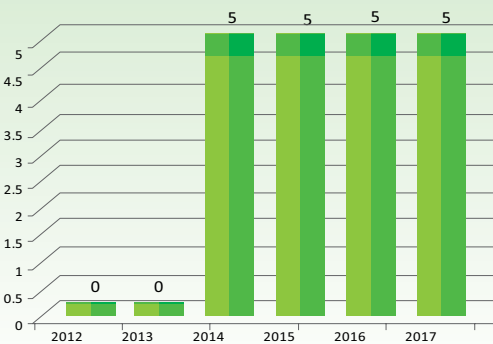
Profit Trend



Fresh Business



Dividend





## Products of First Punjab Modaraba

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



www.jamapunji.pk

## Be aware, Be alert, Be safe

Learn about investing at  
[www.jamapunji.pk](http://www.jamapunji.pk)

**Key features:**

- Licensed Entities Verification
- Scam meter\*
- Jamapunji games\*
- Tax credit calculator\*
- Company Verification
- Insurance & Investment Checklist
- FAQs Answered
- Stock trading simulator (based on live feed from KSE)
- Knowledge center
- Risk profiler\*
- Financial calculator
- Subscription to Alerts (event notifications, corporate and regulatory actions)
- Jamapunji application for mobile device
- Online Quizzes

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

[jamapunji.pk](http://jamapunji.pk) [@jamapunji\\_pk](https://twitter.com/jamapunji_pk)

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

## Six Years at a Glance

(Amounts in '000)

	June-12	June-13	June-14	June-15	June-16	June-17
<b>BALANCE SHEET</b>						
Authorized Capital	500,000	500,000	500,000	500,000	500,000	500,000
<b>Equity:</b>						
Issued, Subscribed & Paid Up Capital	340,200	340,200	340,200	340,200	340,200	340,200
Reserves	128,065	127,366	151,347	198,613	204,119	204,119
Loss on re-valuation of Investment	-	-	-	-	-	-
Un-appropriated Profit	(325,567)	(436,490)	(398,817)	(368,096)	(362,587)	(352,669)
<b>Total</b>	<b>142,698</b>	<b>31,076</b>	<b>92,730</b>	<b>170,717</b>	<b>181,732</b>	<b>191,650</b>
<b>Liabilities:</b>						
Redeemable Capital	429,715	301,000	100,000	100,000	100,000	400,000
Musharikh Arrangements	1,041,532	971,664	896,954	734,133	955,925	1,101,205
Morabaha Arrangements	17,296	-	-	-	-	-
Diminishing Musharikh	-	-	-	-	-	-
Accrued, Deferred & Other Liabilities	279,438	264,214	234,733	200,890	189,704	180,964
<b>Total</b>	<b>1,767,981</b>	<b>1,536,879</b>	<b>1,231,687</b>	<b>1,035,024</b>	<b>1,245,629</b>	<b>1,682,169</b>
<b>Total Equity &amp; Liabilities</b>	<b>1,910,680</b>	<b>1,567,955</b>	<b>1,324,417</b>	<b>1,205,741</b>	<b>1,427,361</b>	<b>1,873,819</b>
<b>Operating Assets:</b>						
Ijarah Assets	721,624	519,560	351,330	203,641	208,430	178,858
Deferred tax	-	-	25,373	38,175	48,144	56,069
Musharikh Investment	78,305	89,689	131,704	127,510	458,781	889,074
Morabaha Investment	497,785	477,384	378,566	364,378	309,143	276,995
<b>Sub Total</b>	<b>1,297,714</b>	<b>1,086,633</b>	<b>886,973</b>	<b>733,704</b>	<b>1,024,498</b>	<b>1,400,996</b>
<b>Other Assets:</b>						
Assets in own use	67,610	53,051	10,584	9,914	9,914	2,261
Investment in Subsidiary	-	-	-	-	-	50,000
Shares-Available for sale	-	9,351	9,353	9,816	10,309	-
Deposits, Prepayments & other receivables	486,846	328,401	353,343	340,397	352,570	378,809
Cash & Bank Balances	58,509	90,519	64,166	111,910	30,065	41,753
<b>Sub Total</b>	<b>612,965</b>	<b>481,322</b>	<b>437,446</b>	<b>472,037</b>	<b>402,858</b>	<b>472,823</b>
<b>Total Assets</b>	<b>1,910,680</b>	<b>1,567,955</b>	<b>1,324,419</b>	<b>1,205,745</b>	<b>1,427,356</b>	<b>1,873,819</b>
<b>PROFIT &amp; LOSS ACCOUNT</b>						
Operating Income	571,751	339,695	263,244	339,520	135,358	167,525
Other Income	45,603	7,558	34,291	13,685	4,124	6,114
<b>Total Income</b>	<b>617,354</b>	<b>347,252</b>	<b>297,535</b>	<b>353,205</b>	<b>139,482</b>	<b>173,639</b>
Operating Expenses	567,876	318,611	148,518	187,461	58,813	66,948
Financial Charges	217,091	139,612	86,972	63,171	57,792	79,970
Management Fee	-	-	3,102	4,103	1,716	2,672
<b>Total Expenses</b>	<b>784,967</b>	<b>458,223</b>	<b>238,592</b>	<b>254,735</b>	<b>118,321</b>	<b>149,590</b>
Profit before Taxation	(167,613)	(110,970)	58,943	98,470	21,161	24,048
Taxation	-	(651)	15,353	(3,938)	6,371	3,836
<b>Profit for the year</b>	<b>(167,613)</b>	<b>(110,319)</b>	<b>74,296</b>	<b>94,532</b>	<b>27,532</b>	<b>27,884</b>
<b>DISTRIBUTION:</b>						
Cash Dividend(%)	-	-	5.00	5.00	5.00	5.00
Bonus (%)	-	-	-	-	-	-
<b>RATIOS:</b>						
Breakup Value (Rs.)	4.19	0.91	2.73	5.02	5.34	5.63
Earning per Certificate (Rs.)	(4.93)	(3.28)	2.18	2.78	0.81	0.82
Return on Equity (Rs.)	(117.46)	(359.19)	80.12	55.37	15.15	14.55





## Directors' Report

The Board of Directors of Punjab Modaraba Services (Pvt.) Limited, the Management Company of First Punjab Modaraba (the Modaraba) is pleased to present the 24th Directors' Report of the Modaraba, together with audited financial statements and auditors' report for year ended June 30, 2017.

### **Economic Outlook and Future Prospects**

The economic review given by the State Bank of Pakistan reflects that Pakistan's macroeconomic indicators continue to improve and solidify grounds for a sustained upward growth trajectory. In particular, key constraints impeding the economy from achieving high growth i.e. power supply and security situation – are gradually getting better. In this backdrop, the government envisages a higher real GDP growth of 6.0 percent for FY18, compared to 5.3 percent recorded in FY17.

It is further observed that the growth prospects of Pakistan's economy from FY18 onwards would largely hinge upon planned infrastructure projects and capacity expansion by industries. In order to make these plans a success story, enhanced coordination amongst all public sector institutions would be more crucial. Also, continuity and consistency in policies, especially those related to investment and industry, would be necessary to ensure sustainability of the growth momentum.

The continuous strive for revival and perpetual viability of the Modaraba resulted in achievement of major milestone of sustainable operating profit during the year under consideration. The growth target set for the year was successfully achieved and fresh assets proved to be major contributory in achievement of profitability from core operations. The recovery from non performing assets supplemented the bottom line.

Going forward, the Management will be focusing on maintaining existing growth rate through capacity building in terms of human resource and geographical expansion. At the same time recovery from non performing assets will be given utmost attention, by exerting maximum pressure on defaulters through litigation in Courts besides making efforts for out of court settlements.

### **Review of Operations**

By the grace of Almighty Allah, the Modaraba was able to continue with trend of profitability on sound footings. A net profit of Rs.27.884 million, resulted in recording earning per certificate of Rs.0.82 while the breakup value per certificate increased to Rs.5.63.

The healthy rise of more than 31% in total assets primarily emanated from increase in lending book. It is heartening to note that the new business booked during last three years is hardly showing delinquencies. The impact was evident in 24% improvement in total revenue. On the other hand, increase in total operating cost was restricted to 7%. The move towards diversification of product range and income avenues materialized with setting up of brokerage company as wholly owned subsidiary of the Modaraba.



## Financial Results

The financial results of the Modaraba are summarized below:

	2017 Rupees	2016 Rupees
Profit / (Loss) for the year	27,884,873	27,532,988
Un-appropriated Profit/ (Loss) – Brought Forward	(379,597,234)	(385,106,223)
Other comprehensive income	(957,455)	492,599
Profit available for appropriation	27,884,873	27,532,988
<b>Appropriations</b>		
Transfer to statutory reserve	5,576,975	5,506,598
Final dividend @ 5.00% (2016: 5.00%)	17,010,000	17,010,000
Un-appropriated profit / (loss) – Carried Forward	(375,256,791)	(379,597,234)
Earning per certificate - Rs.	0.82	0.81

## Profit Distribution and transfer to reserves

The Board at its meeting held on October 10, 2017 has approved cash dividend of Rs.0.50 per certificate and transfer of Rs.5,576,975 to statutory reserve for the year ended June 30, 2017, out of the profit earned.

## FPM Financial Strength Rating

The Pakistan Credit Rating Agency (Pvt.) Limited (PACRA) has upgraded long term rating to "A-" and maintained short term rating at "A2".

## Corporate and Financial Reporting Framework

- ✓ The financial statements, prepared by the management of the Modaraba, present its state of affairs fairly, the result of its operations, cash flows and changes in equity;
- ✓ Proper books of account of the Modaraba have been maintained;
- ✓ Appropriate accounting policies have been consistently applied in preparation of financial statements and accounting estimates are based on reasonable and prudent judgment;
- ✓ International Financial Reporting Standards, as applicable in Pakistan, have been followed in preparation of financial statements and any departures there from have been adequately disclosed and explained;
- ✓ The system of internal control is sound in design and has been effectively implemented and monitored;
- ✓ There are no significant doubts upon the Modaraba's ability to continue as a going concern.
- ✓ There has been no material departure from the best practices of corporate governance, as detailed in the listing regulations.
- ✓ Key operating and financial data of the Modaraba for the last six years in summarized form is annexed.
- ✓ There are no outstanding demands of statutory payments on account of taxes, duties, levies and charges as at 30 June 2017, except for those disclosed in financial statements.



- ✓ The value of investments of the staff provident fund, based on audited accounts, was Rs.3,516,781 as at 30 June, 2017.
- ✓ During the year, four meetings of the Board of Directors were held. Attendance by each director was as follow:

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

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

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

- ✓ No change was made in the Audit Committee during the year.
- ✓ No amount was paid by the Modaraba to any of the directors for attending meetings of the Board of Directors and Audit Committee. The management company paid an amount of Rs.200,000/- to one of the directors.

- ✓ The pattern of the holding by the certificate holders is included in this annual report.
- ✓ No trades in certificates of the Modaraba were carried out by the Directors, Executives or their spouses and minor children during the year ended June 30, 2017.

## Role of Certificate-Holders

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

## Auditors

The present auditors M/s Deloitte Yousuf Adil, Chartered Accountants, being eligible for appointment and upon their consent to act as auditors, have been appointed auditors of the Modaraba for financial year ending June 30, 2018, subject to the approval of Registrar Modaraba.

## Compliance with the Code of Corporate Governance

The requirements of the Code of Corporate Governance set out by the Pakistan Stock Exchange in their listing regulations, relevant for year ended June 30, 2017 have been duly complied with and any exceptions have been disclosed in the Statement of Compliance with the Best Practices of Corporate Governance.

## Statement of Ethics and Business Practices

The Board has adopted a Code of Conduct that sets out core values relating to lawful and ethical conduct of business. All employees have a copy

of this code of conduct and are expected to observe high standards of integrity and fair dealing in relation to customers, staff and regulations. This forms a part of the Modaraba's compliance structure.

### **Social, Ethical and Environmental Responsibilities**

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

### **Acknowledgments**

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

### **For and on behalf of the Board**



Aamir Malik  
**Chief Executive**

Lahore: October 10, 2017

## ڈائریکٹرز کی رپورٹ

پنجاب مضاربہ سروسز (پرائیویٹ) لمیٹڈ کے بورڈ آف ڈائریکٹرز، فرسٹ پنجاب مضاربہ (مضاربہ) کی سال 30 جون 2017ء کیلئے 24 ویں ڈائریکٹرز کی رپورٹ بمع آڈیٹڈ مالیاتی اسٹیٹمنٹس اور آڈیٹرز کی رپورٹ پیش کرنے میں مسرت محسوس کرتے ہیں۔

### اقتصادی جائزہ اور مستقبل کے امکانات

اسٹیٹ بینک آف پاکستان کے اقتصادی جائزے کے مطابق پاکستان کی کئی معاشیات کے اشارے مسلسل بہتر ہو رہے ہیں اور بہتری پیداوار کے گراف کے لئے بنیاد فراہم کر رہے ہیں۔ خاص طور پر، بہتر پیداوار حاصل کرنے کیلئے معیشت کے راستے میں اہم رکاوٹیں مثلاً توانائی کی فراہمی اور سیکورٹی حالات مسلسل بہتر ہو رہے ہیں۔ حکومت مالی سال 2018ء کے لئے 6.0 فی صد کی خالص قومی پیداوار حاصل کرنے کے لئے کوشاں ہے جو گزشتہ مالی سال 2017ء میں 5.3 فی صد تھی۔

مزید دیکھا گیا ہے کہ مالی سال 2018ء کے لئے پاکستان کی معیشت میں بہتری کے امکانات نصب شدہ بنیادی ڈھانچے کے منصوبوں اور انڈسٹری کی صلاحیت میں وسعت پر منحصر ہیں۔ ان منصوبوں سے خاطر خواہ فائدہ اٹھانے کی غرض سے تمام قومی شعبہ سے متعلق اداروں کے مابین تعاون کو بڑھایا جائے گا جو سب سے اہم عمل ہے۔ مزید یہ کہ، پالیسیوں میں تسلسل خاص طور پر جوانڈسٹری اور سرمایہ داری سے متعلق ہیں، پیداواری رفتار کی موزونیت کو یقینی بنانے کے لئے ضروری ہے۔

مضاربہ کے مستقل استحکام اور اس کی بحالی کے لئے مسلسل کوشش کی وجہ سے زیر جائزہ سال کے دوران موزوں آپریٹنگ منافع کا حصول ممکن ہوا۔ سال کے لئے طے کیا گیا پیداواری ہدف کامیابی سے حاصل کر لیا گیا اور بنیادی افعال سے منافع کے حصول میں تازہ اثاثے مددگار ثابت ہوئے۔ غیر فعال اثاثوں سے وصولی منافع میں اضافہ کا باعث بنی۔

مزید برآں، انتظامیہ انسانی وسائل اور جغرافیائی وسعت کے ذریعے صلاحیت کو بڑھا کر موجودہ پیداواری شرح کو برقرار رکھنے پر توجہ دے گی۔ اسی طرح سے، عدالت سے باہر حل کی کوششوں کے ساتھ ساتھ عدالتی کارروائی کے ذریعے نادر ہندگان پر مزید باؤ بڑھاتے ہوئے غیر فعال اثاثوں سے وصولی پر بھی خاص توجہ دی جائے گی۔

### آپریٹنگز کا جائزہ

اللہ تعالیٰ کی مہربانی سے مضاربہ مستحکم بنیادوں پر منافع کے رجحان میں تسلسل لانے کے قابل ہوئی۔ 27.884 ملین روپے کا خالص منافع کی وجہ سے فی سٹوکیٹ آمدنی 0.82 روپے ہو گئی جب کہ فی سٹوکیٹ بریک اپ ویلیو 5.63 روپے تک بڑھی۔

کل اثاثوں میں 30 فی صد سے زائد کا وسیع اضافہ لینڈنگ بک میں اضافہ کی وجہ سے ہوا۔ یہ جاننا حوصلہ افزا ہے کہ گزشتہ تین سالوں کے دوران نئے رجسٹرڈ کاروبار میں کوئی خاص تنزلی نہیں دیکھی گئی۔ اس کا اثر آمدنی میں 24 فی صد اضافہ سے عیاں ہے۔ دوسری جانب، کل آپریٹنگ لاگت میں اضافہ 7 فی صد تک محدود کر دیا گیا۔ مصنوعات کی رینج میں تنوع اور آمدنی کے ذرائع کو بروکریج کمپنی جو مضاربہ کی مکمل ذیلی کمپنی ہے کے قیام کے ساتھ مادی شکل دی گئی۔

## مالیاتی نتائج

مضاربہ کے مالی نتائج کو حسب ذیل مختصراً بیان کیا گیا ہے:

2016	2017	
روپے	روپے	
27,532,988	27,884,873	سال کے منافع / (نقصان)
(385,106,223)	(379,597,234)	غیر موزوں منافع / (نقصان)۔۔ آگے لایا گیا
492,599	(957,455)	دیگر مجموعی آمدنی
27,532,988	27,884,873	اپروپری ایشن کے لئے دستیاب منافع
		اپروپری ایشنز
5,506,598	5,576,975	سٹیچوٹری ذخائر کو منتقلی
17,010,000	17,010,000	آخری منافع منقسمہ فی 5.00 فیصد (2016: 5.00%)
(379,597,234)	(375,256,791)	غیر موزوں منافع / (نقصان)۔۔ آگے لایا جائے گا
0.81	0.82	فی سٹوکیٹ آمدنی۔ روپے

## منافع کی تقسیم اور ذخائر کو منتقلی

10 اکتوبر 2017ء کو منعقدہ بورڈ کے اجلاس نے 30 جون 2017ء کو اختتام پذیر سال کے نفع میں سے 0.50 روپے فی سٹوکیٹ کا نقد ڈیویڈنڈ اور 5,576,975 روپے کی سٹیچوٹری ذخائر کو منتقلی کی منظوری کی۔

## FPM مالی استحکام کی درجہ بندی

پاکستان کریڈٹ ریٹنگ ایجنسی (پرائیویٹ) لمیٹڈ (PACRA) نے طویل مدتی درجہ بندی کو "A" میں اپ گریڈ کیا اور قلیل مدتی درجہ بندی کو "A2" برقرار رکھا۔



## کارپوریٹ اور مالیاتی رپورٹنگ فریم ورک

- ✓ مضاربہ کی انتظامیہ کی جانب سے اخذ کئے گئے نوٹس کے ساتھ ساتھ مالیاتی اسٹیٹمنٹس کمپنی کے امور، آپریشنز کے نتائج، کیش فلو اور نصفت میں تبدیلی کو ظاہر کرتی ہے۔
- ✓ مضاربہ کی جانب سے مناسب بکس آف کاؤنٹس مرتب کی گئی ہیں۔
- ✓ مالیاتی اسٹیٹمنٹس کی تیار میں مناسب اکاؤنٹنگ پالیسیاں مسلسل لاگو کی گئی ہیں اور اکاؤنٹنگ تخمینے معقول اور لائق فیصلہ کی بنیاد پر تیار کئے گئے ہیں۔ ماسوائے مالیاتی اسٹیٹمنٹ کے نوٹ میں بیان کردہ تبدیلیوں کے۔
- ✓ مالیاتی اسٹیٹمنٹس کی تیاری میں پاکستان میں لاگو بین الاقوامی اکاؤنٹنگ معیارات کو مد نظر رکھا گیا ہے اور اس میں لائی گئی تبدیلی (اگر کوئی ہے) کو معقول انداز میں ظاہر کیا گیا ہے۔
- ✓ انٹرنل کنٹرول سسٹم پختہ نوعیت کا ہے اور مؤثر انداز میں اس کا نفاذ اور نگرانی کی جاتی ہے۔ ڈائریکٹرز قانون کے مطابق انٹرنل کنٹرول کی موزونیت کے لئے ذمہ دار ہیں۔
- ✓ لسٹنگ ریگولیشنز کے مطابق کارپوریٹ گورننس کی بہترین عمل داری میں کوئی ابہام موجود نہیں۔
- ✓ مضاربہ کی دائمی عملداری کی اہلیت میں کوئی خاص شبہ نہیں ہے۔
- ✓ مضاربہ کا گذشتہ چھ سال کا بنیادی آپرٹنگ اور مالیاتی ڈیٹا ساتھ منسلک ہے۔
- ✓ 30 جون 2017 تک محصولات، ڈیوٹیز، لیویز اور جرمانوں کی مد میں کسی بھی قسم کی قانونی ادائیگیاں واجب الادا نہیں ہیں ماسوائے ان کے جنہیں مالیاتی اسٹیٹمنٹس میں بیان کیا گیا ہے۔
- ✓ 30 جون 2017ء کو آڈیٹڈ اکاؤنٹس کی بنیاد پر سٹاف پراویڈنٹ فنڈ کی سرمایہ داری کی ویلیو 3,516,781 روپے تھی۔
- ✓ سال کے دوران بورڈ آف ڈائریکٹرز کے چار اجلاس منعقد ہوئے۔ ہر ڈائریکٹر کی حاضری حسب ذیل ہے۔

### ڈائریکٹرز کا نام اجلاس میں حاضریوں کی تعداد

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

- ✓ جو ڈائریکٹرز بورڈ کے اجلاس میں شرکت نہ کر سکے انہیں بورڈ کی جانب سے رخصت عنایت کی گئی۔
- ✓ سال کے دوران بورڈ آف ڈائریکٹرز میں کوئی تبدیلی نہ کی گئی ہے۔

✓ سال کے دوران آڈٹ کمیٹی کے چار اجلاس منعقد ہوئے ہر ممبر کی حاضری درج ذیل ہے۔

ڈائریکٹر کا نام	اجلاس میں حاضریوں کی تعداد
خواجہ فاروق سعید	4
جناب ندیم میر	4
جناب اعجاز الرحمن قریشی	4

✓ سال کے دوران آڈٹ کمیٹی میں کوئی تبدیلی نہ کی گئی ہے۔

✓ مضاربہ نے کسی بھی ڈائریکٹر کو بورڈ آف ڈائریکٹرز اور آڈٹ کمیٹی کے اجلاس میں حاضری کے لئے کسی بھی قسم کی ادائیگی نہ کی ہے۔ انتظامی کمپنی نے ایک ڈائریکٹر کو -/200,000 روپے ادا کئے ہیں۔

✓ سٹوکیٹ ہولڈرز کی جانب سے ہولڈنگ کی وضع سالانہ رپورٹ میں شامل ہے۔

✓ مضاربہ کے سٹوکیٹ میں ڈائریکٹرز، ایگزیکٹوز یا ان کے اہلیان اور نابالغان نے 30 جون 2017ء کو اختتام پذیر سال کے لئے کوئی تجارت نہ کی ہے۔

### سٹوکیٹ ہولڈر کا کردار

بورڈ یہ یقینی بنانے کے لئے پرعزم ہے کہ مضاربہ کے سٹوکیٹ کے حاملین کو مضاربہ کے کاموں میں کسی بھی قسم کی تبدیلی سے آگاہ کیا جاتا ہے۔ اس مقصد کے حصول کے لئے، سٹوکیٹ ہولڈرز کو سہ ماہی، نصف سالہ اور سالانہ رپورٹس کے ذریعے مطلع کیا جاتا ہے۔ بورڈ سٹوکیٹ ہولڈرز کی سالانہ جائزہ اجلاس میں شرکت کی حوصلہ افزائی کرتا ہے تاکہ اعلیٰ سطح کے احتساب کو یقینی بنایا جاسکے۔

### آڈیٹرز

موجودہ آڈیٹرز میسرز ڈیلاٹ یوسف عادل، چارٹرڈ اکاؤنٹنٹس تقرری کے اہل ہوتے ہوئے آڈیٹرز کے طور پر اپنی رضامندی ظاہر کرتے ہیں اور انہیں 30 جون 2018ء کو اختتام پذیر مالی سال کے لئے مضاربہ کے آڈیٹرز متعین کیا جاتا ہے جو کہ رجسٹرڈ مضاربہ کی منظوری سے مشروط ہے۔

### کوڈ آف کارپوریٹ گورننس کی تعمیل

پاکستان سٹاک ایکسچینج کی لسٹنگ ریگولیشنز میں بیان کردہ کوڈ آف کارپوریٹ گورننس کی ضروریات جو 30 جون 2017ء کو اختتام پذیر سال سے متعلقہ تھیں، کو حسب ضابطہ مرتب کیا گیا ہے اور کارپوریٹ گورننس پر من و عن عمل کر کے کسی بھی قسم کے استثنیٰ کو تعمیل کے بیان میں ظاہر کیا گیا ہے۔

### اخلاقیات اور کاروباری عمل داری کا بیان

بورڈ نے ایک ضابطہ اخلاق اپنایا ہوا ہے جو کاروبار کی قانونی اور اخلاقی عمل داری سے متعلق بنیادی اقدار پر مشتمل ہے۔ ہر ملازم کے پاس اس ضابطہ اخلاق کی نقل ہے اور توقع کی جاتی ہے کہ وہ کسٹمرز، عملہ اور ریگولیشنز سے متعلقہ سلیت اور منصفانہ عمل داری کے اعلیٰ معیار پر من و عن عمل کریں۔ اس طرح مضاربہ کا تعمیلی ڈھانچہ عمل میں آتا ہے۔

### سماجی، اخلاقی اور ماحولیاتی ذمہ داریاں

بورڈ سماجی، اخلاقی اور ماحولیاتی معاملات سے متعلق بہت زیادہ احساس رکھتا ہے اور قومی مفاد سے متعلقہ ان شعبوں میں اپنی مسلسل شرکت کے لئے منصوبہ بندی کر رہا ہے۔

### اعتراف

بورڈ آف ڈائریکٹرز جسٹرز مضاربہ اور سکیورٹیز اینڈ ایکسچینج کمیشن آف پاکستان کی وسیع مدد اور مسلسل رہنمائی کو بے انتہا قدر کی نگاہ سے دیکھتا ہے۔ اور مستقبل میں بھی ایسی حمایت اور رہنمائی کے لئے پرامید ہے۔

منجانب بورڈ (کے لئے)



(عامر ملک)

چیف ایگزیکٹو

لاہور: 10 اکتوبر 2017ء

# Statement of Compliance

With the Code of Corporate Governance

First Punjab Modaraba

For the year ended June 30, 2017

This statement is being presented to comply with the Code of Corporate Governance (the Code) contained in Regulation No. 5.19.24 of listing regulations of Pakistan Stock Exchange Limited 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 Modaraba has applied principles contained in the Code in the following manner:

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

	Executive	Non executive	Independent
Khalid Siddiq Tirmizey		√	
Khawaja Farooq Saeed		√	√
Nadeem Amir		√	
Ijaz-ur-Rehman Qureshi		√	
Mahboob-ul-Hassan		√	
Aamir Malik	√		

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

2. The directors have confirmed that none of them is serving as a director on more than seven listed companies, including the management company (excluding the listed subsidiaries of listed holding companies where applicable).
3. All the resident directors of the management company are registered as tax payers and none of them has defaulted in payment of any loan to a banking company, a DFI or an NBFIs or, being a Broker of a stock exchange, has been declared as a defaulter by that stock exchange.
4. No casual vacancy occurred on the Board during the year.

5. The Modaraba has prepared a "Code of Conduct" and has ensured that appropriate steps have been taken to disseminate it throughout the Modaraba along with its supporting policies and procedures.
6. The Board has developed a vision/mission statement, overall corporate strategy and significant policies of the Modaraba. A complete record of particulars of significant policies along with the dates on which they were approved or amended has been maintained.
7. All the powers of the Board have been duly exercised and decisions on material transactions, including appointment and determination of remuneration and terms and conditions of employment of the CEO, other executive and non-executive directors, have been taken by the Board.
8. The Meetings of the Board were presided over by the Chairman and, in his absence, by a director elected by the Board for this purpose and the Board met at least once in every quarter. Written notices of the Board meetings, along-with agenda and working papers, were circulated at least seven days before the meetings. The minutes of the meetings were appropriately recorded and circulated.
9. No training program was arranged for directors during the year since half of the directors of the Modaraba are complied with DTP certification. The CFO / Company Secretary could not attend one of the Board Meeting held during the year and no nominee was appointed by the Board.
10. The Board has approved appointment of Head of Internal Audit, including the remuneration and terms and conditions of employment. No fresh appointment of CFO and Company Secretary was made during the year.



11. The Directors' report for this year has been prepared in compliance with the requirements of the Code and fully describes the salient matters required to be disclosed.
12. The financial statements of the Modaraba were duly endorsed by the CEO and CFO before approval of the Board.
13. The directors, CEO and executives do not hold any interest in the certificates of the Modaraba other than that disclosed in the pattern of certificate holding.
14. The Modaraba has complied with all the corporate and financial reporting requirements of the Code.
15. The Board has formed an Audit Committee. It comprises three members, who are non-executive directors and the chairman of the committee is an 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 Modaraba and as required by the Code. The terms of reference of the Committee have been formed and advised to the Committee for compliance.
17. The Board has formed a HR and Remuneration Committee. It comprises three members, who are non-executive directors including the chairman of the committee.
18. The Board has set up an effective internal audit function who is considered suitably qualified and experienced for the purpose and is conversant with the policies and procedures of the Modaraba.
19. The statutory auditors of the Modaraba have confirmed that they have been given a satisfactory rating under the quality control review program of the Institute of Chartered Accountants of Pakistan (ICAP), that they or any of the partners of the firm, their spouses and minor children do not hold certificates of the Modaraba and that the firm and all its partners are in compliance with International Federation of Accountants (IFAC) guidelines on code of ethics as adopted by the ICAP.
20. The statutory auditors or the persons associated with them have not been appointed to provide other services except in accordance with the listing regulations and the auditors have confirmed that they have observed IFAC guidelines in this regard.
21. The closed period, prior to the announcement of interim / final results, and business decisions, which may materially affect the market price of Modaraba's securities, was determined and intimated to directors, employees and stock exchange(s).
22. Material / price sensitive information has been disseminated among all market participants at once through stock exchange (s).
23. The Modaraba 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.
24. We confirm that all other material principles enshrined in the Code have been complied with except for the following.

The CFO / Company Secretary could not attend one of the Board meetings held during the year on medical grounds and no nominee was appointed by the Board to appear on his behalf.

**For and on behalf of the Board**

**AAMIR MALIK**  
**Chief Executive**



# Review Report to the Certificate Holders

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

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

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

As 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's statement on internal control covers all risks and controls, or to form an opinion on the effectiveness of such internal controls, the Management Company'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 of 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 recording proper justification for using such alternate pricing mechanism. We are only required and have ensured compliance of requirement to the extent of approval of 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 status of 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 have highlighted below instances of non-compliance with the requirements of the Code as reflected in the paragraph references where these are stated in the Statement:

Note Reference	Description
24	The CFO / Company Secretary did not attend the 134th Board meeting held on Tuesday, October 25, 2016 and no nominee was appointed by the Board to appear on his behalf.

Lahore: October 10, 2017

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





## Notice of Book Closure & Annual Review Meeting

The Certificate Holders are hereby notified that the Certificate Transfer Books shall remain closed from 25-10-2017 to 31-10-2017 (both days inclusive), for the purpose of entitlement of Cash Dividend and attending Annual Review Meeting. All transfers received in order upto close of business hours on October 24, 2017 with our Registrar's office, M/s. Hameed Majeed Associates (Pvt.) Ltd., H.M House, 7-Bank Square, The Mall, Lahore, will be considered in time.

The Annual Review Meeting of the Certificate holders will be held at 3:00 pm on Tuesday, October 31, 2017 at Noorjahan Banquet Hall, 10-A Aibak Block, Main Boulevard, New Garden Town, Lahore to review the performance of the Modaraba for the year ended June 30, 2017 in terms of Prudential Regulation No.11, Part IV for Modarabas.

The annual audited financial statements of the Modaraba for year ended June 30, 2017 are also available on Modaraba's website: [www.punjabmodaraba.com.pk](http://www.punjabmodaraba.com.pk).

By the Order of Board of Directors

Mudassar Kaiser Pal  
**Company Secretary**



# Pattern of Certificate Holders

as at June 30, 2017

Number of Certificate Holders	Certificate holdings		Total No. of Certificate Held	Percentage of Total Capital
	From	To		
929	1 -	100	41,254	0.12
1397	101 -	500	385,978	1.13
1047	501 -	1000	852,802	2.51
579	1001 -	5000	1,296,430	3.81
102	5001 -	10000	749,461	2.20
29	10001 -	15000	372,087	1.09
28	15001 -	20000	504,852	1.48
15	20001 -	25000	340,999	1.00
7	25001 -	30000	193,553	0.57
4	30001 -	35000	132,418	0.39
4	35001 -	40000	146,068	0.43
1	40001 -	45000	45,000	0.13
5	45001 -	50000	248,000	0.73
1	50001 -	55000	51,000	0.15
1	55001 -	60000	59,000	0.17
3	65001 -	70000	206,050	0.61
4	70001 -	75000	293,900	0.86
2	75001 -	80000	160,000	0.47
2	80001 -	85000	170,000	0.50
2	85001 -	90000	177,000	0.52
3	95001 -	100000	300,000	0.88
3	105001 -	110000	322,786	0.95
1	110001 -	115000	115,000	0.34
1	115001 -	120000	117,923	0.35
1	125001 -	130000	125,500	0.37
1	130001 -	135000	135,000	0.40
1	150001 -	155000	151,000	0.44
1	165001 -	170000	165,600	0.49
1	175001 -	180000	178,500	0.52
2	185001 -	190000	378,000	1.11
4	195001 -	200000	796,144	2.34
1	220001 -	225000	225,000	0.66
1	295001 -	300000	300,000	0.88
1	320001 -	325000	325,000	0.96
1	350001 -	355000	351,000	1.03
1	365001 -	370000	367,500	1.08
1	640001 -	645000	642,223	1.89
1	835001 -	840000	835,001	2.45
1	995001 -	1000000	1,000,000	2.94
1	1265001 -	1270000	1,265,777	3.72
1	1945001 -	1950000	1,950,000	5.73
1	4225001 -	4230000	4,226,500	12.42
1	5230001 -	5235000	5,232,194	15.38
1	8085001 -	8090000	8,088,500	23.78
<b>4,194</b>			<b>34,020,000</b>	<b>100.00</b>



# Categories of Certificate Holders

as at June 30, 2017

Categories of Certificates Holders	Categories Wise No. of Certificates Holders	Certificates Held	Percentage
<b>INDIVIDUALS</b>	<b>4,131</b>	<b>14,319,246</b>	<b>42.09</b>
<b>Associated Companies, Undertaking and Related Parties</b>			
THE BANK OF PUNJAB		4,788	0.0141
PUNJAB MODARABA SERVICES (PVT) LTD.		8,088,500	23.7757
TRUSTEE-THE BANK OF PUNJAB EMPLOYEES GRATUITY FUND		4,226,500	12.4236
PUNJAB MODARABA SERVICES (PVT) LTD.		5,232,194	15.3798
	<b>4</b>	<b>17,551,982</b>	<b>51.5931</b>
<b>Mutual Funds</b>			
SECURITY STOCK FUND LTD.		3,100	0.0091
PRUDENTIAL STOCKS FUND LIMITED		100	0.0003
	<b>2</b>	<b>3,200</b>	<b>0.0094</b>
<b>Directors, Chief Executive Officer and their spouse and minor children</b>			
		Nil	Nil
<b>Executives</b>			
		Nil	Nil
<b>Public Sector Companies and Corporations</b>	<b>1</b>	<b>400</b>	<b>0.0012</b>
Banks, Development Financial Institutions, Non Banking Financial Institutions, Insurance Companies, Takaful, Modarabas and Pension Funds. 18			
		1,499,687	4.4083
<b>Others</b>	<b>38</b>	<b>645,485</b>	<b>1.8974</b>
<b>GRAND TOTAL</b>	<b>4,194</b>	<b>34,020,000</b>	<b>100</b>



# Financial Statements

as at June 30, 2017





# Independent Auditors' Report to the Certificate Holders

We have audited the annexed balance sheet of First Punjab 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 Management Company's (Punjab Modaraba Services (Private) Limited) responsibility which 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 Management Company, as well as, evaluating the overall presentation of the financial statements. We believe that our audit provides a reasonable basis for our opinion and, after due verification, we report that:

- (a) in our opinion, proper books of accounts have been kept by the Modaraba Management Company in respect of First Punjab Modaraba as required by the Modaraba Companies and Modaraba (Floatation and Control) Ordinance, 1980 (XXXI of 1980), and the Modaraba Companies and Modaraba Rules, 1981;
- b) in our opinion:
  - (i) the balance sheet and profit and loss account together with the notes thereon have been drawn up in conformity with the Modaraba Companies and Modaraba (Floatation and Control) Ordinance, 1980 (XXXI of 1980) and the Modaraba Companies and Modaraba Rules, 1981, and are in agreement with the books of accounts and are further in agreement with accounting policies consistently applied;
  - (ii) the expenditure incurred during the year was for the purpose of the Modaraba's business; and
  - (iii) the business conducted, investments made and the expenditure incurred during the year were in accordance with the objects, terms and conditions of the Modaraba;
- (c) in our opinion and to the best of our information and according to the explanations given to us, the balance sheet, profit and loss account, statement of comprehensive income, cash flow statement and statement of changes in equity together with the notes forming part thereof conform with approved accounting standards as applicable in Pakistan, and, give the information required by the Modaraba Companies and Modaraba (Floatation and Control) Ordinance, 1980 (XXXI of 1980), and the Modaraba Companies and Modaraba Rules, 1981, in the manner so required and respectively give a true and fair view of the state of the Modaraba's affairs as at June 30, 2017 and of the profit, its comprehensive income, cash flows and changes in equity for the year then ended; and
- (d) in our opinion, Zakat deductible at source under the Zakat and Ushr Ordinance, 1980 (XVIII of 1980), was deducted by the Modaraba and deposited in the Central Zakat Fund established under section 7 of that Ordinance.

The financial statements of the Modaraba for the year ended June 30, 2016 were audited by another firm of chartered accountants who have expressed an unmodified opinion thereon dated September 22, 2016.

Lahore:  
October 10, 2017

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

# Annual Shari'ah Advisor's Report

I have conducted the Shari'ah review of First Punjab Modaraba managed by Punjab Modaraba Services (PVT) Limited for the financial period ended June 30, 2017 in accordance with the requirements of the Shari'ah Compliance and Shari'ah Audit Mechanism for Modarabas and report that in my opinion:

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

## Conclusion:

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

September 26, 2017



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





# Balance Sheet

As at 30 June 2017

	Note	2017 Rupees	2016 Rupees
<b>ASSETS</b>			
<b>Non current assets</b>			
Tangible fixed assets			
- Ijarah assets	5	178,857,852	208,430,264
- Assets in own use		2,261,365	620,381
Intangible assets	6	300,000	9,300,000
Shares available for sale	7	-	10,308,698
Investment in subsidiary	8	50,000,000	-
Long term musharika investment - secured	9	498,621,872	280,156,728
Long term morabaha investment - secured	10	5,564,055	30,290,198
Long term deposits	11	692,900	503,444
Deferred tax	12	56,068,827	48,144,066
		<b>792,366,871</b>	<b>587,753,779</b>
<b>Current Assets</b>			
Short term morabaha investment - secured	13	248,704,746	235,794,376
Current maturity of long term investments	14	413,179,367	221,682,357
Advances, deposits, prepayments and other receivables	16	85,391,781	50,518,134
Ijarah Rental receivable	17	288,766,810	297,635,711
Tax refundable		3,657,066	3,912,447
Cash and bank balances	18	41,752,816	30,064,994
		<b>1,081,452,586</b>	<b>839,608,019</b>
<b>TOTAL ASSETS</b>		<b>1,873,819,457</b>	<b>1,427,361,798</b>
<b>EQUITY AND LIABILITIES</b>			
<b>Capital and Reserves</b>			
Authorized Certificate Capital			
50,000,000 modaraba certificates of Rs. 10 each		<b>500,000,000</b>	<b>500,000,000</b>
Issued, subscribed paid-up capital certificate capital	19	<b>340,200,000</b>	<b>340,200,000</b>
Reserves	20	<b>(148,550,109)</b>	<b>(158,467,527)</b>
		<b>191,649,891</b>	<b>181,732,473</b>
<b>Non current liabilities</b>			
Security deposits	21	<b>6,476,650</b>	<b>7,718,900</b>
Long term musharika finance secured	22	<b>1,101,205,546</b>	<b>955,925,494</b>
		<b>1,107,682,196</b>	<b>963,644,394</b>
<b>Current liabilities</b>			
Current maturity of security deposits	23	<b>112,632,222</b>	<b>132,787,066</b>
Deferred morabaha income		<b>2,181,896</b>	<b>7,563,165</b>
Redeemable capital - participatory and unsecured	24	<b>400,000,000</b>	<b>100,000,000</b>
Profit payable	25	<b>19,581,961</b>	<b>13,551,308</b>
Trade and other payables	26	<b>24,152,979</b>	<b>12,538,666</b>
Unclaimed profit		<b>15,253,486</b>	<b>14,331,073</b>
Provision for taxation		<b>684,826</b>	<b>1,213,653</b>
		<b>574,487,370</b>	<b>281,984,931</b>
<b>Contingencies and commitments</b>	27		
<b>TOTAL EQUITY AND LIABILITIES</b>		<b>1,873,819,457</b>	<b>1,427,361,798</b>

The annexed notes from 1 to 44 form an integral part of these financial statements.

**Chief Executive**  
Punjab Modaraba Services  
( Private ) Limited

**Director**  
Punjab Modaraba Services  
( Private ) Limited

**Director**  
Punjab Modaraba Services  
( Private ) Limited

# Profit and Loss Account

For the Year Ended 30 June 2017

	Note	2017 Rupees	2016 Rupees
<b>Income</b>			
Ijarah rentals	28.1	78,739,059	84,001,424
Profit on morabaha investment	28.2	7,561,338	16,799,065
Profit on musharikhah investment	28.3	75,098,141	33,009,085
Gain on disposal of assets	28.4	6,126,171	1,549,042
Other income	29	6,114,293	4,124,351
		<b>173,639,002</b>	139,482,967
<b>Expenses</b>			
Operating expenses	30	29,373,862	22,077,070
Depreciation on Ijarah assets	5.1	42,444,032	61,878,555
Finance cost	31	79,970,079	57,791,671
		<b>151,787,973</b>	141,747,296
<b>Operating profit / (loss) before provision and impairment</b>		<b>21,851,029</b>	(2,264,329)
(Reversal) of provision for morabaha investment	13.3	(1,633,352)	(505,150)
Impairment (reversal) on Ijarah assets	5.1	(235,982)	(22,636,979)
Impairment (reversal) on musharikhah investment	9.2	(3,000,000)	(2,000,000)
Other provisions	16.3	-	-
		<b>(4,869,334)</b>	(25,142,129)
<b>Operating profit after provision and impairment</b>		<b>26,720,363</b>	22,877,800
Modaraba Company's management fee	32	(2,672,036)	(1,715,835)
		<b>24,048,327</b>	21,161,965
Taxation	33	3,836,546	6,371,023
<b>Profit for the year</b>		<b>27,884,873</b>	27,532,988
<b>Earnings per certificate - basic and diluted</b>	34	<b>0.82</b>	0.81

The annexed notes from 1 to 44 form an integral part of these financial statements.



**Chief Executive**  
Punjab Modaraba Services  
( Private ) Limited



**Director**  
Punjab Modaraba Services  
( Private ) Limited



**Director**  
Punjab Modaraba Services  
( Private ) Limited



# Statement of Comprehensive Income

For the Year Ended 30 June 2017

	2017 Rupees	2016 Rupees
<b>Profit for the year</b>	<b>27,884,873</b>	27,532,988
<b>Items that will be reclassified subsequently to profit and loss</b>		
<b>Other comprehensive income for the year</b>		
Transfer of revaluation of available for sale investment	(957,455)	492,599
<b>Items that will not be reclassified subsequently to profit and loss</b>	-	-
<b>Total comprehensive income for the year</b>	<b>26,927,418</b>	28,025,587

The annexed notes from 1 to 44 form an integral part of these financial statements.

**Chief Executive**  
Punjab Modaraba Services  
( Private ) Limited

**Director**  
Punjab Modaraba Services  
( Private ) Limited

**Director**  
Punjab Modaraba Services  
( Private ) Limited

# Cash Flow Statement

For the Year Ended 30 June 2017

	Note	2017 Rupees	2016 Rupees
<b>Cash flow from operating activities</b>			
Cash generated from operations	38	115,792,470	83,548,862
Profit paid on redeemable capital		(14,131,506)	(6,752,055)
Profit paid on musharikah finance		(59,807,920)	(50,202,181)
Proceeds from disposal of non-banking assets		-	15,964,000
Income tax paid		(4,361,661)	(383,751)
<b>Net cash generated from operating activities</b>		<b>37,491,383</b>	<b>42,174,875</b>
<b>Cash flow from investing activities</b>			
Fixed capital expenditure		(1,969,248)	(218,245)
Purchase of intangible		-	(300,000)
Proceeds from disposal of TREC, Room and Shares		24,266,394	-
Investment in subsidiary		(50,000,000)	-
Investment in musharikah - net		(427,293,172)	(329,270,918)
<b>Net cash used in investing activities</b>		<b>(454,996,026)</b>	<b>(329,789,163)</b>
<b>Cash flow from financing activities</b>			
Finances under musharikah arrangements - net		145,280,052	221,792,281
Redeemable capital		300,000,000	-
Profit distribution to certificate holders		(16,087,587)	(16,023,153)
<b>Net cash generated from financing activities</b>		<b>429,192,465</b>	<b>205,769,128</b>
<b>Net increase / (decrease) in cash and cash equivalents</b>		<b>11,687,822</b>	<b>(81,845,160)</b>
<b>Cash and cash equivalents at the beginning of the year</b>		<b>30,064,994</b>	<b>111,910,154</b>
<b>Cash and cash equivalents at the end of the year</b>	18	<b>41,752,816</b>	<b>30,064,994</b>

The annexed notes from 1 to 44 form an integral part of these financial statements.



**Chief Executive**  
Punjab Modaraba Services  
( Private ) Limited



**Director**  
Punjab Modaraba Services  
( Private ) Limited



**Director**  
Punjab Modaraba Services  
( Private ) Limited



# Statement of Changes in Equity

For the Year Ended 30 June 2017

	Certificate Capital Rupees	Capital Reserves Rupees	Accumulated Loss Rupees	Total Rupees
<b>Balance as at 1 July 2015</b>	340,200,000	198,613,109	(368,096,223)	170,716,886
Profit for the year	-	-	27,532,988	27,532,988
Other comprehensive income for the year	-	-	492,599	492,599
Total comprehensive income for the year	-	-	28,025,587	28,025,587
Statutory reserve	-	5,506,598	(5,506,598)	-
Final dividend for the year ended 30 June 2015 @ Rs. 0.5 per certificate	-	-	(17,010,000)	(17,010,000)
<b>Balance as at 30 June 2016</b>	<u>340,200,000</u>	<u>204,119,707</u>	<u>(362,587,234)</u>	<u>181,732,473</u>
Profit for the year	-	-	27,884,873	27,884,873
Other comprehensive income for the year	-	-	(957,455)	(957,455)
Total comprehensive income for the year	-	-	26,927,418	26,927,418
Statutory reserve	-	5,576,975	(5,576,975)	-
Final dividend for the year ended 30 June 2016 @ Rs. 0.5 per certificate	-	-	(17,010,000)	(17,010,000)
<b>Balance as at 30 June 2017</b>	<u>340,200,000</u>	<u>209,696,682</u>	<u>(358,246,791)</u>	<u>191,649,891</u>

The annexed notes from 1 to 44 form an integral part of these financial statements.

**Chief Executive**  
Punjab Modaraba Services  
( Private ) Limited

**Director**  
Punjab Modaraba Services  
( Private ) Limited

**Director**  
Punjab Modaraba Services  
( Private ) Limited



# Notes to the Financial Statements

For the year ended June 30, 2017

## 1. Status and nature of business

The First Punjab Modaraba (the Modaraba) was formed under the Modaraba Companies and Modaraba (Flotation and Control) Ordinance, 1980 and rules framed there under and is managed by Punjab Modaraba Services (Private) Limited (wholly owned subsidiary of The Bank of Punjab), a company incorporated in Pakistan. The registered office of the Modaraba is situated at 4th floor, Mega Tower Main Boulevard Gulberg, Lahore. The Modaraba commenced its operations on 23 December 1992. The Modaraba is listed on Pakistan Stock Exchange.

The Modaraba established its wholly owned subsidiary on November 29, 2016 as a private limited Company under the name of Punjab Capital Securities (Pvt) Limited. The Company is mainly engaged in the business of brokerage services, portfolio management and consultancy services.

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

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

## 2. Basis of preparations

### 2.1 Statement of compliance

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

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

### 2.2 Basis of measurement

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

### 2.3 Functional and presentation currency

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





### 3. New accounting standards / amendments and IFRS interpretations that are effective for the year ended June 30, 2017

The following standards, amendments and interpretations are effective for the year ended June 30, 2017. These standards, interpretations and the amendments are either not relevant to the Modaraba's operations or are not expected to have significant impact on the Modaraba's financial statements other than certain additional disclosures.

	Effective from accounting period Beginning on or after
Amendments to IFRS 10 'Consolidated Financial Statements', IFRS 12 'Disclosure of Interests in Other Entities' and IAS 28 'Investments in Associates and Joint Ventures' - Investment Entities: Applying the consolidation exception	January 01, 2016
Amendments to IFRS 11 'Joint Arrangements' - Accounting for acquisitions of interests in joint operations	January 01, 2016
Amendments to IAS 1 'Presentation of Financial Statements' - Disclosure initiative	January 01, 2016
Amendments to IAS 16 'Property Plant and Equipment' and IAS 38 'Intangible Assets' - Clarification of acceptable methods of depreciation and amortization	January 01, 2016
Amendments to IAS 16 'Property Plant and Equipment' and IAS 41 'Agriculture' - Measurement of bearer plants	January 01, 2016
Amendments to IAS 27 'Separate Financial Statements' - Equity method in separate financial statements	January 01, 2016

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

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

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

**Effective from  
accounting period  
Beginning on or after**

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

January 01, 2018

Amendments to IFRS 10 'Consolidated Financial Statements' and IAS 28 'Investments in Associates and Joint Ventures' - Sale or contribution of assets between an investor and its associate or joint venture

Effective from accounting period beginning on or after a date to be determined. Earlier application is permitted.

Amendments to IAS 7 'Statement of Cash Flows' - Amendments as a result of the disclosure initiative

January 01, 2017

Amendments to IAS 12 'Income Taxes' - Recognition of deferred tax assets for unrealised losses

January 01, 2017

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

January 01, 2018. Earlier application is permitted.

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

January 01, 2018. Earlier application is permitted.

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

January 01, 2019

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

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

- IFRS 1 First Time Adoption of International Financial Reporting Standards
- IFRS 9 Financial Instruments
- IFRS 14 Regulatory Deferral Accounts
- IFRS 15 Revenue from Contracts with Customers
- IFRS 16 Leases
- IFRS 17 Insurance Contracts

### **3.2. Significant accounting estimates and judgments**

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

#### **3.2.1 Depreciation/Amortization**

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

#### **3.2.2 Provision against non-performing loans and advances**

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

#### **3.2.3 Income taxes**

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

## **4 Significant accounting policies**

### **4.1 Tangible fixed assets**

#### **Assets in own use**

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

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

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

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

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

Subsequent costs are included in the asset's carrying amount or recognized as a separate asset.

### **Ijarah Assets**

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

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

### **Impairment**

The carrying amount of Modaraba's assets is reviewed at each balance sheet date to determine whether there is any indication of impairment. If any such indication exists, the asset's recoverable amount is estimated and impairment losses are recognized.

## **4.3 Cash and cash equivalents**

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

## **4.4 Financial instruments**

### **Financial assets**

Significant financial assets include short and long term investments, long term deposits, advances and receivables and cash and bank balances. Finances and receivables from

clients are stated at their nominal value as reduced by provision for doubtful finances and receivables, while other financial assets are stated at cost except for investments, which have been revalued as per accounting policies.

## **Classification**

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

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

## **Financial liabilities**

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

## **Recognition and derecognition**

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

## **Offsetting of financial assets and financial liabilities**

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

## **4.5 Provisions**

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

#### **4.6 Staff retirement benefit**

##### **Defined contribution plan**

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

#### **4.7 Provision against non performing financing (Suspense income)**

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

#### **4.8 Revenue recognition**

##### **Ijarah**

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

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

##### **Morabaha transaction**

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

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

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

##### **Capital gain or losses on sale of investment**

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

##### **Dividend income**

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



## **Commission income**

Commission income is recognized on accrual basis.

## **4.9 Trade date accounting**

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

## **4.10 Ijarah rentals and Musharikah investments**

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

## **4.11 Finance arrangements including Certificates of Musharikah**

These are carried on the balance sheet at principal amount.

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

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

## **4.12 Profit distribution and appropriations**

Profit distribution and appropriation to reserves are recognized as liability in the financial statements in the period in which these are approved. Transfer to statutory reserve and any of the mandatory appropriations, as may be required by law, are recognized in the period to which these relate.

## **4.13 Taxation**

### **Current**

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

## **Deferred**

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

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

### **4.14 Morabaha Investments**

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

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

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

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

### **4.15 Investment in Subsidiary**

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





lijarah assets

Assets in own use

Vote	2017 Rupees	2016 Rupees
5.1	178,857,852	208,430,264
5.2	2,261,365	620,381
	<b>181,119,217</b>	<b>209,050,645</b>

## 5.1 Ijarah assets

2017

2016

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





	Note	2017 Rupees	2016 Rupees
<b>6 Intangible assets</b>			
Trading Rights Entitlement Certificates	6.1	-	26,648,757
Room at LSE Financial Services Limited		-	9,000,000
		-	35,648,757
Less: Impairment	6.1	-	(26,648,757)
		-	9,000,000
Computer software	6.2	-	-
Work in progress	6.3	300,000	300,000
		300,000	9,300,000

**6.1** During the year Trading Rights Entitlement Certificate and Room at Lahore Stock Exchange building were sold to Punjab Capital Securities (Pvt) Limited (wholly owned subsidiary of the Modaraba) incorporated on November 29, 2016 to undertake brokerage business. The company is in process of completion of licensing formalities to start its operations. Subsequent to the year end the company has obtained license from Pakistan Stock Exchange and has started its operations.

6.1.1 Movement of Impairment	Note	2017 Rupees	2016 Rupees
Opening balance		26,648,757	26,648,757
Impairment charged during the year		-	-
Impairment reversal during the year		(26,648,757)	-
Closing balance		-	26,648,757

## 6.2 Computer software

### Cost

Balance as at 1 July	1,295,000	1,295,000
Additions	-	-
Balance as at 30 June	1,295,000	1,295,000



	Note	2017 Rupees	2016 Rupees
<b>Amortization</b>			
Balance as at 1 July		<b>(1,295,000)</b>	(1,295,000)
Amortization for the year	30	-	-
Balance as at 30 June		<b>(1,295,000)</b>	(1,295,000)
<b>Carrying Amount</b>		-	-
Rate of amortization		<b>20%</b>	20%

### 6.3 Work in progress

Balance as at 1 July		<b>300,000</b>	-
Additions	6.3.1	-	300,000
Balance as at 30 June		<b>300,000</b>	300,000

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

	Note	2017 Rupees	2016 Rupees
<b>7 Shares available for sale</b>			
<b>Unquoted</b>			
LSE Financial Services Limited	7.1	<b>10,308,698</b>	9,351,243
Gain on remeasurement		-	957,455
Disposal		<b>(10,308,698)</b>	
		-	10,308,698

**7.1** During the period, the shares were sold to Punjab Capital Securities (Private) Limited (wholly owned subsidiary of the Modaraba).

**7.2** During the year the Modaraba invested in a newly incorporated company Punjab Capital securities (Pvt.) Limited (wholly owned subsidiary of the Modaraba).

### 8. Investment in Subsidiary

As a result of Stock Exchange (Corporatization, Demutualization and Integration) Act 2012, the Modaraba acquired Trading Rights Entitlement Certificate (TREC). The Modaraba obtained permission from SECP wide letter dated October 21, 2016 to form a wholly owned subsidiary to undertake brokerage business and the subsidiary was incorporated on November 29, 2016 in the name of Punjab Capital Securities (Pvt.) Limited with paid up capital of Rs. 50,000,000. The TREC, Room at LSE and shares in LSE were transferred to the subsidiary at respective estimated fair values aggregating to Rs. 24,266,394, realizing a gain of Rs. 5,915,151.



	Note	2017 Rupees	2016 Rupees
<b>9 Long term musharikah investment - secured</b>			
Musharikah investment	9.1	<b>897,783,755</b>	470,490,583
Less:			
Current portion of long term musharikah investment	14	<b>(399,161,883)</b>	(190,333,855)
		<b>498,621,872</b>	280,156,728

**9.1** The profit charged on these facilities ranged from 9% to 20% per annum (2016: 9.3% to 20% per annum). These facilities are secured by way of personal guarantees and mortgage of properties.

	Note	2017 Rupees	2016 Rupees
<b>9.2 Impairment loss on musharikah investment</b>			
Opening balance		<b>11,709,526</b>	13,709,526
Additions during the year			
Specific provision		-	-
General provision		-	-
		-	-
Reversed during the year		<b>(3,000,000)</b>	(2,000,000)
Closing balance		<b>8,709,526</b>	11,709,526

**10 Long term morabaha investment - secured**

Long term morabaha investment	10.1	<b>35,940,617</b>	74,585,056
Add: Unearned morabaha income	10.2	<b>1,150,448</b>	7,563,170
		<b>37,091,065</b>	82,148,226
Less: Current maturity	14	<b>(22,727,010)</b>	(43,058,028)
		<b>14,364,055</b>	39,090,198
Less: Provision for doubtful morabaha investment	10.3	<b>(8,800,000)</b>	(8,800,000)
Total long term morabaha investment net		<b>5,564,055</b>	30,290,198

**10.1** These are secured against mortgage of properties, hypothecation and pledge of stocks, personal guarantees and demand promissory notes. The rate of profit on morabaha finances ranges from 13.64% to 15% per annum (2016: 13.64% to 15%).

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

	<b>Note</b>	<b>2017 Rupees</b>	<b>2016 Rupees</b>
<b>10.3 Provision for doubtful morabaha investment</b>			
Opening balance		<b>8,800,000</b>	8,800,000
Charge during the year		-	-
Closing balance		<b>8,800,000</b>	8,800,000

## **11 Long term deposits**

Long term deposits		<b>692,900</b>	503,444
Less: Current maturity of long term deposits		-	-
		<b>692,900</b>	503,444

## **12 Deferred tax**

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

	<b>Note</b>	<b>2017 Rupees</b>	<b>2016 Rupees</b>
<b>13 Short term morabaha investment - secured</b>			
Short term morabaha investment	13.1	<b>483,234,677</b>	472,989,107
Add: Unearned morabaha income	13.2	<b>1,031,448</b>	-
		<b>484,266,125</b>	472,989,107
Less: Provision for doubtful morabaha investment	13.3	<b>(235,561,379)</b>	(237,194,731)
Total short term morabaha investment - net		<b>248,704,746</b>	235,794,376

**13.1** These are secured against mortgage of properties, hypothecation and pledge of stocks, personal guarantees and demand promissory notes. The rate of profit on morabaha finances ranges from 10.75% to 22.99% per annum (2016: 10.75% to 22.99% per annum).

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



	Note	2017 Rupees	2016 Rupees
<b>13.3 Provision for doubtful morabaha investment</b>			
Opening balance		237,194,731	237,699,881
Additions during the year		-	-
Reversals during the year		(1,633,352)	(505,150)
		(1,633,352)	(505,150)
Closing balance		235,561,379	237,194,731
<b>14 Current maturity of long term investments</b>			
Musharikhah investment	9	399,161,883	190,333,855
Less: Provision against Musharika Investment		(8,709,526)	(11,709,526)
		390,452,357	178,624,329
Morabaha investment	10	22,727,010	43,058,028
Less: Provision against current		-	-
Maturity of long term investment		-	-
		22,727,010	43,058,028
		413,179,367	221,682,357
<b>15 Property acquired against satisfaction of claims</b>			
Opening balance		-	-
Additions during the year	15.1	-	14,700,000
Deletions during the year		-	(14,700,000)
		-	-
<b>15.1</b>	This represents property acquired in auction during execution of decree against an Ijarah facility. The property has been sold for Rs. 16.5 million.		
<b>16 Advances, deposits, prepayments and other receivables</b>			
Profit receivable			
- Morabaha investment	16.1	1,114,454	1,279,466
- Musharikhah investment	16.2	16,029,142	2,936,148
		17,143,596	4,215,614
Prepayments		4,887,640	1,712,068
Advances		15,955,702	692,284
Other receivables		55,215,048	51,708,372
		93,201,986	45,112,724
Less: Provision for non performing assets	16.3	(7,810,205)	(7,810,204)
		85,391,781	50,518,134

	Note	2017 Rupees	2016 Rupees
<b>16.1 Morabaha profit receivable</b>			
Morabaha profit receivable		<b>27,249,051</b>	27,414,063
Less: Income transferred to suspense	16.1.1	<b>(26,134,597)</b>	(26,134,597)
		<b>1,114,454</b>	1,279,466
<b>16.1.1 Income transferred to suspense</b>			
Opening balance		<b>26,134,597</b>	30,064,082
Reversals during the year	28.2	-	(3,929,485)
Suspension written off		-	-
		<b>26,134,597</b>	26,134,597
<b>16.2 Musharikah profit receivable</b>			
Musharikah profit receivable		<b>27,321,445</b>	13,943,287
Less: Income transferred to suspense	16.2.1	<b>(11,292,303)</b>	(11,007,139)
		<b>16,029,142</b>	2,936,148
<b>16.2.1 Income transferred to suspense</b>			
Opening balance		<b>11,007,139</b>	12,513,398
(Reversal) / Addition during the year	28.3	<b>285,164</b>	(1,506,259)
Suspension written off		-	-
		<b>11,292,303</b>	11,007,139
<b>16.3 Provision for non performing assets</b>			
Opening balance		<b>7,810,204</b>	7,810,204
Additions during the year		-	-
Write off during the year		-	-
Reversed during the year		-	-
		<b>7,810,204</b>	7,810,204
<b>17 Ijarah rental receivables</b>			
Ijarah rental receivable		<b>476,830,899</b>	490,586,065
Less: Income transferred to suspense	17.1	<b>(188,064,088)</b>	(192,950,354)
		<b>288,766,810</b>	297,635,711





	Note	2017 Rupees	2016 Rupees
<b>17.1 Income transferred to suspense</b>			
Opening balance		<b>192,950,354</b>	196,483,643
Additions during the year	28.1	<b>2,362,500</b>	2,093,771
Transfers during the year		<b>282,576</b>	(4,115,557)
Write off during the year		-	-
Reversals during the year	28.1	<b>(7,531,342)</b>	(1,511,503)
Closing balance		<b>188,064,088</b>	192,950,354

## 17.2 Future Ijarah rentals receivable

Aggregate amount of future Ijarah rentals receivable on the basis of agreements executed upto 30 June 2017 are as follows:

	Note	2017 Rupees	2016 Rupees
Up to one year		<b>48,257,287</b>	130,148,373
Above one year and up to five year		<b>61,871,723</b>	57,281,385
		<b>110,129,010</b>	187,429,758

## 18 Cash and bank balances

Cash at banks			
- Current accounts	18.1	<b>21,450,758</b>	14,964,948
- Deposit accounts	18.3	-	5,000,000
- Savings accounts	18.2&18.3	<b>20,262,709</b>	10,083,983
- Current account with State Bank of Pakistan	18.4	<b>19,711</b>	3,082
		<b>41,733,178</b>	30,052,013
Cash in hand		<b>19,638</b>	12,981
		<b>41,752,816</b>	30,064,994

**18.1** The balance of Rs. 21. 4 Million (2016: Rs. 14.9 million) is maintained with The Bank of Punjab (the holding Company of the Modaraba's Management Company).

**18.2** Under the terms and condition for the issuance of certificates of musharikhah (both long and short term), the Modaraba is required to maintain a Redemption Reserve Fund equal to at least 5% of the contribution against Certificates of Musharikhah Finance received, which may be utilized for redemption purposes.

**18.3** The rate of profit on deposit and saving accounts ranges between 2.53% to 5.25% per annum (2016: 3.5% to 7% per annum).

**18.4** This account has been opened for payment of online charges of the Credit Information Bureau of State Bank of Pakistan.

	2017 Rupees	2016 Rupees
<b>19 Certificate capital</b>		
Authorized certificate capital 50,000,000 modaraba certificates of Rs.10 each	<b>500,000,000</b>	500,000,000
Issued, subscribed and paid-up certificate capital 20,000,000 modaraba certificates of Rs. 10 each fully paid up in cash	<b>200,000,000</b>	200,000,000
14,020,000 modaraba certificates of Rs. 10 each issued as fully paid bonus certificates	<b>140,200,000</b>	140,200,000
340,200,000 modaraba certificates of Rs. 10 each	<b>340,200,000</b>	340,200,000

**19.1** As at 30 June 2017, The Punjab Modaraba Services (Private) Limited (the management company) held 13,320,694 (2016: 13,320,694) certificates of Rs. 10 each.

	Note	2017 Rupees	2016 Rupees
<b>20 Reserves</b>			
<b>Capital reserve</b>			
Statutory reserve	20.1	<b>204,119,707</b>	204,119,707
<b>Revenue reserves</b>			
Accumulated loss		<b>(352,669,816)</b>	(362,587,234)
		<b>(148,550,109)</b>	(158,467,527)



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

	<b>Note</b>	<b>2017 Rupees</b>	<b>2016 Rupees</b>
<b>21 Security deposits</b>			
Long term security deposits against Ijarah		<b>119,108,872</b>	140,505,966
Less: Current maturity of security deposits	23	<b>(112,632,222)</b>	(132,787,066)
		<b>6,476,650</b>	7,718,900

## 22 Long term musharikhah finance secured

Opening balance		<b>955,925,494</b>	734,133,213
Additions during the year		<b>980,575,552</b>	682,998,230
Less: Paid during the year		<b>(835,295,500)</b>	(461,205,949)
		<b>145,280,052</b>	221,792,281
	22.1	<b>1,101,205,546</b>	955,925,494

**22.1** The Modaraba has availed musharikhah finance facilities from The Bank of Punjab having approved limits of Rs. 1,505 millions (2016: Rs. 1,060 million) maturing latest by 31 October 2019. These facilities are secured by way of first pari passu charge over present and future fixed assets of Modaraba for amount of Rs. 860 million and first pari passu charge over present and future current assets of Modaraba for an amount of Rs. 1,040 million. The estimated share of profit payable on musharikhah facilities is 3 Month's KIBOR per annum (2016: 6.5% per annum).

	<b>Note</b>	<b>2017 Rupees</b>	<b>2016 Rupees</b>
<b>23 Current maturity of non current liabilities</b>			
Security deposits	23.1	<b>112,632,222</b>	132,787,066

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

	Note	2017 Rupees	2016 Rupees
<b>24 Redeemable capital - participatory and unsecured</b>			
Opening balance		100,000,000	100,000,000
Add: Issued during the year		300,000,000	-
Less: Redeemed during the year		(300,000,000)	-
Add: Re- Issued during the year		300,000,000	-
		<b>300,000,000</b>	-
Closing balance	23.1	<b>400,000,000</b>	100,000,000

**24.1** During the year Rs. 300 million of further redeemable capital in form of certificates of musharikah have been issued to The Bank of Punjab. These certificates have a maturity of 3 months and have been reissued at maturity. These certificate are starting from April 2017 to August 2017. The share of profit payable is 6.25% per annum (2016: 6.5%).

	2017 Rupees	2016 Rupees
<b>25 Profit payable</b>		
Musharikah finances	16,625,545	13,178,461
Redeemable capital	2,956,416	372,847
	<b>19,581,961</b>	13,551,308

<b>26 Trade and other payables</b>		
Accrued expenses	300,000	464,430
Tax deducted at source	1,480,975	133,177
Advances against Ijarah / Morabaha / Musharikah	10,294,248	9,496,867
Management fee payable	2,672,036	1,715,835
Other payables	9,405,720	728,357
	<b>24,152,979</b>	12,538,666

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

	2017 Rupees	2016 Rupees
Layton Rehmatullah Benevolent Trust	28,716	37,681
Sun Education and Welfare Society	50,000	22,958
	<b>78,716</b>	60,639



## 27 Contingencies and commitments

### 27.1 Contingencies

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

### 27.1.4 Legal suits against Modaraba

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

## 27.2 Commitments

**27.2.1** Musharikah commitments approved but not disbursed as on balance sheet date amount to Rs. 32.38 million (2016: Rs. 33.813 million).

	<b>Note</b>	<b>2017 Rupees</b>	<b>2016 Rupees</b>
<b>28 Operating income</b>			
<b>28.1 Ijarah rentals</b>			
Ijarah income		<b>73,570,217</b>	84,583,692
Less: Rentals suspended	17.1	<b>(2,362,500)</b>	(2,093,771)
Add: Reversal of rentals suspended	17.1	<b>7,531,342</b>	1,511,503
<b>Total income from Ijarah</b>		<b>78,739,059</b>	84,001,424
<b>28.2 Profit on Morabaha investment</b>			
Morabaha investment		<b>7,561,338</b>	12,869,580
Add: Reversals of suspension	16.1.1	-	3,929,485
<b>Total income from Morabaha investment</b>		<b>7,561,338</b>	16,799,065
<b>28.3 Profit on Musharikah investment</b>			
Musharikah investment		<b>75,383,305</b>	31,502,826
Less: Suspension reversal / (charged)	16.2.1	<b>(285,164)</b>	1,506,259
<b>Total Income from Musharikah investment</b>		<b>75,098,141</b>	33,009,085
<b>28.4 Gain on disposal of assets</b>			
Gain on disposal of property acquired through satisfaction of claims		-	1,264,000
Gain on sale of owned assets		<b>15,000</b>	-
Gain on disposal of Ijarah assets		<b>196,020</b>	285,042
Gain on disposal of TREC, Room and Shares of LSE		<b>5,915,151</b>	-
<b>Total gain on disposal of assets</b>		<b>6,126,171</b>	1,549,042



	Note	2017 Rupees	2016 Rupees
<b>29 Other income</b>			
<b>Income from financial assets</b>			
Profit on bank deposits		342,349	432,030
<b>Income from other than financial assets</b>			
Processing fee		1,433,416	584,587
Cheque return charges		53,620	216,000
Miscellaneous income		4,284,908	2,891,734
		5,771,944	3,692,321
		6,114,293	4,124,351
<b>30 Operating expenses</b>			
Salaries, wages and other benefits	30.1	20,633,893	15,099,530
Depreciation on fixed assets - owned	5.2	343,266	480,088
Travelling and conveyance		189,695	229,022
Legal and professional		1,067,293	1,016,775
Printing and stationery		654,959	652,179
Insurance		776,371	222,453
Fee and subscription		1,087,961	1,111,157
Auditors' remuneration	30.2	562,470	532,750
Repair and maintenance		781,092	332,137
Vehicle running and maintenance		232,249	140,390
Power and utilities		54,626	4,122
Entertainment		387,109	241,382
Advertisement		15,400	83,122
Selling and marketing expenses		1,138,148	202,067
Telephone and postage		418,501	520,452
Corporate expenses		876,634	1,002,948
Rent, rates and taxes		75,000	85,560
Loss on disposal of owned assets		-	32,002
Miscellaneous		79,197	88,934
		29,373,862	22,077,070

**30.1** Salaries and other benefits include Rs. 0.565 million (2016: Rs. 0.323 million) on account of provident fund contribution.

**30.2 Auditors' remuneration**

	2017 Rupees	2016 Rupees
Audit fee	300,000	300,000
Half yearly review and others	175,000	175,000
Out of pocket expenses	87,470	57,750
	562,470	532,750

	2017 Rupees	2016 Rupees
<b>31 Finance cost</b>		
Profit on musharikhah finances	<b>63,032,277</b>	51,122,889
Profit on redeemable capital	<b>16,715,075</b>	6,517,811
Bank and other charges	<b>222,727</b>	150,971
	<b>79,970,079</b>	57,791,671

### 32 Management fee

Management fee is payable to Punjab Modaraba Services (Private) Limited. This has been calculated at 10% of profit before tax (2016: 7.5%).

	2017 Rupees	2016 Rupees
<b>33 Taxation</b>		
<b>Current</b>		
- Current year	<b>4,088,215</b>	3,597,534
<b>Deferred</b>		
- Relating to origination and reversal of temporary differences	<b>(7,924,761)</b>	(9,968,557)
	<b>(3,836,546)</b>	(6,371,023)

### 34 Earning per certificate - basic and diluted

		2017	2016
Profit for the year	<b>Rupees</b>	<b>27,884,873</b>	27,532,988
Weighted average number of ordinary certificates	<b>Numbers</b>	<b>34,020,000</b>	34,020,000
Earning per certificate	<b>Rupees</b>	<b>0.82</b>	0.81

### 35 Transactions with related parties

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





	2017 Rupees	2016 Rupees
<b>35.1 Balance outstanding at the end of year</b>		
<b>35.1.1 The Bank of Punjab (Holding company of the Modaraba's Management Company)</b>		
Musharikah finances	1,101,205,546	955,925,494
Profit payable on musharikah finances	16,625,545	13,178,461
Net book value of the Ijarah assets	-	883,180
Ijarah security deposits	-	883,180
Redeemable capital	400,000,000	100,000,000
Profit payable on redeemable capital	2,956,416	372,847
<b>35.1.2 Modaraba Management Company</b>		
Management fee	2,672,036	1,715,835
<b>35.2 Transactions during the year</b>		
<b>35.2.1 The Bank of Punjab (Holding company of the Modaraba's Management Company)</b>		
Profit charged on musharikah finances	63,032,277	51,122,889
Profit charged on redeemable capital	16,715,075	6,517,811
<b>35.2.2 Punjab Modaraba Services (Private) Limited</b>		
Management fee	2,672,036	1,715,835
<b>35.2.3 Punjab Capital Securities (Pvt) Ltd. (Wholly owned Subsidiary of Modaraba)</b>		
Investment made	50,000,000	-
<b>Sale of assets to subsidiary</b>		
Trading Rights Entitlement Certificate and room at LSE	9,374,500	
Shares of LSE Financial Services Ltd		
Room at LSE	14,891,894	
<b>Gain on sale of assets</b>		
Trading Rights Entitlement Certificate and room at LSE	374,500	-
Shares of LSE Financial Services Ltd	5,540,651	-

### 36 Remuneration of officers and executives

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

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

	2016		
	Officers	Other employees	Total
	-----Rupees-----		
Remuneration	8,575,410	345,173	8,920,583
House rent allowance	2,845,820	52,856	2,898,676
Medical allowance	714,757	13,214	727,971
Utility allowance	712,127	13,214	725,341
Provident fund contribution	312,014	11,720	323,734
Expenses reimbursed	1,503,225	-	1,503,225
	<b>14,663,353</b>	<b>436,177</b>	<b>15,099,530</b>
Number of employees at the year end	22	4	26
Average number of employees during the year	21	4	25

### 37 Financial instruments

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

- Credit risk
- Liquidity risk
- Market risk

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



## 37.1 Credit risk

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

	2017 Rupees	2016 Rupees
Bank balances	41,733,178	30,052,013
Musharikah investment	897,783,755	458,781,057
Morabaha investment	276,995,811	309,142,602
Advances, deposits and other receivables	85,391,781	349,535,917
Long term deposits	692,900	503,444
	<b>1,302,597,425</b>	<b>1,148,015,033</b>

### 37.1.1 Bank balances

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

### 37.1.2 Description of Collateral held

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

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

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

**37.1.3 Aging Analysis of Morabaha receivable**

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

Past due	2016			
	Carrying Amount	Amount on which no suspension recognized	Amount on which suspension recognized	Suspension recognized
	-----Rupees-----			
0 days	-	-	-	-
1 day -179 days	1,279,354	1,279,354	-	-
180 days - 364 days	-	-	-	-
1 year - less than 2 year	-	-	-	-
2 year - less than 3 year	-	-	-	-
3 year or more	112	-	26,134,709	26,134,597
<b>Total</b>	<b>1,279,466</b>	<b>1,279,354</b>	<b>26,134,709</b>	<b>26,134,597</b>

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



### 37.1.4 Aging Analysis of Morabaha investment

Past due	2017			
	Carrying Amount	Amount on which no provision recognized	Amount on which provision recognized	Provision recognized
	-----Rupees-----			
0 days	-	-	-	-
1 day -179 days	9,534,792	9,534,792	-	-
180 days- 364 days	28,797,992	28,797,992	-	-
1 year - less than 2 year	13,363,013	13,363,013	-	-
2 year - less than 3 year	-	-	-	-
3 year or more	234,265,634	160,109,163	318,517,850	244,361,379
<b>Total</b>	<b>276,995,811</b>	<b>202,839,340</b>	<b>318,517,850</b>	<b>244,361,379</b>

Past due	2016			
	Carrying Amount	Amount on which no provision recognized	Amount on which provision recognized	Provision recognized
	-----Rupees-----			
0 days	-	-	-	-
1 day -179 days	39,425,578	39,425,578	-	-
180 days - 364 days	-	-	-	-
1 year - less than 2 year	-	-	-	-
2 year - less than 3 year	-	-	-	-
3 year or more	269,717,024	156,607,649	359,104,013	245,994,731
<b>Total</b>	<b>309,142,602</b>	<b>196,033,227</b>	<b>359,104,013</b>	<b>245,994,731</b>

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



### 371.5 Aging Analysis of Ijarah receivable

Past due	2017			
	Carrying Amount	Amount on which no suspension recognized	Amount on which suspension recognized	Suspension recognized
	-----Rupees-----			
0 days	-	-	-	-
1 day -179 days	9,534,792	9,534,792	-	-
180 days - 364 days	1,403,314	1,403,314	-	-
1 year - less than 2 year	22,516,987	22,516,987	-	-
3 year or more	255,337,329	67,298,853	188,038,475	188,038,475
<b>Total</b>	<b>288,792,421</b>	<b>100,753,946</b>	<b>188,038,475</b>	<b>188,038,475</b>

Past due	2016			
	Carrying Amount	Amount on which no suspension recognized	Amount on which suspension recognized	Suspension recognized
	-----Rupees-----			
0 days	-	-	-	-
1 day -179 days	-	-	-	-
180 days - 364 days	-	-	-	-
1 year - less than 2 year	8,887,114	7,632,727	1,254,387	1,254,387
2 year - less than 3 year	26,958,899	23,010,410	3,948,489	3,948,489
3 year or more	261,789,698	74,042,220	187,747,478	187,747,478
<b>Total</b>	<b>297,635,711</b>	<b>104,685,357</b>	<b>192,950,354</b>	<b>192,950,354</b>

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



### 371.6 Aging Analysis of Musharikhah receivable

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

Past due	2016			Suspension recognized
	Carrying Amount	Amount on which no suspension recognized	Amount on which suspension recognized	
	-----Rupees-----			
0 days	112,938	112,938	-	-
1 day -179 days	1,257,673	1,086,965	170,708	170,708
180 days - 364 days	-	-	-	-
1 year - less than 2 year	-	-	1,466,026	1,466,026
2 year - less than 3 year	-	-	1,747,000	1,747,000
3 year or more	1,565,537	-	7,623,405	7,623,405
Total	2,936,148	1,199,903	11,007,139	11,007,139

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

**371.7 Aging Analysis of Musharikah investment**

Past due	2017			Provision recognized
	Carrying Amount	Amount on which no provision recognized	Amount on which provision recognized	
	-----Rupees-----			
0 days	-	-	-	-
1 day - 179 days	1,290,796	1,290,796	-	-
180 days -364 days	12,041,103	12,041,103	-	-
1 year - less than 2 year	181,131,397	172,706,268	8,425,129	-
2 year - less than 3 year	509,309,444	495,009,255	19,500,000	5,199,813
3 year or more	185,301,489	185,301,489	3,509,713	3,509,713
<b>Total</b>	<b>889,074,229</b>	<b>866,348,911</b>	<b>31,434,842</b>	<b>8,709,526</b>

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

Past due	2016			Provision recognized
	Carrying Amount	Amount on which no provision recognized	Amount on which provision recognized	
	-----Rupees-----			
0 days	16,755,136	16,755,136	-	-
1 day - 179 days	138,205,409	138,205,409	3,000,000	-
180 days -364 days	2,906,703	2,906,703	-	-
1 year - less than 2 year	8,461,021	8,461,021	-	-
2 year - less than 3 year	29,360,353	29,360,353	-	-
3 year or more	263,092,435	254,382,909	8,709,526	8,709,526
<b>Total</b>	<b>458,781,057</b>	<b>450,071,531</b>	<b>11,709,526</b>	<b>8,709,526</b>

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

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

Break down of credit risk exposure by class of business as at 30 June 2017 is as follows:





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

	2016				
	Assets Leased out Rupees	Morabaha investment Rupees	Musharikah investment Rupees	Total Rupees	% age
Bank and NBFIs	882,744	-	29,498,992	30,381,736	3.11%
Textile Spinning and Composite	31,873,885	75,229,404	-	107,103,289	10.97%
Sugar and Allied	21,107,274	18,559,444	9,450,937	49,117,655	5.03%
Electric Goods	19,180,084	65,708,000	-	84,888,084	8.69%
Chemical and Pharmaceuticals	-	74,980,407	28,394,968	103,375,375	10.59%
Paper and Board	4,343,607	-	-	4,343,607	0.44%
Food and Allied	5,054,283	1,185,000	17,757,537	23,996,820	2.46%
Individuals	28,598,188	43,999,994	108,963,981	181,562,163	18.60%
Jute	-	-	-	-	0.00%
Oil and Gas	3,915,368	-	60,168,079	64,083,447	6.56%
Miscellaneous	50,596,952	-	44,338,177	99,935,129	10.24%
Aviation and transport	41,740,212	29,480,353	155,208,386	226,428,951	23.19%
Engineering, Steel & Construction	1,137,667	-	-	1,137,667	0.12%
Cement	-	-	-	-	0.00%
	<b>203,640,995</b>	<b>364,377,583</b>	<b>127,510,139</b>	<b>695,528,717</b>	<b>100%</b>

### 37.2 Liquidity risk

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

	2017					
	Carrying Amount	Contractual cash flows	6 months or less	6 to 12 months	1 year to 2 years	2 years to 5 years
	Rupees					
Financial liabilities						
Redeemable capital	400,000,000	403,287,671	403,287,671	-	-	-
Security deposits against Ijarah	119,108,872	119,108,872	112,168,522	463,700	1,412,750	5,063,900
Musharikah finance	1,101,205,546	1,247,625,455	33,973,850	33,419,929	67,393,779	1,112,837,896
Unclaimed profit	15,253,486	15,253,486	15,253,486	-	-	-
Trade and other payable	24,152,979	24,152,979	24,152,979	-	-	-
Profit payable	19,581,961	19,581,961	19,581,961	-	-	-
	1,679,302,844	1,829,010,424	608,418,470	33,883,629	68,806,529	1,117,901,796
	2016					
	Carrying Amount	Contractual cash flows	6 months or less	6 to 12 months	1 year to 2 years	2 years to 5 years
	Rupees					
Financial liabilities						
Redeemable capital	100,000,000	101,086,301	101,086,301	-	-	-
Security deposits against Ijarah	140,505,966	140,505,966	129,235,666	3,151,400	4,612,250	3,506,650
Musharikah finance	955,925,494	1,085,813,507	31,322,929	30,812,229	62,135,157	961,543,193
Unclaimed profit	14,331,073	14,331,073	14,331,073	-	-	-
Trade and other payable	12,538,666	12,538,666	12,538,666	-	-	-
Profit payable	13,551,308	13,551,308	13,551,308	-	-	-
	1,236,852,507	1,367,826,821	302,065,943	33,963,629	66,747,407	965,049,843



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

## 37.3 Market risk

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

### 37.3.1 Profit rate risk

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

	<u>2017</u>	<u>2016</u>	<u>2017</u>	<u>2016</u>
	<b>Effective profit rate</b>		<b>Carrying amount</b>	
	<b>(Percentage)</b>		<b>(Rupees)</b>	
<b>Financial assets</b>				
Musharikah investment	<b>8.55-18.27</b>	9.30 - 20.00	<b>889,074,229</b>	458,781,057
Morabaha investment	<b>15-25.87</b>	10.75 - 22.99	<b>276,995,811</b>	309,142,602
Cash and bank balances	<b>2.53-5.25</b>	3.5 - 7.00	<b>20,262,709</b>	15,083,983
			<b>1,186,332,749</b>	783,007,642
<b>Financial liabilities</b>				
Redeemable Capital	<b>6.5</b>	6.5	<b>400,000,000</b>	100,000,000
Musharikah finances	<b>6.5</b>	6.5	<b>1,101,205,546</b>	955,925,494
			<b>1,501,205,546</b>	1,055,925,494

### Cash flow sensitivity analysis for variable rate instruments

A change of 100 basis points in profit rates at the reporting date would have increased / (decreased) profit for the year by the amounts shown below. This analysis assumes that all other variables remain constant. The analysis is performed on the basis for 2017.

	Profit and loss 100 bps	
	Increase	Decrease
<b>As at 30 June 2017</b>		
Cash flow sensitivity-Variable rate financial assets	1,208,865	(1,208,865)
Cash flow sensitivity-Variable rate financial liabilities	(1,951,567)	1,951,567
<b>Net effect</b>	<b>(742,702)</b>	<b>742,702</b>
	Profit and loss 100 bps	
	Increase	Decrease
<b>As at 30 June 2016</b>		
Cash flow sensitivity-Variable rate financial assets	1,032,028	(1,032,028)
Cash flow sensitivity-Variable rate financial liabilities	(1,372,703)	1,372,703
<b>Net effect</b>	<b>(340,675)</b>	<b>340,675</b>

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

### 37.3.2 Currency risk

As at 30 June 2017, there is no foreign exchange exposure on Modaraba's balance sheet.

### 37.4 Operational risk

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

- The Modaraba's objective is to manage operational risk so as to balance limiting of financial losses and damage to its reputation with achieving its objective of generating returns for certificate holders.
- The primary responsibility for the development and implementation of controls over operational risk rests with the Board of Directors of the management Company. This responsibility encompasses the controls in the following areas:
  - requirements for appropriate segregation of duties between various functions, roles and responsibilities;
  - requirements for the reconciliation and monitoring of transactions;
  - compliance with regulatory and other legal requirements;



- documentation of controls and procedures;
- requirements for the periodic assessment of operational risks faced, and the adequacy of controls and procedures to address the risks identified;
- ethical and business standards;
- risk mitigation, including insurance where it is effective.

## 37.5 Fair value of financial instruments

The IFRS-13 defines fair value as the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date.

## 37.6 Capital risk management

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

	2017 Rupees	2016 Rupees
<b>38 Cash generated from operations</b>		
<b>Profit before taxation</b>	<b>24,048,325</b>	21,161,965
Adjustment for non cash expenses and other items:		
Impairment of TREC	-	-
Reversals for morabaha investment	<b>(1,633,352)</b>	(505,150)
(Reversal) / provision for musharikhah investment	<b>(3,000,000)</b>	(2,000,000)
(Reversal) / Provision for impairment of Ijarah assets	<b>(235,982)</b>	(22,636,979)
Other provisions	-	-
Depreciation of Ijarah assets	<b>42,444,032</b>	61,878,555
Depreciation on owned assets	<b>343,266</b>	480,088
Amortization on Intangible assets	-	-
Profit on redeemable capital	<b>16,937,802</b>	6,517,811
Profit on musharikhah finances	<b>63,032,277</b>	51,122,889
Gain on sale of TREC, Room and shares	<b>(5,915,151)</b>	-
Gain on disposal of Ijarah assets	<b>(196,020)</b>	(1,549,042)
Gain on disposal of owned assets	<b>(15,000)</b>	-
Loss on disposal of owned assets	-	32,002
Operating profit before working capital changes	<b>135,810,197</b>	114,502,139

	2017 Rupees	2016 Rupees
<b>Working capital changes</b>		
<b>Decrease / (Increase) in operating assets</b>		
Morabaha arrangements	28,398,874	42,870,439
Purchase of assets under Ijarah arrangements	(38,951,387)	(54,457,564)
Property acquired through satisfaction of claim	-	(14,700,000)
Proceeds from disposal of assets under Ijarah arrangement	26,275,787	6,596,204
Lease rental receivables	9,104,883	(4,984,495)
Long term deposits	(189,456)	(110,944)
Advances, deposits, prepayments and other receivables	(34,873,647)	(4,962,795)
	(10,234,946)	(29,749,155)
Trade and other payables	11,614,313	1,500,153
Security deposit received against Ijarah arrangements	-	-
Security deposit refunded against Ijarah arrangements	(21,397,094)	(2,704,275)
	(9,782,781)	(1,204,122)
<b>Net changes in operating assets and operating liabilities</b>	(20,017,722)	(30,953,277)
<b>Cash generated from operations</b>	115,792,470	83,548,862

### 39 Accounting estimates and judgments

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

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

The areas involving a higher degree of judgments or complexity or areas where assumptions and estimates are significant to the financial statements are as follows:



## 39.1 Provision against non-performing loans and advances

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

## 39.2 Income taxes

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

## 40 Provident Fund

	2017 Rupees	2016 Rupees
Size of the fund	3,520,667	2,306,799
Percentage of investments made	99.89%	93.45%
Fair value of investments	3,516,781	2,155,643

40.1 Break-up of investments in terms of amount and percentage of the size of the provident fund are as follows:

	Investments 2017 Rupees	Investment as a % of size of the fund	Investments 2016 Rupees	Investment as a % of size of the fund
Cash at Bank	3,516,781	100%	2,155,643	93%

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

40.3 The above information is based on audited financial statements of the provident fund.

#### 41 Corresponding figures

Corresponding figures have been rearranged and reclassified for better presentation wherever necessary.

<u>Reclassified from</u>	<u>Reclassified to</u>	<u>Amount (Rs.)</u>
Advances, deposits, prepayments and other	Ijarah rental receivable.	297,635,711
Advances, deposits, prepayments and other	Tax refundable due from government.	3,094,140
Provision - Long term musharikhah investment.	Current maturity on musharikhah investment.	8,709,526
Vehicle Running and maintenance	Salaries wages and other benefits	1,035,265

#### 42 Subsequent Events

The Board at its meeting held on October 10, 2017 has approved cash dividend of Rs. 0.50 per certificate and transfer of Rs.5,576,975 to Statutory Reserves for the year ended 30 June 2017, out of the profit earned during the year.

#### 43 Date of authorization for issue

The financial statements of Modaraba were approved by the Directors of Modaraba Management Company and authorized for issue on October 10, 2017.

#### 44 General

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

Figures have been rounded off to the nearest rupees.



**Chief Executive**  
Punjab Modaraba Services  
( Private ) Limited



**Director**  
Punjab Modaraba Services  
( Private ) Limited



**Director**  
Punjab Modaraba Services  
( Private ) Limited





This page has been left Intentionally blank



# **Consolidated Financial Statements**

as at June 30, 2017





# Independent Auditors' Report to the Certificate Holders

We have audited the annexed consolidated financial statements comprising the consolidated statement of financial position of First Punjab Modaraba (the Modaraba) and its subsidiary company (together referred to as the group) as at June 30, 2017 and the related consolidated profit and loss account, consolidated statement of comprehensive income, consolidated cash flow statement and consolidated statement of changes in equity, together with the notes forming part thereof (here-in-after referred to as the 'consolidated financial statements'), for the year then ended. We have also expressed a separate opinion on the separate financial statements of the Modaraba. Its subsidiary company, Punjab Capital Services (Private) Limited (the Company), however, was audited by another firm of Chartered Accountants, whose report has been furnished to us and our opinion, in so far as it relates to the amount included for such Company, is based solely on the report of such auditors.

These consolidated financial statements are the responsibility of the Holding Company's management. Our responsibility is to express an opinion on these consolidated financial statements based on our audit.

Our audit was conducted in accordance with the International Standards on Auditing and accordingly included such tests of accounting records and such other auditing procedures as we considered necessary in the circumstances.

In our opinion, the consolidated financial statements present fairly the financial position of First Punjab Modaraba and its subsidiary company as at June 30, 2017 and the results of their operations for the year then ended.

Lahore:  
October 10, 2017

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



# Consolidated Balance Sheet

As at 30 June 2017

	Note	2017 Rupees	2016 Rupees
<b>ASSETS</b>			
<b>Non current assets</b>			
Tangible fixed assets			
- Ijarah assets	5	178,857,852	208,430,264
- Assets in own use		4,474,964	620,381
Intangible assets	6	9,300,000	9,300,000
Shares available for sale	7	10,308,698	10,308,698
Long term musharika investment - secured	8	498,621,872	280,156,728
Long term morabaha investment - secured	9	5,564,055	30,290,198
Long term deposits	10	992,900	503,444
Deferred tax	11	56,068,827	48,144,066
		<b>764,189,168</b>	<b>587,753,779</b>
<b>Current assets</b>			
Short term morabaha investment - secured	12	248,704,746	235,794,376
Current maturity of long term investments	13	413,179,367	221,682,357
Advances, deposits, prepayments and other receivables	15	85,823,591	50,518,134
Ijarah rental receivable	16	288,766,811	297,635,711
Tax refundable		3,660,903	3,912,447
Cash and bank balances	17	59,707,426	30,064,994
		<b>1,099,842,844</b>	<b>839,608,019</b>
<b>TOTAL ASSETS</b>		<b>1,864,032,012</b>	<b>1,427,361,798</b>
<b>EQUITY AND LIABILITIES</b>			
<b>Capital and Reserves</b>			
Authorized certificate capital			
50,000,000 modaraba certificates of Rs. 10 each		<b>500,000,000</b>	<b>500,000,000</b>
Issued, subscribed and paid-up certificate capital	18	<b>340,200,000</b>	<b>340,200,000</b>
Reserves	19	<b>(158,700,182)</b>	<b>(158,467,527)</b>
		<b>181,499,818</b>	<b>181,732,473</b>
<b>Non current liabilities</b>			
Security deposits	20	<b>6,476,650</b>	<b>7,718,900</b>
Long term musharika finance secured	21	<b>1,101,205,546</b>	<b>955,925,494</b>
		<b>1,107,682,196</b>	<b>963,644,394</b>
<b>Current liabilities</b>			
Current maturity of security deposits	22	<b>112,632,222</b>	<b>132,787,066</b>
Deferred morabaha income		<b>2,181,896</b>	<b>7,563,165</b>
Redeemable capital - participatory and unsecured	23	<b>400,000,000</b>	<b>100,000,000</b>
Profit payable	24	<b>19,581,961</b>	<b>13,551,308</b>
Trade and other payables	25	<b>24,515,606</b>	<b>12,538,666</b>
Unclaimed profit		<b>15,253,487</b>	<b>14,331,073</b>
Provision for taxation		<b>684,826</b>	<b>1,213,653</b>
		<b>574,849,998</b>	<b>281,984,931</b>
<b>Contingencies and commitments</b>	26		
<b>TOTAL EQUITY AND LIABILITIES</b>		<b>1,864,032,012</b>	<b>1,427,361,798</b>

The annexed notes from 1 to 44 form an integral part of these financial statements.

**Chief Executive**  
Punjab Modaraba Services  
( Private ) Limited

**Director**  
Punjab Modaraba Services  
( Private ) Limited

**Director**  
Punjab Modaraba Services  
( Private ) Limited

# Consolidated Profit and Loss Account

For the Year Ended 30 June 2017

	Note	2017 Rupees	2016 Rupees
<b>Income</b>			
Ijarah rentals	27.1	78,739,059	84,001,424
Profit on morabaha investment	27.2	7,561,338	16,799,065
Profit on musharikah investment	27.3	75,098,141	33,009,085
Gain on disposal of assets	28.4	211,020	1,549,042
Other income	29	6,114,293	4,124,351
		<b>167,723,851</b>	<b>139,482,967</b>
<b>Expenses</b>			
Operating expenses	30	34,565,840	22,077,070
Depreciation on Ijarah assets	5.1	42,444,032	61,878,555
Finance cost	31	79,970,478	57,791,671
		<b>156,980,350</b>	<b>141,747,296</b>
<b>Operating Profit / (loss) before provision and impairment</b>		<b>10,743,501</b>	<b>(2,264,329)</b>
(Reversal) of provision for morabaha investment	12.3	(1,633,352)	(505,150)
Impairment (reversal) on Ijarah assets	5.1	(235,982)	(22,636,979)
Impairment (reversal) on musharikah investment	8.2	(3,000,000)	(2,000,000)
Other provisions	15.3	-	-
		<b>(4,869,334)</b>	<b>(25,142,129)</b>
<b>Operating profit after provision and impairment</b>		<b>15,612,835</b>	<b>22,877,800</b>
Modaraba Company's management fee	32	(2,672,036)	(1,715,835)
		<b>12,940,799</b>	<b>21,161,965</b>
Taxation	33	3,836,546	6,371,023
<b>Profit for the year</b>		<b>16,777,345</b>	<b>27,532,988</b>
<b>Earnings per certificate - basic and diluted</b>	34	<b>0.49</b>	<b>0.81</b>

The annexed notes from 1 to 44 form an integral part of these financial statements.



**Chief Executive**  
Punjab Modaraba Services  
( Private ) Limited



**Director**  
Punjab Modaraba Services  
( Private ) Limited



**Director**  
Punjab Modaraba Services  
( Private ) Limited



# Consolidated Statement of Comprehensive Income

For the Year Ended 30 June 2017

	2017 Rupees	2016 Rupees
<b>Profit for the year</b>	<b>16,777,345</b>	27,532,988
<b>Items that will be reclassified subsequently to profit and loss</b>		
<b>Other comprehensive income for the year</b>		
Transfer of revaluation of available for sale investment	-	492,599
<b>Items that will not be reclassified subsequently to profit and loss</b>	-	-
<b>Total comprehensive income for the year</b>	<b>16,777,345</b>	28,025,587

The annexed notes from 1 to 44 form an integral part of these financial statements.

**Chief Executive**  
Punjab Modaraba Services  
( Private ) Limited

**Director**  
Punjab Modaraba Services  
( Private ) Limited

**Director**  
Punjab Modaraba Services  
( Private ) Limited

# Consolidated Cash Flow Statement

For the Year Ended 30 June 2017

	Note	2017 Rupees	2016 Rupees
<b>Cash flow from operating activities</b>			
Cash generated from operations	38	110,550,436	83,548,862
Profit paid on redeemable capital		(14,131,506)	(6,752,055)
Profit paid on musharikah finance		(59,808,319)	(50,202,181)
Proceeds from disposal of non-banking assets		-	15,964,000
Income tax paid		(4,365,498)	(383,751)
<b>Net cash generated from operating activities</b>		<b>32,245,113</b>	<b>42,174,875</b>
<b>Cash flow from investing activities</b>			
Fixed capital expenditure		(4,501,975)	(218,245)
Purchase of intangible assets		-	(300,000)
]Investment in musharikah - net		(427,293,172)	(329,270,918)
<b>Net cash used in investing activities</b>		<b>(431,795,147)</b>	<b>(329,789,163)</b>
<b>Cash flow from financing activities</b>			
Finances under musharikah arrangements - net		145,280,052	221,792,281
Redeemable capital		300,000,000	-
Profit distribution to certificate holders		(16,087,586)	(16,023,153)
<b>Net cash generated from financing activities</b>		<b>429,192,466</b>	<b>205,769,128</b>
<b>Net increase / (decrease) in cash and cash equivalents</b>		<b>29,642,432</b>	<b>(81,845,160)</b>
<b>Cash and cash equivalents at the beginning of the year</b>		<b>30,064,994</b>	<b>111,910,154</b>
<b>Cash and cash equivalents at the end of the year</b>	17	<b>59,707,426</b>	<b>30,064,994</b>

The annexed notes from 1 to 44 form an integral part of these financial statements.



**Chief Executive**  
Punjab Modaraba Services  
( Private ) Limited



**Director**  
Punjab Modaraba Services  
( Private ) Limited



**Director**  
Punjab Modaraba Services  
( Private ) Limited





# Consolidated Statement of Changes in Equity

For the Year Ended 30 June 2017

	Certificate Capital Rupees	Capital Reserves Rupees	Accumulated Loss Rupees	Total Rupees
<b>Balance as at 1 July 2015</b>	340,200,000	198,613,109	(368,096,223)	170,716,886
Profit for the year	-	-	27,532,988	27,532,988
Other comprehensive income for the year	-	-	492,599	492,599
Total comprehensive income for the year	-	-	28,025,587	28,025,587
Statutory reserve	-	5,506,598	(5,506,598)	-
Final dividend for the year ended 30 June 2015 @ Rs. 0.5 per certificate	-	-	(17,010,000)	(17,010,000)
<b>Balance as at 30 June 2016</b>	<b>340,200,000</b>	<b>204,119,707</b>	<b>(362,587,234)</b>	<b>181,732,473</b>
Profit for the year	-	-	16,777,345	16,777,345
Other comprehensive income for the year	-	-	-	-
Total comprehensive income for the year	-	-	16,777,345	16,777,345
Statutory reserve	-	3,355,469	(3,355,469)	-
Final dividend for the year ended 30 June 2016 @ Rs. 0.5 per certificate	-	-	(17,010,000)	(17,010,000)
<b>Balance as at 30 June 2017</b>	<b>340,200,000</b>	<b>207,475,176</b>	<b>(366,175,358)</b>	<b>181,499,818</b>

The annexed notes from 1 to 44 form an integral part of these financial statements.

**Chief Executive**  
Punjab Modaraba Services  
( Private ) Limited

**Director**  
Punjab Modaraba Services  
( Private ) Limited

**Director**  
Punjab Modaraba Services  
( Private ) Limited



# Notes to the Consolidated Financial Statements

For the year ended June 30, 2017

## 1. THE GROUP AND ITS OPERATIONS

### 1.1 The "Group" Consists of:

Holding Company

- First Punjab Modaraba

	Percentage of holding	
	2017	2016
<b>Subsidiary Company</b>		
Punjab Capital Securities (Pvt.) Limited	100	-

Brief profiles of the Holding Company and subsidiaries are as follows:

### 1. Status and nature of business

First Punjab Modaraba ("the Group") comprises First Punjab Modaraba (the Modaraba) and a wholly owned subsidiary Punjab Capital Securities (Pvt) Ltd. First Punjab Modaraba (the Modaraba) was formed under the Modaraba Companies and Modaraba (Floatation and Control) Ordinance, 1980 and rules framed there under and is managed by Punjab Modaraba Services (Private) Limited (wholly owned subsidiary of The Bank of Punjab), a company incorporated in Pakistan. The registered office of the Modaraba is situated at 4th floor, Mega Tower Main Boulevard Gulberg, Lahore. The Modaraba commenced its operations on 23 December 1992. The Modaraba is listed on Pakistan Stock Exchange.

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

Punjab Capital Securities (Private) Limited was incorporated on November 29, 2016 as a private limited Company under the Companies Ordinance, 1984. The Company is mainly engaged in the business of brokerage services, portfolio management and consultancy services. The company is wholly owned subsidiary of First Punjab Modaraba.

## 2. Basis of preparations

### 2.1 Statement of compliance

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

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



## 2.2 Basis of measurement

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

## 2.3 Functional and presentation currency

These consolidated financial statements are presented in Pakistan Rupees which is also the Modaraba's functional currency.

## 3. New accounting standards / amendments and IFRS interpretations that are effective for the year ended June 30, 2017.

The following standards, amendments and interpretations are effective for the year ended June 30, 2017. These standards, interpretations and the amendments are either not relevant to the Modaraba's operations or are not expected to have significant impact on the Modaraba's financial statements other than certain additional disclosures

	Effective from accounting period Beginning on or after
Amendments to IFRS 10 'Consolidated Financial Statements', IFRS 12 'Disclosure of Interests in Other Entities' and IAS 28 'Investments in Associates and Joint Ventures' - Investment Entities: Applying the consolidation exception	January 01, 2016
Amendments to IFRS 11 'Joint Arrangements' - Accounting for acquisitions of interests in joint operations	January 01, 2016
Amendments to IAS 1 'Presentation of Financial Statements' - Disclosure initiative	January 01, 2016
Amendments to IAS 16 'Property Plant and Equipment' and IAS 38 'Intangible Assets' - Clarification of acceptable methods of depreciation and amortization	January 01, 2016
Amendments to IAS 16 'Property Plant and Equipment' and IAS 41 'Agriculture' - Measurement of bearer plants	January 01, 2016
Amendments to IAS 27 'Separate Financial Statements' - Equity method in separate financial statements	January 01, 2016

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

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

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

**Effective from  
accounting period  
Beginning on or after**

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

January 01, 2018

Amendments to IFRS 10 'Consolidated Financial Statements'  
and IAS 28 'Investments in Associates and Joint Ventures' -  
Sale or contribution of assets between an investor and its  
associate or joint venture

Effective from accounting  
period beginning on or  
after a date to be determined.  
Earlier application is permitted.

Amendments to IAS 7 'Statement of Cash Flows' -  
Amendments as a result of the disclosure initiative

January 01, 2017

Amendments to IAS 12 'Income Taxes' - Recognition of  
deferred tax assets for unrealised losses

January 01, 2017

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

January 01, 2018.  
Earlier application is permitted.

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

January 01, 2018. Earlier  
application is permitted.

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

January 01, 2019

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

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

- IFRS 1 First Time Adoption of International Financial Reporting Standards
- IFRS 9 Financial Instruments
- IFRS 14 Regulatory Deferral Accounts
- IFRS 15 Revenue from Contracts with Customers
- IFRS 16 Leases
- IFRS 17 Insurance Contracts



## 3.2 Significant accounting estimates and judgments

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

### 3.2.1 Depreciation/Amortization

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

### 3.2.2 Provision against non-performing loans and advances

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

### 3.2.3 Income taxes

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

## 4. Significant accounting policies

### 4.1 Tangible fixed assets

#### Assets in own use

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

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

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

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

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

The gain or loss on disposal or retirement of an asset represented by the difference between the sale proceeds and the carrying amount of the asset is recognized as an income or expense.

### **Ijarah Assets**

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

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

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

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

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

## **4.3 Intangibles**

These are stated at cost less impairments, if any. The carrying amounts are reviewed at each balance sheet date to assess whether these are recorded in excess of their recoverable amounts, and where carrying value is in excess of recoverable amount, these are written down to their estimated recoverable amount.

## **4.4 Cash and cash equivalents**

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

## **4.5 Financial instruments**

### **Financial assets**

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

### **Classification**

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

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

### **Financial liabilities**

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

### **Recognition and derecognition**

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

### **Offsetting of financial assets and financial liabilities**

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

## **4.6 Provisions**

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

## **4.7 Staff retirement benefit**

### **Defined contribution plan**

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

## **4.8 Provision against non performing financing (Suspense income)**

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

## **4.9 Revenue recognition**

### **Ijarah**

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





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

### **Morabaha transaction**

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

### **Musharikah finance**

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

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

### **Dividend income**

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

### **Commission income**

Commission income is recognized on accrual basis.

## **4.10 Trade date accounting**

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

## **4.11 Ijarah rentals and Musharikah investments**

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

## **4.12 Finance arrangements including Certificates of Musharikah**

These are carried on the balance sheet at principal amount.

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

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

#### 4.13 Profit distribution and appropriations

Profit distribution and appropriation to reserves are recognized as liability in the consolidated financial statements in the period in which these are approved. Transfer to statutory reserve and any of the mandatory appropriations, as may be required by law, are recognized in the period to which these relate

#### 4.14 Taxation

##### Current

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

##### Deferred

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

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

#### 4.15 Morabaha Investments

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

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

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

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



## 5. Tangible fixed assets

Ijarah assets

Assets in own use

	Note	2017 Rupees	2016 Rupees
	5.1	178,857,852	208,430,264
	5.2	4,474,964	620,381
		<b>183,332,816</b>	<b>209,050,645</b>

### 5.1 Ijarah assets

2017

Description	COST			DEPRECIATION			IMPAIRMENT			NET BOOK VALUE		
	As at 1 July 2016	Additions	Transfer	As at 30 June 2017	Charge for the year	As at 30 June 2017	As at 1 July 2016	Reversal for the year	Transfer 16.3.1	As at 30 June 2017	As at 30 June 2016	Depreciation Rate
												%
Plant and machinery	1,023,734,417	744,270	(276,338,217)	748,140,470	892,839,379	7283,448	(257,116,786)	643,006,041	31,122,606	(282,576)	30,604,048	74,530,381 As per term
Vehicle	216,298,087	21,852,319	(34,144,146)	204,006,260	109,397,966	28,431,577	(28,593,057)	109,236,485	1,104,397	-	1,104,397	93,665,378 As per term
Cessna aircraft	13,552,604	-	-	13,552,604	-	-	-	13,552,604	-	-	-	- As per term
Consumer products	2,900,623	15,836,239	(2,049,073)	16,687,789	6,729,007	(741,826)	6,025,696	-	-	-	10,662,093	As per term
	1,256,485,731	38,432,828	(312,531,436)	982,387,123	1,015,828,464	42,444,032	(286,451,669)	771,820,826	32,227,003	(282,576)	(31,708,445)	178,857,852

2016

Description	COST			DEPRECIATION			IMPAIRMENT			NET BOOK VALUE		
	As at 1 July 2015	Additions	Transfer	As at 30 June 2016	Charge for the year	As at 30 June 2016	As at 1 July 2015	Reversal for the year	Transfer 15.3.1	As at 30 June 2016	As at 30 June 2015	Depreciation Rate
												%
Plant and machinery	1,042,386,111	340,000	(18,991,694)	1,023,734,417	873,763,451	36,172,598	(17,096,670)	892,839,379	49,644,028	(22,636,979)	4,115,557	31,122,606 99,772,432 As per term
Vehicle	178,647,146	51,216,941	(13,566,000)	216,298,087	92,880,386	25,667,442	(9,149,862)	109,397,966	1,104,397	-	1,104,397	105,795,724 As per term
Cessna aircraft	13,552,604	-	-	13,552,604	-	-	-	13,552,604	-	-	-	- As per term
Consumer products	-	2,900,623	-	2,900,623	38,515	-	-	-	-	-	-	2,862,108 As per term
	1,234,585,861	54,457,564	(32,557,694)	1,256,485,731	61,878,555	(26,246,532)	1,015,828,464	50,748,425	(22,636,979)	4,115,557	32,227,003	208,430,264

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

## 5.2 Assets in own use

Description	2017									
	COST					DEPRECIATION				
	As at 1 July 2016	Addition	Disposal Adjustment	As at 30 June 2017	As at 1 July 2016	Charge for the year	Disposal / Adjustment	As at 30 June 2017	As at 30 June 2017	Depreciation Rate
	-----Rupees-----									
Office equipment	2,726,499	1,707,410	(219,500)	4,214,409	2,350,288	308,224	(219,500)	2,439,012	1,775,397	15% & 30%
Furniture and fixtures	810,840	1,639,385	-	2,450,225	621,491	129,883	-	751,374	1,698,851	15%
Vehicles	1,624,088	-	-	1,624,088	1,569,267	19,503	-	1,588,770	35,318	20%
Computers	-	1,170,180	-	1,170,180	-	204,782	-	204,782	965,398	30%
	5,161,427	4,516,975	(219,500)	9,458,902	4,541,046	662,392	(219,500)	4,983,938	4,474,964	
-----Rupees-----										
	2016									
	As at 1 July 2015	Addition	Disposal Adjustment	As at 30 June 2016	As at 1 July 2015	Charge for the year	Disposal / Adjustment	As at 30 June 2016	As at 30 June 2016	Depreciation Rate
	-----Rupees-----									
Office equipment	3,103,273	218,245	(595,019)	2,726,499	2,730,558	198,747	(579,017)	2,350,288	376,211	15% & 30%
Furniture and fixtures	869,542	-	(58,702)	810,840	574,987	89,206	(42,702)	621,491	189,349	15%
Vehicles	1,624,088	-	-	1,624,088	1,377,132	192,135	-	1,569,267	54,821	20%
	5,596,903	218,245	(653,721)	5,161,427	4,682,677	480,088	(621,719)	4,541,046	620,381	



	<b>Note</b>	<b>2017 Rupees</b>	<b>2016 Rupees</b>
<b>6 Intangible assets</b>			
Trading Rights Entitlement Certificates and room at LSE Financial Services Limited	6.1	<b>35,648,757</b>	35,648,757
Less: Impairment		<b>(26,648,757)</b>	(26,648,757)
		<b>9,000,000</b>	9,000,000
Computer software	6.2	-	-
Work in progress	6.3	<b>300,000</b>	300,000
		<b>9,300,000</b>	9,300,000

**6.1** This comprises Trading right entitlement certificates of Pakistan Stock exchange Limited and room at LSE Financial Services held by the Subsidiary.

	<b>Note</b>	<b>2017 Rupees</b>	<b>2016 Rupees</b>
<b>6.2 Computer software</b>			
<b>Cost</b>			
Balance as at 1 July		<b>1,295,000</b>	1,295,000
Additions		-	-
Balance as at 30 June		<b>1,295,000</b>	1,295,000
<b>Amortization</b>			
Balance as at 1 July		<b>(1,295,000)</b>	(1,295,000)
Amortization for the year	30	-	-
Balance as at 30 June		<b>(1,295,000)</b>	(1,295,000)
<b>Carrying Amount</b>		<b>-</b>	-
Rate of amortization		<b>20%</b>	20%
<b>6.3 Work in progress</b>			
Balance as at 1 July		<b>300,000</b>	-
Additions	6.3.1	-	300,000
Balance as at 30 June		<b>300,000</b>	300,000

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



	Note	2017 Rupees	2016 Rupees
<b>7 Shares available for sale</b>			
<b>Unquoted</b>			
LSE Financial Services Limited		<b>10,308,698</b>	9,351,243
Gain on remeasurement		-	957,455
		<b>10,308,698</b>	10,308,698
<b>8 Long term musharikah investment - secured</b>			
Musharikah investment	8.1	<b>897,783,755</b>	470,490,583
Less:			
Current portion of long term musharikah investment	13	<b>(399,161,883)</b>	(190,333,855)
		<b>498,621,872</b>	280,156,728
<b>8.1</b>	The profit charged on these facilities ranged from 9% to 20% per annum (2016: 9.3% to 20% per annum). These facilities are secured by way of personal guarantees and mortgage of properties.		
<b>8.2 Impairment loss on musharikah investment</b>		<b>2017 Rupees</b>	<b>2016 Rupees</b>
Opening balance		<b>11,709,526</b>	13,709,526
Additions during the year			
Specific provision		-	-
General provision		-	-
		-	-
Reversed during the year		<b>(3,000,000)</b>	(2,000,000)
Closing balance		<b>8,709,526</b>	11,709,526



	Note	2017 Rupees	2016 Rupees
<b>9. Long term morabaha investment - secured</b>			
Long term morabaha investment	9.1	<b>35,940,617</b>	74,585,056
Add: Unearned morabaha income	9.2	<b>1,150,448</b>	7,563,170
		<b>37,091,065</b>	82,148,226
Less: Current maturity	13	<b>(22,727,010)</b>	(43,058,028)
		<b>14,364,055</b>	39,090,198
Less: Provision for doubtful morabaha investment	9.3	<b>(8,800,000)</b>	(8,800,000)
Total long term morabaha investment net		<b>5,564,055</b>	30,290,198

**9.1** These are secured against mortgage of properties, hypothecation and pledge of stocks, personal guarantees and demand promissory notes. The rate of profit on morabaha finances ranges from 13.64% to 15% per annum (2016: 13.64% to 15%).

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

	Note	2017 Rupees	2016 Rupees
<b>9.3 Provision for doubtful morabaha investment</b>			
Opening balance		<b>8,800,000</b>	8,800,000
Charge during the year		-	-
Closing balance		<b>8,800,000</b>	8,800,000

## 10 Long term deposits

Long term deposits	<b>992,900</b>	503,444
Less: Current maturity of long term deposits	-	-
	<b>692,900</b>	503,444

## 11 Deferred tax

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

	Note	2017 Rupees	2016 Rupees
<b>12 Short term morabaha investment - secured</b>			
Short term morabaha investment	12.1	<b>483,234,677</b>	472,989,107
Add: Unearned morabaha income	12.2	<b>1,031,448</b>	-
		<b>484,266,125</b>	472,989,107
Less: Provision for doubtful morabaha investment	12.3	<b>(235,561,379)</b>	(237,194,731)
Total short term morabaha investment - net		<b>248,704,746</b>	235,794,376

**12.1** These are secured against mortgage of properties, hypothecation and pledge of stocks, personal guarantees and demand promissory notes. The rate of profit on morabaha finances ranges from 10.75% to 22.99% per annum (2016: 10.75% to 22.99% per annum).

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

	Note	2017 Rupees	2016 Rupees
<b>12.3 Provision for doubtful morabaha investment</b>			
Opening balance		<b>237,194,731</b>	237,699,881
Additions during the year		-	-
Reversals during the year		<b>(1,633,352)</b>	(505,150)
		<b>(1,633,352)</b>	(505,150)
Closing balance		<b>235,561,379</b>	237,194,731

### 13 Current maturity of long term investments

Musharikhah investment	8	<b>399,161,883</b>	190,333,855
Less: Provision against Musharika Investment		<b>(8,709,526)</b>	(11,709,526)
		<b>390,452,357</b>	178,624,329
Morabaha investment	9	<b>22,727,010</b>	43,058,028
Less: Provision against current		-	-
Maturity of long term investment		-	-
		<b>22,727,010</b>	43,058,028
		<b>413,179,367</b>	221,682,357





	Note	2017 Rupees	2016 Rupees
<b>14 Property acquired against satisfaction of claims</b>			
Opening balance		-	-
Additions during the year	15.1	-	14,700,000
Deletions during the year		-	(14,700,000)
		<u>-</u>	<u>-</u>
<b>14.1</b>	This represents property acquired in auction during execution of decree against an Ijarah facility. The property has been sold for Rs. 16.5 million.		
<b>15 Advances, deposits, prepayments and other receivables</b>			
Profit receivable			
- Morabaha investment	15.1	<b>1,114,454</b>	1,279,466
- Musharikah investment	15.2	<b>16,029,142</b>	2,936,148
		<b>17,143,596</b>	4,215,614
Prepayments		<b>4,887,640</b>	1,712,068
Advances		<b>16,387,512</b>	692,284
Other receivables		<b>55,215,048</b>	51,708,372
		<b>93,633,795</b>	54,112,724
Less: Provision for non performing assets	15.3	<b>(7,810,204)</b>	(7,810,204)
		<b>85,823,591</b>	50,518,134
<b>15.1 Morabaha profit receivable</b>			
Morabaha profit receivable		<b>27,249,051</b>	27,414,063
Less: Income transferred to suspense	15.1.1	<b>(26,134,597)</b>	(26,134,597)
		<b>1,114,454</b>	1,279,466
<b>15.1.1 Income transferred to suspense</b>			
Opening balance		<b>26,134,597</b>	30,064,082
Reversals during the year	27.2	-	(3,929,485)
Suspension written off		-	-
		<u>-</u>	<u>-</u>
Closing balance		<b>26,134,597</b>	26,134,597

	Note	2017 Rupees	2016 Rupees
<b>15.2 Musharikah profit receivable</b>			
Musharikah profit receivable		<b>27,321,445</b>	13,943,287
Less: Income transferred to suspense	15.2.1	<b>(11,292,303)</b>	(11,007,139)
		<b>16,029,142</b>	2,936,148
<b>15.2.1 Income transferred to suspense</b>			
Opening balance		<b>11,007,139</b>	12,513,398
(Reversal) / Addition during the year	27.3	<b>285,164</b>	(1,506,259)
Suspension written off		-	-
Closing balance		<b>11,292,303</b>	11,007,139
<b>15.3 Provision for non performing assets</b>			
Opening balance		<b>7,810,204</b>	7,810,204
Additions during the year		-	-
Write off during the year		-	-
Reversed during the year		-	-
Closing balance		<b>7,810,204</b>	7,810,204
<b>16 Ijarah rental receivables</b>			
<b>Ijarah rental receivable</b>		<b>476,830,899</b>	490,586,065
<b>Less: Income transferred to suspense</b>	<b>16.1</b>	<b>(188,064,088)</b>	(192,950,354)
		<b>288,766,811</b>	297,635,711
<b>16.1 Income transferred to suspense</b>			
Opening balance		<b>192,950,354</b>	196,483,643
Additions during the year	27.1	<b>2,362,500</b>	2,093,771
Transfers during the year		<b>282,576</b>	(4,115,557)
Write off during the year		-	-
Reversals during the year	27.1	<b>(7,531,342)</b>	(1,511,503)
Closing balance		<b>188,064,088</b>	192,950,354



## 16.2 Future Ijarah rentals receivable

Aggregate amount of future Ijarah rentals receivable on the basis of agreements executed upto 30 June 2017 are as follows:

	Note	2017 Rupees	2016 Rupees
Up to one year		<b>48,257,287</b>	130,148,373
Above one year and up to five year		<b>61,871,723</b>	57,281,385
		<b>110,129,010</b>	187,429,758

## 17 Cash and bank balances

Cash at banks			
- Current accounts	17.1	<b>39,393,956</b>	14,964,948
- Deposit accounts	17.3	-	5,000,000
- Savings accounts	17.2&17.3	<b>20,262,709</b>	10,083,983
- Current account with State Bank of Pakistan	17.4	<b>19,711</b>	3,082
		<b>59,676,376</b>	30,052,013
Cash in hand		<b>31,050</b>	12,981
		<b>59,707,426</b>	30,064,994

**17.1** The balance of Rs. 21.4 Million (2016: Rs.14.9 million) is maintained with The Bank of Punjab (the holding Company of the Modaraba's Management Company).

**17.2** Under the terms and condition for the issuance of certificates of musharikhah (both long and short term), the Modaraba is required to maintain a Redemption Reserve Fund equal to at least 5% of the contribution against Certificates of Musharikhah Finance received, which may be utilized for redemption purposes.

**17.3** The rate of profit on deposit and saving accounts ranges between 2.53% to 5.25% per annum (2016: 3.5% to 7% per annum).

**17.4** This account has been opened for payment of online charges of the Credit Information Bureau of State Bank of Pakistan.



	2017 Rupees	2016 Rupees
<b>18 Certificate capital</b>		
Authorized certificate capital 50,000,000 modaraba certificates of Rs.10 each	<b>500,000,000</b>	500,000,000
Issued, subscribed and paid-up certificate capital 20,000,000 modaraba certificates of Rs. 10 each fully paid up in cash	<b>200,000,000</b>	200,000,000
14,020,000 modaraba certificates of Rs. 10 each issued as fully paid bonus certificates	<b>140,200,000</b>	140,200,000
340,200,000 modaraba certificates of Rs. 10 each	<b>340,200,000</b>	340,200,000

**18.1** As at 30 June 2017, The Punjab Modaraba Services (Private) Limited (the management company) held 13,320,694 (2016: 13,320,694) certificates of Rs. 10 each.

	Note	2017 Rupees	2016 Rupees
<b>19 Reserves</b>			
<b>Capital reserve</b>			
Statutory reserve	19.1	<b>204,119,707</b>	204,119,707
<b>Revenue reserves</b>			
Accumulated loss		<b>(362,819,889)</b>	(362,587,234)
		<b>(158,700,182)</b>	(158,467,527)

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



	Note	2017 Rupees	2016 Rupees
<b>20 Security deposits</b>			
Long term security deposits against Ijarah		<b>119,108,872</b>	140,505,966
Less: Current maturity of security deposits	22	<b>(112,632,222)</b>	(132,787,066)
		<b>6,476,650</b>	7,718,900

**21 Long term musharikah finance secured**

Opening balance		<b>955,925,494</b>	734,133,213
Additions during the year		<b>980,575,552</b>	682,998,230
Less: Paid during the year		<b>(835,295,500)</b>	(461,205,949)
		<b>145,280,052</b>	221,792,281
	21.1	<b>1,101,205,546</b>	955,925,494

**21.1** The Modaraba has availed musharikah finance facilities from The Bank of Punjab having approved limits of Rs. 1,505 millions (2016: Rs. 1,060 million) maturing latest by 31 October 2019. These facilities are secured by way of first pari passu charge over present and future fixed assets of Modaraba for amount of Rs. 860 million and first pari passu charge over present and future current assets of Modaraba for an amount of Rs. 1,040 million. The estimated share of profit payable on musharikah facilities is 3 Month's KIBOR per annum (2016: 6.5% per annum).

	Note	2017 Rupees	2016 Rupees
<b>22 Current maturity of non current liabilities</b>			
Security deposits	22.1	<b>112,632,222</b>	132,787,066

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

	Note	2017 Rupees	2016 Rupees
<b>23 Redeemable capital - participatory and unsecured</b>			
Opening balance		100,000,000	100,000,000
Add: Issued during the year		300,000,000	-
Less: Redeemed during the year		(300,000,000)	-
Add: Re- Issued during the year		300,000,000	-
		300,000,000	-
Closing balance	23.1	400,000,000	100,000,000

**23.1** During the year Rs.300 million of further redeemable capital in form of certificates of musharikhah have been issued to The Bank of Punjab. These certificates have a maturity of 3 months and have been reissued at maturity. These certificates are starting from April 2017 to August 2017. These certificate are starting from April 2017 to August 2017. The share of profit payable is 6.25% per annum (2016: 6.5%).

	2017 Rupees	2016 Rupees
<b>24 Profit payable</b>		
Musharikhah finances	16,625,545	13,178,461
Redeemable capital	2,956,416	372,847
	19,581,961	13,551,308

<b>25 Trade and other payables</b>		
Accrued expenses	662,627	464,430
Tax deducted at source	1,480,975	133,177
Advances against ijarah / morabaha / musharikhah	10,294,248	9,496,867
Management fee payable	2,672,036	1,715,835
Other payables	9,405,720	728,357
	24,515,606	12,538,666

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

	2017 Rupees	2016 Rupees
Layton Rehmatullah Benevolent Trust	28,716	37,681
Sun Education and Welfare Society	50,000	22,958
	78,716	60,639



## 26 Contingencies and commitments

### 26.1 Contingencies

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

### 26.1.4 Legal suits against Modaraba

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

## 26.2 Commitments

**26.2.1** Musharikah commitments approved but not disbursed as on balance sheet date amount to Rs.32.38 million (2016: Rs.33.813 million).

	<b>Note</b>	<b>2017 Rupees</b>	<b>2016 Rupees</b>
<b>27 Operating income</b>			
<b>27.1 Ijarah rentals</b>			
Ijarah income		<b>73,570,217</b>	84,583,692
Less: Rentals suspended	16.1	<b>(2,362,500)</b>	(2,093,771)
Add: Reversal of rentals suspended	16.1	<b>7,531,342</b>	1,511,503
<b>Total income from Ijarah</b>		<b>78,739,059</b>	84,001,424
<b>27.2 Profit on Morabaha investment</b>			
Morabaha investment		<b>7,561,338</b>	12,869,580
Add: Reversals of suspension	15.1.1	-	3,929,485
<b>Total income from Morabaha investment</b>		<b>7,561,338</b>	16,799,065
<b>27.3 Profit on Musharikah investment</b>			
Musharikah investment		<b>75,383,305</b>	31,502,826
Less: Suspension (charged) / reversal	15.2.1	<b>(285,164)</b>	1,506,259
<b>Total Income from Musharikah investment</b>		<b>75,098,141</b>	33,009,085
<b>28 Gain on disposal of assets</b>			
Gain on disposal of property acquired through satisfaction of claims		-	1,264,000
Gain on sale of owned assets		<b>15,000</b>	-
Gain on disposal of Ijarah assets		<b>196,020</b>	285,042
Gain on disposals of TREC, Room and Shares of LSE		-	-
<b>Total gain on disposal of assets</b>		<b>211,020</b>	1,549,042





	Note	2017 Rupees	2016 Rupees
<b>29 Other income</b>			
<b>Income from financial assets</b>			
Profit on bank deposits		342,349	432,030
<b>Income from other than financial assets</b>			
Processing fee		1,433,416	584,587
Commission income		-	-
Cheque return charges		53,620	216,000
Miscellaneous income		4,284,908	2,891,734
		5,771,944	3,692,321
		6,114,293	4,124,351
<b>30 Operating expenses</b>			
Salaries, wages and other benefits	30.1	24,131,842	15,099,530
Depreciation on fixed assets - owned	5.2	662,392	480,088
Travelling and conveyance		189,695	229,022
Legal and professional		1,614,243	1,016,775
Printing and stationery		701,558	652,179
Insurance		782,250	222,453
Fee and subscription		1,407,461	1,111,157
Auditors' remuneration	30.2	712,470	532,750
Repair and maintenance		932,450	332,137
Vehicle running and maintenance		232,249	140,390
Power and utilities		88,376	4,122
Entertainment		401,362	241,382
Advertisement		15,400	83,122
Selling and marketing expenses		1,138,148	202,067
Telephone and postage		520,352	520,452
Corporate expenses		876,634	1,002,948
Rent, rates and taxes		75,000	85,560
Loss on disposal of owned assets		-	32,002
Miscellaneous		83,958	88,934
		34,565,840	22,077,070

**30.1** Salaries and other benefits include Rs. 0.565 million (2016: Rs. 0.323 million) on account of provident fund contribution.

**30.2 Auditors' remuneration**

	2017 Rupees	2016 Rupees
Audit fee	450,000	300,000
Half yearly review and others	175,000	175,000
Out of pocket expenses	87,470	57,750
	712,470	532,750

	2017 Rupees	2016 Rupees
<b>31 Finance cost</b>		
Profit on musharikhah finances	<b>63,032,277</b>	51,122,889
Profit on redeemable capital	<b>16,715,075</b>	6,517,811
Bank and other charges	<b>223,126</b>	150,971
	<b>79,970,478</b>	57,791,671

**32 Management fee**

Management fee is payable to Punjab Modaraba Services (Private) Limited. This has been calculated at 10% of profit before tax (2016: 7.5%).

	2017 Rupees	2016 Rupees
<b>33 Taxation</b>		
<b>Current</b>		
- Current year	<b>4,088,215</b>	3,597,534
<b>Deferred</b>		
- Relating to origination and reversal of temporary differences	<b>(7,924,761)</b>	(9,968,557)
	<b>(3,836,546)</b>	(6,371,023)

**34 Earning per certificate - basic and diluted**

		2017	2016
Profit for the year	<b>Rupees</b>	<b>16,777,345</b>	27,532,988
Weighted average number of ordinary certificates	<b>Numbers</b>	<b>34,020,000</b>	34,020,000
Earning per certificate	<b>Rupees</b>	<b>0.49</b>	0.81

**35 Transactions with related parties**

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



	2017 Rupees	2016 Rupees
<b>35.1 Balance outstanding at the end of year</b>		
<b>35.1.1 The Bank of Punjab (Holding company of the Modaraba's Management Company)</b>		
Musharikah finances	<b>1,101,205,546</b>	955,925,494
Profit payable on musharikah finances	<b>16,625,545</b>	13,178,461
Net book value of the Ijarah assets	-	883,180
Ijarah security deposits	-	883,180
Redeemable capital	<b>400,000,000</b>	100,000,000
Profit payable on redeemable capital	<b>2,956,416</b>	372,847
<b>35.1.2 Modaraba Management Company</b>		
Management fee	<b>2,672,036</b>	1,715,835
<b>35.2 Transactions during the year</b>		
<b>35.2.1 The Bank of Punjab (Holding company of the Modaraba's Management Company)</b>		
Profit charged on musharikah finances	<b>63,032,277</b>	51,122,889
Profit charged on redeemable capital	<b>16,715,075</b>	6,517,811
<b>35.2.2 Punjab Modaraba Services (Private) Limited</b>		
Management fee	<b>2,672,036</b>	1,715,835

### 36 Remuneration of officers and executives

	2017		
	Officers	Other employees	Total
	Rupees	Rupees	Rupees
Remuneration	15,580,957	344,972	15,925,929
House rent allowance	3,851,760	82,301	3,934,061
Utility allowance	969,399	14,129	983,528
Medical allowance	969,399	14,129	983,528
Provident fund contribution	643,911	14,327	658,238
Expenses reimbursed	1,621,658	-	1,621,658
	<b>23,637,084</b>	<b>469,858</b>	<b>24,106,942</b>
<b>Number of employees at the year end</b>	<b>28</b>	<b>3</b>	<b>31</b>
<b>Average no of employees</b>	<b>26</b>	<b>4</b>	<b>30</b>

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

	2016		
	Officers	Other employees	Total
	-----Rupees-----		
Remuneration	8,575,410	345,173	8,920,583
House rent allowance	2,845,820	52,856	2,898,676
Medical allowance	714,757	13,214	727,971
Utility allowance	712,127	13,214	725,341
Provident fund contribution	312,014	11,720	323,734
Expenses reimbursed	1,503,225	-	1,503,225
	<b>14,663,353</b>	<b>436,177</b>	<b>15,099,530</b>
Number of employees at the year end	22	4	26
Average number of employees during the year	21	4	25

### 37 Financial instruments

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

- Credit risk
- Liquidity risk
- Market risk

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



## 37.1 Credit risk

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

	<b>2017</b>	<b>2016</b>
	<b>Rupees</b>	<b>Rupees</b>
Bank balances	<b>59,676,376</b>	30,052,013
Musharikhah investment	<b>897,783,755</b>	458,781,057
Morabaha investment	<b>276,995,811</b>	309,142,602
Advances, deposits and other receivables	<b>85,823,591</b>	349,535,917
Long term deposits	<b>992,900</b>	503,444
	<b>1,321,272,433</b>	1,148,015,033

### 37.1.1 Bank balances

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

### 37.1.2 Description of Collateral held

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

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

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



### 37.1.3 Aging Analysis of Morabaha receivable

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

Past due	2016			Suspension recognized
	Carrying Amount	Amount on which no suspension recognized	Amount on which suspension recognized	
	-----Rupees-----			
0 days	-	-	-	-
1 day - 179 days	1,279,354	1,279,354	-	-
180 days - 364 days	-	-	-	-
1 year - less than 2 year	-	-	-	-
2 year - less than 3 year	-	-	-	-
3 year or more	112	-	26,134,709	26,134,597
<b>Total</b>	<b>1,279,466</b>	<b>1,279,354</b>	<b>26,134,709</b>	<b>26,134,597</b>

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



### 37.1.4 Aging Analysis of Morabaha investment

Past due	2017			
	Carrying Amount	Amount on which no provision recognized	Amount on which provision recognized	Provision recognized
	-----Rupees-----			
0 days	-	-	-	-
1 day -179 days	569,172	569,172	-	-
180 days- 364 days	28,797,992	28,797,992	-	-
1 year - less than 2 year	13,363,013	13,363,013	-	-
2 year - less than 3 year	-	-	-	-
3 year or more	234,265,634	160,109,163	318,517,850	244,361,379
<b>Total</b>	<b>276,995,811</b>	<b>202,839,340</b>	<b>318,517,850</b>	<b>244,361,379</b>

Past due	2016			
	Carrying Amount	Amount on which no provision recognized	Amount on which provision recognized	Provision recognized
	-----Rupees-----			
0 days	-	-	-	-
1 day -179 days	39,425,578	39,425,578	-	-
180 days - 364 days	-	-	-	-
1 year - less than 2 year	-	-	-	-
2 year - less than 3 year	-	-	-	-
3 year or more	269,717,024	156,607,649	359,104,013	245,994,731
<b>Total</b>	<b>309,142,602</b>	<b>196,033,227</b>	<b>359,104,013</b>	<b>245,994,731</b>

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



### 371.5 Aging Analysis of Ijarah receivable

Past due	2017			
	Carrying Amount	Amount on which no suspension recognized	Amount on which suspension recognized	Suspension recognized
	-----Rupees-----			
0 days	-	-	-	-
1 day -179 days	9,534,792	9,534,792	-	-
180 days - 364 days	1,403,314	1,403,314	-	-
1 year - less than 2 year	22,516,987	22,516,987	-	-
3 year or more	255,337,329	67,298,853	188,038,475	188,038,475
<b>Total</b>	<b>288,792,421</b>	<b>100,753,946</b>	<b>188,038,475</b>	<b>188,038,475</b>

Past due	2016			
	Carrying Amount	Amount on which no suspension recognized	Amount on which suspension recognized	Suspension recognized
	-----Rupees-----			
0 days	-	-	-	-
1 day -179 days	-	-	-	-
180 days - 364 days	-	-	-	-
1 year - less than 2 year	8,887,114	7,632,727	1,254,387	1,254,387
2 year - less than 3 year	26,958,899	23,010,410	3,948,489	3,948,489
3 year or more	261,789,698	74,042,220	187,747,478	187,747,478
<b>Total</b>	<b>297,635,711</b>	<b>104,685,357</b>	<b>192,950,354</b>	<b>192,950,354</b>

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





### 371.6 Aging Analysis of Musharikah receivable

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

Past due	2016			Suspension recognized
	Carrying Amount	Amount on which no suspension recognized	Amount on which suspension recognized	
	-----Rupees-----			
0 days	112,938	112,938	-	-
1 day -179 days	1,257,673	1,086,965	170,708	170,708
180 days - 364 days	-	-	-	-
1 year - less than 2 year	-	-	1,466,026	1,466,026
2 year - less than 3 year	-	-	1,747,000	1,747,000
3 year or more	1,565,537	-	7,623,405	7,623,405
Total	2,936,148	1,199,903	11,007,139	11,007,139

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

**371.7 Aging Analysis of Musharikah investment**

Past due	2017			Suspension recognized
	Carrying Amount	Amount on which no provision recognized	Amount on which provision recognized	
	-----Rupees-----			
0 days	-	-	-	-
1 day - 179 days	1,290,796	1,290,796	-	-
180 days -364 days	12,041,103	12,041,103	-	-
1 year - less than 2 year	181,131,397	172,706,268	8,425,129	-
2 year - less than 3 year	509,309,444	495,009,255	19,500,000	5,199,813
3 year or more	185,301,489	185,301,489	3,509,713	3,509,713
<b>Total</b>	<b>889,074,229</b>	<b>866,348,911</b>	<b>31,434,842</b>	<b>8,709,526</b>

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

Past due	2016			Suspension recognized
	Carrying Amount	Amount on which no provision recognized	Amount on which provision recognized	
	-----Rupees-----			
0 days	16,755,136	16,755,136	-	-
1 day - 179 days	138,205,409	138,205,409	3,000,000	-
180 days -364 days	2,906,703	2,906,703	-	-
1 year - less than 2 year	8,461,021	8,461,021	-	-
2 year - less than 3 year	29,360,353	29,360,353	-	-
3 year or more	263,092,435	254,382,909	8,709,526	8,709,526
<b>Total</b>	<b>458,781,057</b>	<b>450,071,531</b>	<b>11,709,526</b>	<b>8,709,526</b>

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

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

Break down of credit risk exposure by class of business as at 30 June 2017 is as follows:



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

	2016				
	Assets	Morabaha	Musharikah	Total	% age
	Ijarah Rupees	investment Rupees	investment Rupees	Rupees	
Bank and NBFIs	882,744	-	29,498,992	30,381,736	3.11%
Textile Spinning and Composite	31,873,885	75,229,404	-	107,103,289	10.97%
Sugar and Allied	21,107,274	18,559,444	9,450,937	49,117,655	5.03%
Electric Goods	19,180,084	65,708,000	-	84,888,084	8.69%
Chemical and Pharmaceuticals	-	74,980,407	28,394,968	103,375,375	10.59%
Paper and Board	4,343,607	-	-	4,343,607	0.44%
Food and Allied	5,054,283	1,185,000	17,757,537	23,996,820	2.46%
Individuals	28,598,188	43,999,994	108,963,981	181,562,163	18.60%
Jute	-	-	-	-	0.00%
Oil and Gas	3,915,368	-	60,168,079	64,083,447	6.56%
Miscellaneous	50,596,952	-	44,338,177	99,935,129	10.24%
Aviation and transport	41,740,212	29,480,353	155,208,386	226,428,951	23.19%
Engineering, Steel & Construction	1,137,667	-	-	1,137,667	0.12%
Cement	-	-	-	-	0.00%
<b>Total</b>	<b>208,430,264</b>	<b>309,142,602</b>	<b>458,781,057</b>	<b>976,353,923</b>	<b>100%</b>

### 37.2 Liquidity risk

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

		2017				
	Carrying Amount	Contractual cash flows	6 months or less	6 to 12 months	1 year to 2 years	2 years to 5 years
----- Rupees -----						
<b>Financial liabilities</b>						
Redeemable capital	400,000,000	403,287,671	403,287,671	-	-	-
Security deposits against Ijarah	119,108,872	119,108,872	112,168,522	463,700	1,412,750	5,063,900
Margin against LG	-	-	-	-	-	-
Musharikah finance	1,101,205,546	1,247,625,455	33,973,850	33,419,929	67,393,779	1,112,837,896
Unclaimed profit	15,253,487	15,253,487	15,253,487	-	-	-
Trade and other payable	24,515,606	24,515,606	24,515,606	-	-	-
Profit payable	19,581,961	19,581,961	19,581,961	-	-	-
<b>Total</b>	<b>1,679,665,471</b>	<b>1,829,372,052</b>	<b>608,781,097</b>	<b>33,883,629</b>	<b>68,806,529</b>	<b>1,117,901,796</b>

		2016				
	Carrying Amount	Contractual cash flows	6 months or less	6 to 12 months	1 year to 2 years	2 years to 5 years
----- Rupees -----						
<b>Financial liabilities</b>						
Redeemable capital	100,000,000	101,086,301	101,086,301	-	-	-
Security deposits against Ijarah	140,505,966	140,505,966	129,235,666	3,151,400	4,612,250	3,506,650
Musharikah finance	955,925,494	1,085,813,507	31,322,929	30,812,229	62,135,157	961,543,193
Unclaimed profit	14,331,073	14,331,073	14,331,073	-	-	-
Trade and other payable	12,538,666	12,538,666	12,538,666	-	-	-
Profit payable	13,551,308	13,551,308	13,551,308	-	-	-
	1,236,852,507	1,367,826,821	302,065,943	33,963,629	66,747,407	965,049,843



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

## 37.3 Market risk

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

### 37.3.1 Profit rate risk

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

	2017	2016	2017	2016
	Effective interest rate		Carrying amount	
	(Percentage)		(Rupees)	
<b>Financial assets</b>				
Musharikah investment	8.55 - 18.27	9.30 - 20.00	889,074,229	458,781,057
Morabaha investment	15.00 - 25.87	10.75 - 22.99	276,995,811	309,142,602
Cash and bank balances	2.53 - 5.25	3.5 - 7.00	20,262,709	15,083,983
			<b>1,186,332,749</b>	<b>783,007,642</b>
<b>Financial liabilities</b>				
Redeemable Capital	6.5	6.5	400,000,000	100,000,000
Musharikah finances	6.5	6.5	1,101,205,546	955,925,494
			<b>1,501,205,546</b>	<b>1,055,925,494</b>

### Cash flow sensitivity analysis for variable rate instruments

A change of 100 basis points in profit rates at the reporting date would have increased / (decreased) profit for the year by the amounts shown below. This analysis assumes that all other variables remain constant. The analysis is performed on the basis for 2017.

	Profit and loss 100 bps	
	Increase	Decrease
<b>As at 30 June 2017</b>		
Cash flow sensitivity-Variable rate financial assets	1,208,865	(1,208,865)
Cash flow sensitivity-Variable rate financial liabilities	(1,951,567)	1,951,567
<b>Net effect</b>	<b>(742,702)</b>	<b>742,702</b>
	Profit and loss 100 bps	
	Increase	Decrease
<b>As at 30 June 2016</b>		
Cash flow sensitivity-Variable rate financial assets	1,032,028	(1,032,028)
Cash flow sensitivity-Variable rate financial liabilities	(1,372,703)	1,372,703
<b>Net effect</b>	<b>(340,675)</b>	<b>340,675</b>

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

### 37.3.2 Currency risk

As at 30 June 2017, there is no foreign exchange exposure on Modaraba's balance sheet.

### 37.4 Operational risk

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

- The Modaraba's objective is to manage operational risk so as to balance limiting of financial losses and damage to its reputation with achieving its objective of generating returns for certificate holders.
- The primary responsibility for the development and implementation of controls over operational risk rests with the Board of Directors of the management Company. This responsibility encompasses the controls in the following areas:
- requirements for appropriate segregation of duties between various functions, roles and responsibilities;



- requirements for the reconciliation and monitoring of transactions;
- compliance with regulatory and other legal requirements;
- documentation of controls and procedures;
- requirements for the periodic assessment of operational risks faced, and the adequacy of controls and procedures to address the risks identified;
- ethical and business standards;
- risk mitigation, including insurance where it is effective.

## 37.5 Fair value of financial instruments

The IFRS-13 defines fair value as the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date.

## 37.6 Capital risk management

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

## 38 Cash generated from operations

### Profit before taxation

Adjustment for non cash expenses and other items:

(Reversals) for morabaha investment  
 (Reversals) for musharikhah investment  
 (Reversals) impairment of Ijarah assets  
 Other provisions  
 Depreciation of ijarah assets  
 Depreciation on owned assets  
 Amortization on intangible assets  
 Profit on redeemable capital  
 Profit on musharikhah finances  
 Gain on disposal of ijarah assets  
 Gain on disposal of owned assets  
 Loss on disposal of owned assets

Operating profit before working capital changes

**2017**  
**Rupees**

**2016**  
**Rupees**

**12,940,799**

21,161,965

**(1,633,352)**

(505,150)

**(3,000,000)**

(2,000,000)

**(235,982)**

(22,636,979)

-

-

**42,444,032**

61,878,555

**662,392**

480,088

-

-

**16,938,201**

6,517,811

**63,032,276**

51,122,889

**(196,020)**

(1,549,042)

**(15,000)**

-

-

32,002

**130,937,346**

114,502,139

	2017 Rupees	2016 Rupees
<b>Working capital changes</b>		
<b>Decrease / (Increase) in operating assets</b>		
Morabaha arrangements	<b>28,398,874</b>	42,870,439
Purchase of assets under Ijarah arrangements	<b>(38,951,387)</b>	(54,457,564)
Property acquired through satisfaction of claim	-	(14,700,000)
Proceeds from disposal of assets under Ijarah arrangement	<b>26,275,787</b>	6,596,204
Lease rental receivables	<b>9,104,883</b>	(4,984,495)
Long term deposits	<b>(489,456)</b>	(110,944)
Advances, deposits, prepayments and other receivables	<b>(35,305,457)</b>	(4,962,795)
	<b>(10,966,756)</b>	(29,749,155)
Trade and other payables	<b>11,976,940</b>	1,500,153
Security deposit refunded against Ijarah arrangements	<b>(21,397,094)</b>	(2,704,275)
	<b>(9,420,154)</b>	(1,204,122)
<b>Net changes in operating assets and operating liabilities</b>	<b>(20,386,910)</b>	(30,953,277)
<b>Cash generated from operations</b>	<b>110,550,436</b>	83,548,862

### 39 Accounting estimates and judgments

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

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

The areas involving a higher degree of judgments or complexity or areas where assumptions and estimates are significant to the financial statements are as follows:

#### 39.1 Provision against non-performing loans and advances

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





## 39.2 Income taxes

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

## 40 Provident Fund

	2017 Rupees	2016 Rupees
Size of the fund	3,520,667	2,306,799
Percentage of investments made	99.89%	93.45%
Fair value of investments	3,516,781	2,155,643
Cost of investments made	3,516,781	2,155,643

40.1 Break-up of investments in terms of amount and percentage of the size of the provident fund are as follows:

	Investments 2017 Rupees	Investment as a % of size of the fund	Investments 2016 Rupees	Investment as a % of size of the fund
Cash at Bank	3,516,781	100%	2,155,643	93.45%

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

40.3 The above information is based on audited financial statements of the provident fund.

## 41 Corresponding figures

Corresponding figures have been rearranged and reclassified for better presentation wherever necessary.

<u>Reclassified from</u>	<u>Reclassified to</u>	<u>Amount (Rs.)</u>
Advances, deposits, prepayments and other	Ijarah rental receivable.	297,635,711
Advances, deposits, prepayments and other	Tax refundable due from government.	3,094,140
Provision - Long term musharikhah investment.	Current maturity on musharikhah investment.	8,709,526
Vehicle Running and maintenance	Salaries wages and other benefits	1,035,265

**42 Subsequent Events**

The Board at its meeting held on October 10, 2017 has approved cash dividend of Rs. 0.50 per certificate and transfer of Rs.5,576,975 to Statutory Reserves for the year ended 30 June 2017, out of the profit earned during the year.

**43 Date of authorization for issue**

The financial statements of Modaraba were approved by the Directors of Modaraba Management Company and authorized for issue on October 10, 2017.

**44 General**

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

Figures have been rounded off to the nearest rupees.

**Chief Executive**  
Punjab Modaraba Services  
( Private ) Limited

**Director**  
Punjab Modaraba Services  
( Private ) Limited

**Director**  
Punjab Modaraba Services  
( Private ) Limited



This page has been left Intentionally blank

Dear Certificate Holder,

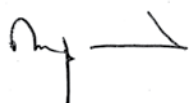
## **PAYMENT OF CASH DIVIDEND THROUGH ELECTRONIC TRANSFER DIRECTLY INTO THE BANK ACCOUNT DESIGNATED BY ENTITLED CERTIFICATE HOLDERS**

Pursuant to the provisions of Section 242 of the Companies Act, 2017, a listed company is required to pay any dividend payable in cash only through electronic mode directly into the bank account designated by the entitled certificate holders. You are requested to please fill the following information regarding International Bank Account Number (IBAN), sign at specified place and send the same through post at the address given below for receiving cash dividend through electronic mode:

Folio Number:	
Title of Account:	
IBAN/Account No:	
Bank Name:	
Branch Name:	
Branch Address & Code:	
CNIC Number:	
Contact Number:	
Email Address:	

\_\_\_\_\_  
Signature of Certificate Holder

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



Company Secretary





## **First Punjab Modaraba**

Managed By:

**Punjab Modaraba Services (Pvt) Ltd.**

(A wholly owned subsidiary of The Bank of Punjab)

Mega Tower, Office No 100, 4th Floor 63-B, Main Boulevard

Gulberg II, Lahore, Pakistan

PABX: (+92-42) 35777537

URL: [www.punjabmodaraba.com.pk](http://www.punjabmodaraba.com.pk)