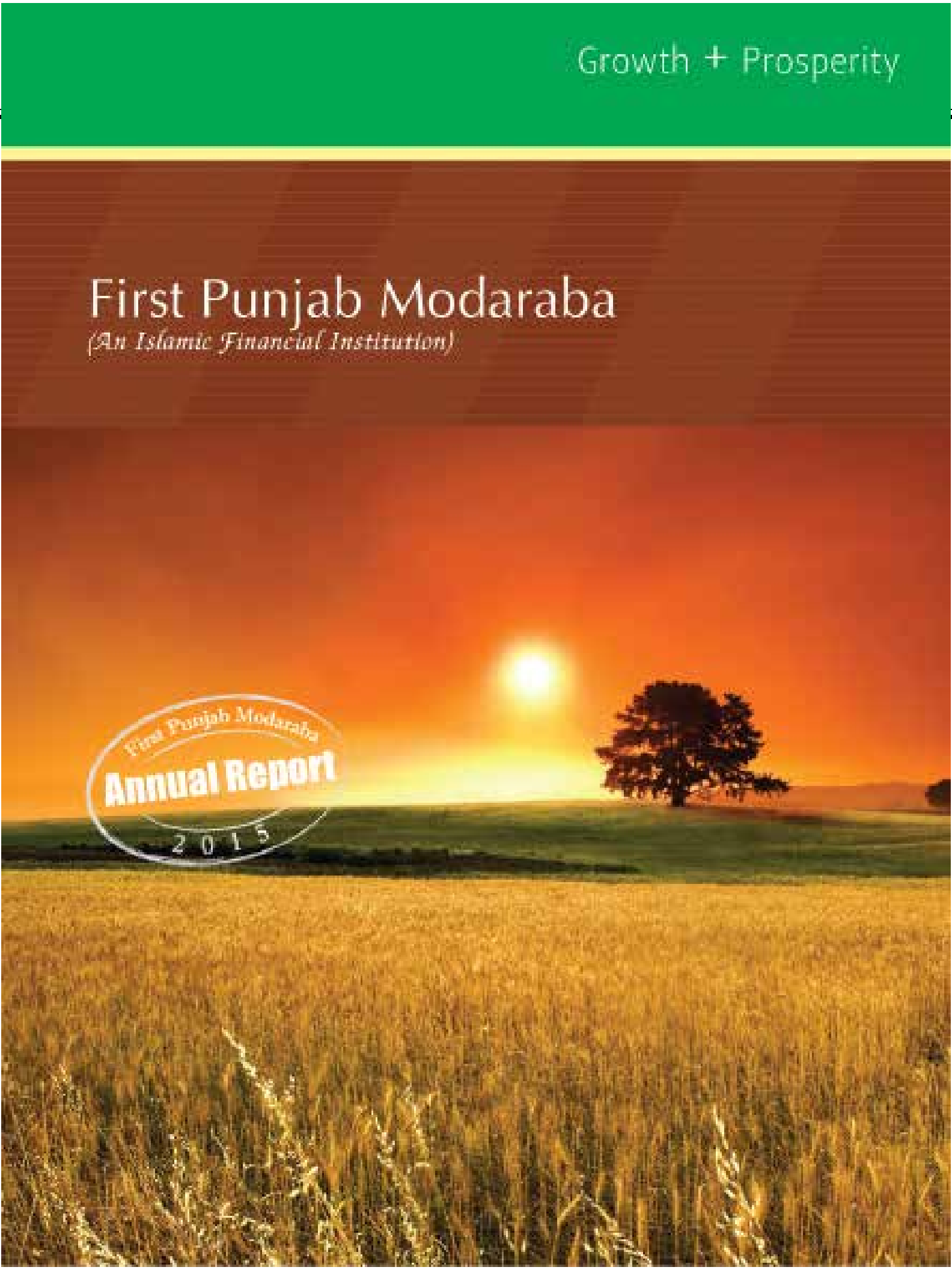


Growth + Prosperity

# First Punjab Modaraba

*(An Islamic Financial Institution)*





## Contents

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Corporate Profile	02
Our Vision and Our Mission	03
Financial Highlights	04
Informational Message	05
Six Years at a Glance	06
Directors' Report	07
Statement of Compliance With Best Practices of Corporate Governance	10
Review Report on Statement of Compliance of Corporate Governance	12
Notice of Book Closure & Annual Review Meeting	13
Pattern of Certificate Holders	14
Categories of Certificate Holders	15
Auditors' Report	17
Annual Shari'ah Advisor's Report	19
Balance Sheet	20
Profit and Loss Account	21
Cash Flow Statement	22
Statement of Comprehensive Income	23
Statement of Changes in Equity	24
Notes to the Financial Statements	25



# 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
Tariq Maqbool	Director
Mahboob-ul-Hassan	Director

## Chief Financial Officer & Company Secretary

Mudassar Kaiser Pal

## Audit Committee

Khawaja Farooq Saeed	Chairman
Nadeem Amir	Member
Mahboob-ul-Hassan	Member

## Human Resource Committee

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

## Auditors of the Modaraba

Ernst & Young Ford Rhodes Sidat Hyder  
Chartered Accountants

## Auditors of the Management Company

Hameed Chaudhry & Co.  
Chartered Accountants

## Bankers

The Bank of Punjab  
Bank Alfalah Limited

## Registrar

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

## Registered Office

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



First Punjab Modaraba

## Our Vision

Connect the Community to  
Islamic Mode of Financing.

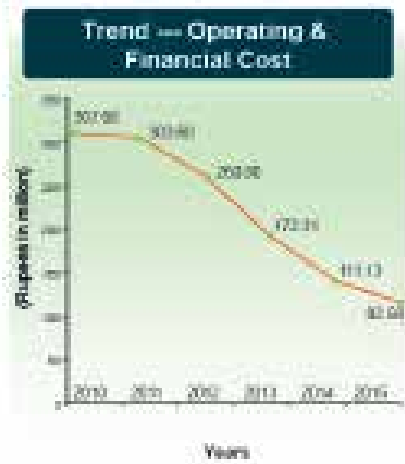
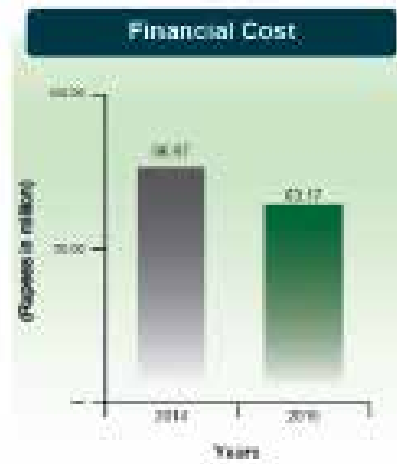
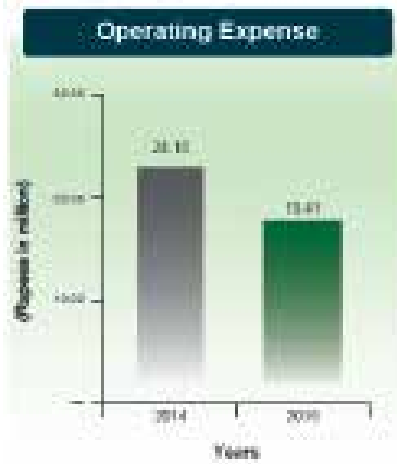
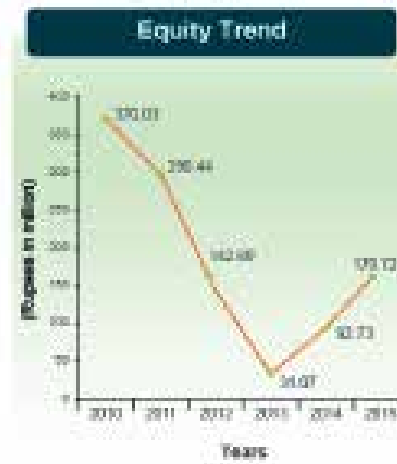
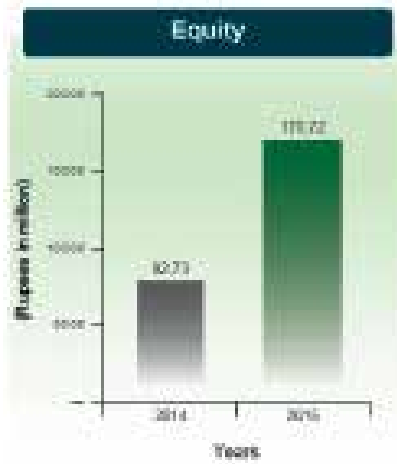
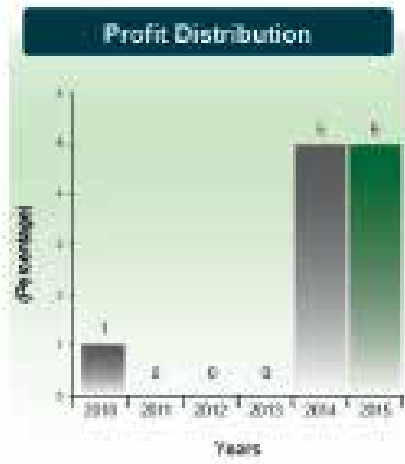
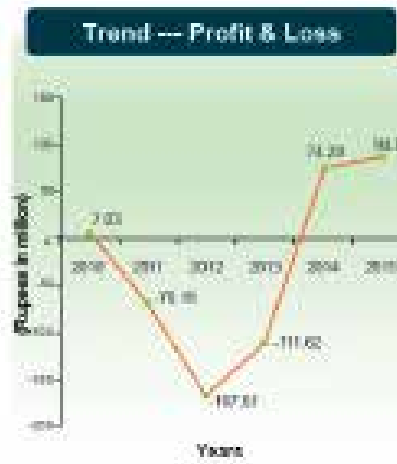
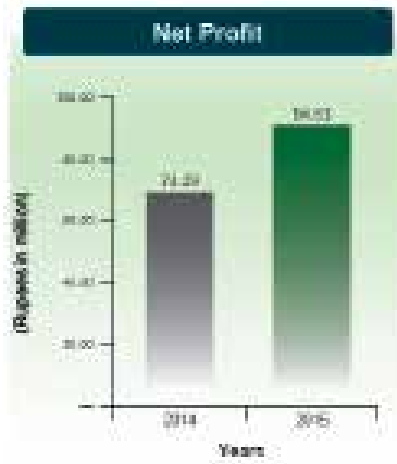


## Our Mission

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



## Financial Highlights



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-  Knowledge center
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-  Online Quizzes



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



# Six Years at a Glance

	(Amounts in '000)					
	June-10	June-11	June-12	June-13	June-14	June-15
<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	114,199	114,199	128,065	127,366	151,347	198,613
Loss on re-valuation of Investment	-	-	-	-	-	-
Un-appropriated Profit	(84,370)	(157,954)	(325,567)	(436,490)	(398,817)	(368,096)
<b>Total</b>	<b>370,030</b>	<b>296,446</b>	<b>142,698</b>	<b>31,076</b>	<b>92,730</b>	<b>170,717</b>
<b>Liabilities:</b>						
Redeemable Capital	693,688	1,046,762	429,715	301,000	100,000	100,000
Musharikhah Arrangements	885,036	878,487	1,041,532	971,664	896,954	734,133
Morabaha Arrangements	102,000	38,810	17,296	-	-	-
Diminishing Musharikhah	160,000	-	-	-	-	-
Accrued, Deferred & Other Liabilities	454,344	367,849	279,438	264,214	234,733	200,890
<b>Total</b>	<b>2,295,069</b>	<b>2,331,908</b>	<b>1,767,981</b>	<b>1,536,879</b>	<b>1,231,687</b>	<b>1,035,024</b>
<b>Total Equity &amp; Liabilities</b>	<b>2,665,098</b>	<b>2,628,354</b>	<b>1,910,680</b>	<b>1,567,955</b>	<b>1,324,417</b>	<b>1,205,741</b>
<b>Operating Assets:</b>						
Ijarah Assets	1,447,816	1,187,331	721,624	519,560	351,330	203,641
Deferred tax asset	-	-	-	-	25,373	38,175
Musharikhah Investment	45,175	91,328	78,305	89,689	131,704	127,510
Morabaha Investment	686,743	677,414	497,785	477,384	378,566	364,378
<b>Sub Total</b>	<b>2,179,734</b>	<b>1,956,072</b>	<b>1,297,714</b>	<b>1,086,633</b>	<b>886,973</b>	<b>733,704</b>
<b>Other Assets:</b>						
Assets in own use	54,532	57,156	67,610	53,051	10,584	9,914
Shares-Available for sale	-	-	-	9,351	9,353	9,816
Deposits, Prepayments & other receivables	388,585	432,715	486,846	328,401	353,343	340,397
Cash & Bank Balances	42,247	182,411	58,509	90,519	64,166	111,910
<b>Sub Total</b>	<b>485,364</b>	<b>672,281</b>	<b>612,965</b>	<b>481,322</b>	<b>437,444</b>	<b>472,037</b>
<b>Total Assets</b>	<b>2,665,098</b>	<b>2,628,354</b>	<b>1,910,680</b>	<b>1,567,955</b>	<b>1,324,417</b>	<b>1,205,741</b>
<b>PROFIT &amp; LOSS ACCOUNT</b>						
Operating Income	939,756	831,529	571,751	339,695	263,244	339,520
Other Income	50,510	22,203	45,603	7,558	34,291	13,685
<b>Total Income</b>	<b>990,266</b>	<b>853,732</b>	<b>617,354</b>	<b>347,252</b>	<b>297,535</b>	<b>353,205</b>
Operating Expenses	701,441	652,924	567,876	318,611	148,518	187,461
Financial Charges	281,013	270,990	217,091	139,612	86,972	63,171
Management Fee	781	-	-	-	3,102	4,103
<b>Total Expenses</b>	<b>983,235</b>	<b>923,914</b>	<b>784,967</b>	<b>458,223</b>	<b>238,592</b>	<b>254,735</b>
Profit before Taxation	7,031	(70,182)	(167,613)	(110,970)	58,943	98,470
Taxation	-	-	-	(651)	15,353	(3,938)
<b>Profit for the year</b>	<b>7,031</b>	<b>(70,182)</b>	<b>(167,613)</b>	<b>(111,621)</b>	<b>74,296</b>	<b>94,531</b>
<b>DISTRIBUTION:</b>						
Cash Dividend(%)	1.00	-	-	-	5	5
Bonus (%)	-	-	-	-	-	-
<b>RATIOS:</b>						
Breakup Value (Rs.)	10.88	8.71	4.19	0.91	2.73	5.02
Earning per Certificate (Rs.)	0.21	(2.06)	(4.93)	(3.28)	2.18	2.78
Return on Equity (%)	1.90	(23.67)	(117.46)	(359.19)	80.12	55.37



## 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 22nd Directors' Report of the Modaraba, together with audited financial statements and auditors' report for year ended June 30, 2015.

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

With the implementation of stabilization policies during the past two years, and ensuing marked improvement in macroeconomic indicators in this fiscal year, Pakistan's economy is set to embark on a higher growth trajectory. At the same time, the persistence of structural problems remains a risk to economic outlook. The recent positive developments and improving business sentiments have created much needed room for the policy makers to focus on a comprehensive growth strategy. Therefore, there is a need to capitalize on this opportunity by taking tough measures to promote sustainable economic growth.

For Modaraba, consistent and sustainable growth by booking of fresh assets and recovery of non-performing assets will remain key objectives along with improvement in its market perception, while the continued support of the parent bank will remain the hallmark in future as well.

The capacity building for procurement of fresh assets has already been done by hiring new Business and Marketing team which will be further strengthened as per future requirements. The business is gaining momentum and with support of efficient risk management function and stringent procedures, it is expected the Modaraba will be able to add quality assets to its portfolio.

To accomplish the other key objective of recovery, a proper remedial / follow up system has been adopted based on case to case approach. Depending upon the circumstances of each case, Management is prepared to make amicable settlement or take legal action including civil as well as criminal prosecution with the objective of making maximum recovery in minimum span of time.

### **Review of Operations**

By the grace of Almighty Allah, it is second consecutive profitable year which provided the much needed sustainability to the Modaraba. A net profit of Rs.94.531 million during the year resulted in recording earning per certificate of Rs.2.78 against earning per certificate of Rs.2.18 last year while the breakup value per certificate increased to Rs.5.02 from Rs.2.73 last year.

It is heartening to note that the Management was able to make considerable progress in recovery of non-performing assets by way of cash recovery of Rs.295.00 million during the year. The proceeds of recoveries were utilized to adjust outstanding borrowings and booking of fresh assets.. The lower level of borrowings helped achieve reduction in financial cost whereas the subsidized profit rate charged by The Bank of Punjab on its financing lines was another factor contributing towards total reduction of Rs.23.802 million in financial cost during the year. The administrative cost was also kept under control leading to decrease of 20% as compared to previous year.

The phenomenal performance during the year under review enabled the Modaraba to remove doubts on its ability to continue as a going concern resulting in withdrawal of emphasis of matter paragraph by the statutory auditors. The up gradation of credit rating by PACRA from BBB & A3 to BBB+ & A2 during the year is also the result of all the positive developments in the Modaraba.





## Financial Results

The financial results of the Modaraba are summarized below:

	2015 Rupees	2014 Rupees
Profit / (Loss) for the year	<b>94,531,424</b>	74,296,458
Un-appropriated Profit – Brought Forward	<b>(415,826,791)</b>	(436,489,928)
Other comprehensive income	<b>464,856</b>	524,908
	<hr/>	<hr/>
Profit available for appropriation	<b>94,531,424</b>	74,296,458
<b>Appropriations:</b>		
Transfer to statutory reserve	<b>47,265,712</b>	37,148,229
Final dividend @ 5.00% (2014: 5.00%)	<b>17,010,000</b>	17,010,000
Un-appropriated profit / (loss) – Carried Forward	<b>(385,106,223)</b>	(415,826,791)
	<hr/> <hr/>	<hr/> <hr/>
Earning per certificate - Rs.	<b>2.78</b>	2.18

## Profit Distribution and transfer to reserves

The Board at its meeting held on September 18, 2015 has approved cash dividend of Rs.0.50 per certificate and transfer of Rs. 47,265,712 to statutory reserve for the year ended June 30, 2015, out of the profit earned during the year.

## FPM Financial Strength Rating

The Pakistan Credit Rating Agency (Pvt.) Limited (PACRA) has upgraded long term rating from "BBB" to "BBB+" and short term rating from "A3" to "A2".

## Corporate and Financial Reporting Framework

- |  |  |
|--|--|
| <ul style="list-style-type: none"> <li>✓ The financial statements, prepared by the Management of the Modaraba, present fairly its state of affairs, the result of its operations, cash flows and changes in equity.</li> <li>✓ Proper books of account of the Modaraba have been maintained.</li> <li>✓ Appropriate accounting policies have been consistently applied in preparation of financial statements and accounting estimates are based on reasonable and prudent judgment.</li> <li>✓ International Financial Reporting Standards, as applicable in Pakistan, have been followed in the preparation of financial statements.</li> <li>✓ The system of internal control is sound in design and has been effectively implemented and monitored.</li> </ul> | <ul style="list-style-type: none"> <li>✓ There are no significant doubts upon the Modaraba's ability to continue as a going concern.</li> <li>✓ There has been no material departure from the best practices of corporate governance, as detailed in the listing regulations.</li> <li>✓ Key operating and financial data of the Modaraba for the last six years in summarized form is annexed.</li> <li>✓ There are no outstanding demands of statutory payments on account of taxes, duties, levies and charges as at 30 June 2015, except for those disclosed in financial statements.</li> <li>✓ The value of investments of the staff provident fund, based on audited accounts, was Rs.1,658,750/- as at 30 June, 2015.</li> <li>✓ During the year, five meetings of the Board of Directors were held. Attendance by each director was as follow:</li> </ul> |
|--|--|



Name of Directors	No. of Meetings Attended
Mr.Khalid Siddiq Tirmizey	3
Khawaja Farooq Saeed	4
Mr. Nadeem Amir	5
Mr. Tariq Maqbool	4
Mr. Mahboob-ul Hassan	5
Mr. Aamir Malik	5

- ✓ During the year, five meetings of the Audit Committee were held. Attendance by each member was as follow:

Name of Directors	No. of Meetings Attended
Khawaja Farooq Saeed	2
Mr. Nadeem Amir	5
Mr. Mahboob-ul-Hassan	5
Mr. Tariq Maqbool	2

- ✓ During the year Khawaja Farooq Saeed joined the Committee as Chairman while Mr. Tariq Maqbool resigned from the Committee.
- ✓ An amount of Rs.110,000/- was paid to one of the directors for attending meetings of the Board of Directors and Audit Committee.
- ✓ 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, 2015.

**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. Ernst & Young Ford Rhodes Sidat Hyder, 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, 2016, 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 Karachi, Lahore, and Islamabad stock exchanges in their listing regulations, relevant for year ended June 30, 2015 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 acknowledges the invaluable guidance and support of Registrar Modarabas and the Securities & Exchange Commission of Pakistan during the year and wishes to be its beneficiary in future as well.

**For and on behalf of the Board**

Aamir Malik  
**Chief Executive**

Lahore: September 18, 2015



# Statement of Compliance

## With the Best Practices of Corporate Governance to the Certificate Holders

This statement is being presented to comply with the Code of Corporate Governance (the Code) in accordance with the requirements of listing regulations of the Karachi, Lahore and Islamabad Stock Exchanges 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 applies principles contained in the Code in the following manner:

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

	Non	
	Executive	Executive Independent
Khalid Siddiq Tirmizey		✓
Khawaja Farooq Saeed		✓
Nadeem Amir		✓
Tariq Maqbool		✓
Mahboob-ul-Hassan		✓
Aamir Malik	✓	

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

2. The directors have confirmed that none of them is serving as a director in seven or more listed companies, including the management company.
3. All the directors of the management company are registered as tax payers and to the best of our knowledge none of them have defaulted in payment of any loan to a banking company, a DFI or an NBFIs or, being a member of a stock exchange has been declared as a defaulter by that stock exchange.
4. The casual vacancies occurring in the Board were filled up by the directors within the stipulated time.
5. A Statement of Ethics and Business Practices has been adopted by the Modaraba, which has been duly signed by all the directors of the Management

Company and employees of the Modaraba.

6. The Board has developed a vision/mission statement, overall corporate strategy and policies of the Modaraba. However, the Modaraba policies, procedures and systems are reviewed for updating/revision wherever required.
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 CFO/ Company Secretary and Head of Internal Audit 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.
9. The directors are fully aware of the relevant laws applicable to the Modaraba, its policies and procedures and provisions of the Memorandum and Articles of Association to manage the affairs of the Modaraba on behalf of the certificate holders. Modaraba did not conduct any orientation course during the year. However, Chairman of the Board is exempt from orientation course under prescribed criteria while one of the members of the Board is certified under directors Training Program conducted by the Institute of Chartered Accountants of Pakistan.
10. 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.
11. The Financial statements of the Modaraba were duly endorsed by the CEO and CFO before approval of the Board.



12. The CEO, directors and executives do not hold any interest in the certificates of the Modaraba other than those disclosed in the pattern of certificate holding.
13. The Modaraba has complied with all the corporate and financial reporting requirements of the Code.
14. The Board has formed an Audit Committee. It comprises three members, who are non-executive directors of the Management Company and the chairman of the committee is an independent director.
15. 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.
16. The Board has employed adequate personnel for internal audit function to ensure the establishment and maintenance of sound and effective internal controls, compliance and review policies and procedures.
17. The Board has formed a Human Resource & Remuneration Committee. It comprises three members with majority of non-executive directors of the Management Company including the Chairman of the Committee.
18. 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.
19. 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.
20. All material information, as described in clause(xx) of the code is disseminated to the stock exchanges and Securities and Exchange Commission of Pakistan in a timely fashion.
21. The Modaraba has complied with requirements as stipulated in the clause (x) relating to related party transactions.
22. We confirm that all other material principles contained in the Code have been complied with except that there is no mechanism in place for the evaluation of Board of Directors .

**For and on behalf of the Board**

Aamir Malik  
**Chief Executive**

Lahore: September 18, 2015



# 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 30 June 2015 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 Listing Regulation No. 35 of the Karachi Stock Exchange Limited and Lahore Stock Exchange Limited, where the Modaraba is listed.

The responsibility for compliance with the Code is that of the Board of the 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.

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

Based on our review nothing has come to our attention, which causes us to believe that the Statement does not appropriately reflect the status of the Management Company's compliance, in all material respects, with the best practices contained in the Code in respect of the Modaraba for the year ended **30 June 2015**.

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:

Paragraph Reference	Description
9	The Modaraba did not carry out orientation courses for their directors to acquaint them with this Code, applicable laws, their duties and responsibilities to enable them to effectively manage the affairs of the Company .
22	There is no mechanism for annual evaluation of the Board's performance as per requirements of the Code of Corporate Governance .



# Notice of Book Closure & Annual Review Meeting

The Certificate Holders are hereby notified that the Certificate Transfer Books shall remain closed from 20-10-2015 to 26-10-2015 (both days inclusive), for the purpose of entitlement of Cash Dividend and attending Annual Review Meeting. All transfers received in order upto the close of business hours on October 19, 2015 with our Registrars' office, M/s. Hameed Majeed Associates (Pvt.) Ltd., H.M House, 7-Bank Square, The Mall, Lahore, will be considered in time.

The Annual Review Meeting of the Certificate holders will be held at 3.00 pm on Monday, October 26, 2015 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, 2015 in terms of Prudential Regulation No.11, Part IV for Modarabas.

The annual audited financial statements of the Modaraba for year ended June 30, 2015 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**

## Request To Certificate Holders

In order to comply with the directives of SECP vide their SRO 831(1) 2012 dated July 5, 2012, the Registrar Office will withhold the dispatch of Dividend Warrant under section 251(2)(a) of the Companies Ordinance, 1984 of those Certificate Holders who fail to submit the copy of CNIC before the close of Certificate transfer books for entitlement of dividend for the year ended June 30, 2015 announced by the Board of Directors at their meeting held on September 18, 2015.

Therefore, all those physical Modaraba Certificate Holders who have not yet submitted their CNIC copies are hereby requested to immediately send valid copy of CNIC at below mentioned address of Shares Registrar.

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



# Pattern of Certificate Holders

as at June 30, 2015

Number of Certificate holders	Certificate Holding		Total No. of Certificate Held	Percentage of Total Capital
	From	To		
921	1 -	100	41,783	0.1228
1443	101 -	500	402,179	1.1822
1120	501 -	1000	917,391	2.6966
669	1001 -	5000	1,549,050	4.5534
133	5001 -	10000	1,007,470	2.9614
38	10001 -	15000	472,695	1.3895
34	15001 -	20000	628,830	1.8484
21	20001 -	25000	474,296	1.3942
11	25001 -	30000	308,053	0.9055
7	30001 -	35000	225,418	0.6626
5	35001 -	40000	183,068	0.5381
2	40001 -	45000	90,000	0.2646
10	45001 -	50000	497,628	1.4628
2	50001 -	55000	104,000	0.3057
4	55001 -	60000	233,422	0.6861
4	65001 -	70000	273,550	0.8041
2	70001 -	75000	147,020	0.4322
3	75001 -	80000	235,500	0.6922
1	80001 -	85000	85,000	0.2499
1	85001 -	90000	87,500	0.2572
1	90001 -	95000	95,000	0.2792
8	95001 -	100000	797,500	2.3442
1	105001 -	110000	106,786	0.3139
1	110001 -	115000	115,000	0.3380
2	115001 -	120000	234,423	0.6891
1	125001 -	130000	130,000	0.3821
1	130001 -	135000	135,000	0.3968
1	135001 -	140000	140,000	0.4115
2	145001 -	150000	296,000	0.8701
1	150001 -	155000	151,000	0.4439
2	175001 -	180000	358,000	1.0523
1	185001 -	190000	188,000	0.5526
3	195001 -	200000	597,644	1.7567
1	220001 -	225000	225,000	0.6614
3	295001 -	300000	900,000	2.6455
1	300001 -	305000	302,000	0.8877
1	320001 -	325000	325,000	0.9553
1	365001 -	370000	367,500	1.0802
1	570001 -	575000	572,500	1.6828
1	600001 -	605000	603,500	1.7740
1	640001 -	645000	642,223	1.8878
1	710001 -	715000	710,100	2.0873
1	1265001 -	1270000	1,265,777	3.7207
1	3475001 -	3480000	3,477,500	10.2219
1	13320001 -	13325000	13,320,694	39.1555
<b>4,470</b>			<b>34,020,000</b>	<b>100.00</b>



# Categories of Certificate Holders

as at June 30, 2015

Categories of Certificate Holders	Categories Wise No. of Certificate Holders	Certificates Held	Percentage
<b>INDIVIDUALS</b>	<b>4,399</b>	<b>14,423,770</b>	<b>42.3978</b>
<b>ASSOCIATED COMPANIES, UNDERTAKING AND RELATED PARTIES</b>	<b>2</b>		
PUNJAB MODARABA SERVICES (PVT) LTD.		13,320,694	39.1555
THE BANK OF PUNJAB		4,788	0.0141
		<b>13,325,482</b>	<b>39.1696</b>
<b>MUTUAL FUNDS</b>	<b>2</b>		
SECURITY STOCK FUND LTD.		3,100	0.0091
PRUDENTIAL STOCKS FUND LIMITED		100	0.0003
		<b>3,200</b>	<b>0.0094</b>
<b>JOINT STOCK COMPANIES</b>	<b>1</b>	<b>400</b>	<b>0.0012</b>
<b>BANKS, DEVELOPMENT FINANCIAL INSTITUTIONS, NON BANKING FINANCIAL INSTITUTIONS, INSURANCE COMPANIES, TAKAFUL, MODARABAS AND PENSION FUNDS.</b>	<b>19</b>	<b>1,500,587</b>	<b>4.4109</b>
<b>OTHERS</b>	<b>47</b>	<b>4,766,561</b>	<b>14.0111</b>
<b>GRAND TOTAL</b>	<b>4,470</b>	<b>34,020,000</b>	<b>100.0000</b>





# **Financial Statements**

as at June 30, 2015





## Auditor's Report to the Certificate Holders

We have audited the annexed balance sheet of First Punjab Modaraba (the Modaraba) as at 30 June 2015 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 who is also responsible to establish and maintain a system of internal control, and prepare and present the above said statements in conformity with the approved accounting standards as applicable in Pakistan and the requirements of the Modaraba Companies and Modaraba (Floatation and Control) Ordinance, 1980 (XXXI of 1980), and the Modaraba Companies and Modaraba Rules, 1981. Our responsibility is to express an opinion on these statements based on our audit.

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

- (a) in our opinion, proper books of accounts have been kept by the modaraba company in respect of First Punjab Modaraba as required by the Modaraba Companies and Modaraba (Floatation and Control) Ordinance, 1980 (XXXI of 1980), and the Modaraba Companies and Modaraba Rules, 1981;
- (b) In our opinion:
  - (i) the balance sheet and profit and loss account together with the notes thereon have been drawn up in conformity with the Modaraba Companies and Modaraba (Floatation and Control) Ordinance, 1980 (XXXI of 1980) and the Modaraba Companies and Modaraba Rules, 1981, and are in agreement with the books of accounts and are further in agreement with accounting policies consistently applied, except for the changes as stated in note 3.1, with which we concur;
  - (ii) the expenditure incurred during the year was for the purpose of the Modaraba's business; and
  - (iii) the business conducted, investments made and the expenditure incurred during the year were in accordance with the objects, terms and conditions of the Modaraba;
- (c) in our opinion and to the best of our information and according to the explanations given to us, the balance sheet, profit and loss account, statement of comprehensive income, cash flow statement and statement of changes in equity together with the notes forming part thereof conform with approved accounting standards as applicable in Pakistan, and, give the information required by the Modaraba Companies and Modaraba (Floatation and Control) Ordinance, 1980 (XXXI of 1980), and the Modaraba Companies and Modaraba Rules, 1981, in the manner so



required and respectively give a true and fair view of the state of the Modaraba's affairs as at 30 June 2015 and of the profit, its comprehensive income, cash flows and changes in equity for the year then ended; and

- (d) in our opinion, Zakat deductible at source under the Zakat and Ushr Ordinance, 1980 (XVIII of 1980), was deducted by the Modaraba and deposited in the Central Zakat Fund established under section 7 of that Ordinance.

Lahore:  
September 18, 2015

**Ernst & Young Ford Rhodes Sidat Hyder**  
Chartered Accountants  
Audit Engagement Partner: Farooq Hameed



## 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, 2015 in accordance with the requirements of the Shari'ah Compliance and Shari'ah Audit Mechanism for Modarabas and report that in my opinion

- i. the Modaraba has introduced a mechanism which has strengthened the Shari'ah compliance in letter and spirit and the systems, procedures and polices adopted by the Modaraba are in line with the Shari'ah principles;
- ii. the agreements(s) entered into by the Modaraba are Shari'ah compliant and the financing agreements(s) have been executed on the formats as approved by the Religious Board and all the related conditions have been met;
- iii. on the basis of documents and explanations given by management, the business transactions undertaken by the Modaraba and all other matters incidental thereto are in conformity with the Shari'ah requirements as well as the requirements of the Prospectus, Islamic Financial Accounting Standards as applicable in Pakistan and the Shari'ah Compliance and Shari'ah Audit Regulations for Modarabas;
- iv. the Modaraba management has arranged certification in Islamic mode of finance for new hires and existing employees to acquaint and update them with Shari'ah guidelines and principles that will cover all major areas of Islamic mode of finance;
- v. the earnings on account of means prohibited by Shari'ah have been donated to the approved charitable organizations.



**Mufti Muhammad Itikhar Baig**  
**Shari'ah Advisor**  
**First Punjab Modaraba**  
**1st Floor, BOP Tower, 10-B, Block-E**  
**Gulberg III, Lahore**

August 20, 2015

# Balance Sheet

As at 30 June 2015

	Note	2015 Rupees	2014 Rupees
<b>ASSETS</b>			
<b>Non current assets</b>			
Tangible fixed assets			
- Ijarah assets	5	203,640,995	351,329,549
- Assets in own use	5	914,226	1,324,919
Intangible assets	6	9,000,000	9,258,858
Shares available for sale	7	9,816,099	9,351,243
Long term musharikhah investment - secured	8	42,253,252	61,425,668
Long term morabaha investment - secured	9	79,972,445	-
Long term deposits	10	392,500	192,500
Deferred tax	11	38,175,509	25,373,531
		<b>384,165,026</b>	458,256,268
<b>Current assets</b>			
Short term morabaha investment - secured	12	248,946,260	378,565,903
Current maturity of long term investments	13	120,715,765	70,278,925
Advances, deposits, prepayments and other receivables	14	337,185,138	352,709,165
Tax refundable		2,818,437	440,426
Cash and bank balances	15	111,910,154	64,165,836
		<b>821,575,754</b>	866,160,255
<b>TOTAL ASSETS</b>		<b>1,205,740,780</b>	1,324,416,523
<b>EQUITY AND LIABILITIES</b>			
<b>Capital and reserves</b>			
Certificate capital	16	340,200,000	340,200,000
Reserves	17	(169,483,114)	(247,469,394)
		<b>170,716,886</b>	92,730,606
<b>Non current liabilities</b>			
Security deposits	18	91,812,411	112,132,073
Long term musharikhah finance secured	19	734,133,213	896,953,577
		<b>825,945,624</b>	1,009,085,650
<b>Current liabilities</b>			
Current maturity of non current liabilities	20	51,397,830	60,410,480
Deferred morabaha income		20,432,857	4,344,028
Redeemable capital - participatory and unsecured	21	100,000,000	100,000,000
Profit payable	22	12,864,844	17,674,685
Trade and other payables	23	11,038,513	18,027,543
Unclaimed profit		13,344,226	12,123,172
Provision for taxation		-	10,020,359
		<b>209,078,270</b>	222,600,267
<b>Contingencies and commitments</b>	24		
<b>TOTAL EQUITY AND LIABILITIES</b>		<b>1,205,740,780</b>	1,324,416,523

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



# Profit and Loss Account

For the Year Ended 30 June 2015

	Note	2015 Rupees	2014 Rupees
<b>Income</b>			
Ijarah rentals	25.1	<b>160,837,235</b>	222,445,532
Profit on morabaha investment	25.2	<b>14,850,240</b>	24,910,933
Profit on musharikhah investment	25.3	<b>7,281,095</b>	15,886,672
Gain on disposal of fixed assets	25.4	<b>156,551,479</b>	22,791,444
Other income	26	<b>13,685,201</b>	11,500,393
		<b>353,205,250</b>	297,534,974
<b>Expenses</b>			
Operating expenses	27	<b>19,413,908</b>	24,164,263
Depreciation on Ijarah assets	5.1	<b>144,776,065</b>	180,287,991
Finance cost	28	<b>63,170,576</b>	86,972,010
		<b>227,360,549</b>	291,424,264
<b>Operating profit before provision and impairment</b>		<b>125,844,701</b>	6,110,710
Reversal of provision for morabaha investment	12.3	<b>(917,762)</b>	(85,886,950)
Impairment loss on Ijarah assets	5.1	<b>16,780,341</b>	14,234,934
Impairment loss on intangibles	6	-	26,648,757
(Reversal) / Impairment loss on musharikhah investment	8.2	<b>7,599,907</b>	(11,124,610)
(Reversal) / Other provisions	14.4	<b>(189,881)</b>	193,015
		<b>23,272,605</b>	(55,934,854)
<b>Operating profit after provision and impairment</b>		<b>102,572,096</b>	62,045,564
Modaraba Company's management fee	29	<b>(4,102,884)</b>	(3,102,278)
		<b>98,469,212</b>	58,943,286
<b>Taxation</b>	30	<b>(3,937,788)</b>	15,353,172
<b>Profit for the year</b>		<b>94,531,424</b>	74,296,458
<b>Earnings per certificate - basic and diluted</b>	31	<b>2.78</b>	2.18

The annexed notes from 1 to 40 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 2015

	Note	2015 Rupees	2014 Rupees
<b>Cash flow from operating activities</b>			
Cash generated from operations	35	<b>362,673,512</b>	355,550,986
Profit on redeemable capital paid		<b>(7,398,918)</b>	(19,442,065)
Profit paid on morabaha / musharikhah finances		<b>(60,581,499)</b>	(74,438,042)
Income tax paid		<b>(29,138,136)</b>	(87,488)
<b>Net cash generated from operating activities</b>		<b>265,554,959</b>	261,583,391
<b>Cash flow from investing activities</b>			
Proceeds from disposal of fixed assets		-	18,953,905
Fixed capital expenditure		<b>(337,000)</b>	(288,540)
Investment in musharikhah - net		<b>(38,864,331)</b>	(30,891,034)
Net cash used in investing activities		<b>(39,201,331)</b>	(12,225,669)
<b>Cash flow from financing activities</b>			
Finances under musharikhah arrangements		<b>(162,820,364)</b>	(74,710,859)
Redeemable capital		-	(201,000,000)
Profit distribution to certificate holders		<b>(15,788,946)</b>	(258)
<b>Net cash used in financing activities</b>		<b>(178,609,310)</b>	(275,711,117)
<b>Net increase / (decrease) in cash and cash equivalents</b>		<b>47,744,318</b>	(26,353,395)
<b>Cash and cash equivalents at the beginning of the year</b>		<b>64,165,836</b>	90,519,231
<b>Cash and cash equivalents at the end of the year</b>	15	<b>111,910,154</b>	64,165,836

The annexed notes from 1 to 40 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 2015

	2015 Rupees	2014 Rupees
<b>Profit for the year</b>	<b>94,531,424</b>	74,296,458
<b>Other comprehensive income for the year</b>		
Transferred from surplus on account of incremental depreciation	-	524,908
Gain on revaluation of available for sale investment	<b>464,856</b>	-
<b>Total comprehensive Income for the year</b>	<b>94,996,280</b>	74,821,366

The annexed notes from 1 to 40 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 2015

	<b>Certificate Capital Rupees</b>	<b>Capital Reserves Rupees</b>	<b>Accumulated Loss Rupees</b>	<b>Total Rupees</b>
<b>Balance as at 1 July 2013</b>	340,200,000	127,366,169	(436,489,928)	31,076,241
Profit for the year	-	-	74,296,458	74,296,458
Other comprehensive income	-	(524,908)	524,908	-
Total comprehensive income for the year	-	(524,908)	74,821,366	74,296,458
Statutory reserve	-	37,148,229	(37,148,229)	-
Revaluation surplus reversed	-	(12,642,093)	-	(12,642,093)
<b>Balance as at 30 June 2014</b>	<b>340,200,000</b>	<b>151,347,397</b>	<b>(398,816,791)</b>	<b>92,730,606</b>
Profit for the year	-	-	94,531,424	94,531,424
Other comprehensive income	-	-	464,856	464,856
Total comprehensive income for the year	-	-	94,996,280	94,996,280
Statutory reserve	-	47,265,712	(47,265,712)	-
Final dividend for the year ended 30 June 2014 @ Rs. 0.5 per certificate	-	-	(17,010,000)	(17,010,000)
<b>Balance as at 30 June 2015</b>	<b>340,200,000</b>	<b>198,613,109</b>	<b>(368,096,223)</b>	<b>170,716,886</b>

The annexed notes from 1 to 40 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, 2015

## 1. Status and Nature of Business

First Punjab Modaraba (the Modaraba) was formed under the Modaraba Companies and Modaraba (Flotation and Control) Ordinance, 1980 and rules framed there under and is managed by Punjab Modaraba Services (Private) Limited (wholly owned subsidiary of The Bank of Punjab), a company incorporated in Pakistan. The registered office of the Modaraba is situated at 1st Floor, BOP Tower, 10-B, Block-E-II, Gulberg III, Lahore. The Modaraba commenced its operations from 23 December 1992. The Modaraba is listed on all stock exchanges in Pakistan.

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

## 2. Basis of Preparations

### 2.1 Statement of compliance

These 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 and Islamic Financial Accounting Standards (IFAS) issued by the Institute of Chartered Accountants of Pakistan 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 has issued directive (vide SRO 431 (1) / 2007 dated 22 May 2007) that Islamic Financial Accounting Standard 2 (IFAS-2) shall be followed in preparation of the financial statements by Companies and Modarabas while accounting for Ijarah (Lease) transactions as defined by the said standard. The Modaraba has adapted the said standard.

### 2.2 Basis of measurement

These financial statements have been prepared under the historical cost convention except for the office premises which are 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. Initial application of new standards, interpretations or amendments to existing standards and forthcoming requirements

### 3.1 Standards, interpretations and amendments to published approved accounting standards effective in 2015

The accounting policies adopted in the preparation of these financial statements are consistent with those of the previous financial year except as described below:

### **New / Revised Standards, Interpretations and Amendments**

The Modaraba has adopted the following revised standards, amendments and interpretation of IFRSs which became effective for the current year:

IAS 19 - Employee Benefits – (Amendment)

- Defined Benefit Plans: Employee Contributions

IAS 32 - Financial Instruments: Presentation – (Amendments)

- Offsetting Financial Assets and Financial Liabilities.

IAS 36 - Impairment of Assets – (Amendment)

- Recoverable Amount Disclosures for Non-Financial Assets.

IAS 39 - Financial Instruments: Recognition and Measurement – (Amendment)

- Novation of Derivatives and Continuation of Hedge Accounting.

IFRIC 21 - Levies.

### **Improvements to Accounting Standards Issued by the IASB**

IFRS 2 - Share based Payment - Definitions of vesting conditions

IFRS 3 - Business Combinations - Accounting for contingent consideration in a business combination

IFRS 3 - Business Combinations - Scope exceptions for joint ventures

IFRS 8 - Operating Segments - Aggregation of operating segments.

IFRS 8 - Operating Segments - Reconciliation of the total of the reportable segments' assets to the entity's assets

IFRS 13 - Fair Value Measurement - Scope of paragraph 52 (portfolio exception)

IAS 16 - Property, Plant and Equipment- Revaluation method - proportionate restatement of accumulated depreciation.

IAS 38 - Intangible Assets - Revaluation method - proportionate restatement of accumulated amortization

IAS 24 - Related Party Disclosures - Key management personnel

IAS 40 - Investment Property- Interrelationship between IFRS 3 and IAS 40 (ancillary services)

The adoption of the above amendments, revisions, improvements to accounting standards and interpretations did not have any effect on the financial statements.

### **3.2 New / revised accounting standards, amendments to published accounting standards, and interpretations that are not yet effective**

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



<b>Standard or Interpretation</b>	<b>Effective date (annual periods Beginning on or after)</b>
IFRS 10 - Consolidated Financial Statements	01 January 2015
IFRS 10 - Consolidated Financial Statements, IFRS 12 Disclosure of Interests in Other Entities and IAS 27 Separate Financial Statements – Investment Entities (Amendment)	01 January 2016
IFRS 10 - Consolidated Financial Statements, IFRS 12 Disclosure of Interests in Other Entities and IAS 27 Separate Financial Statements – Investment Entities: Applying the Consolidation Exception (Amendment)	
IFRS 10 - Consolidated Financial Statements and IAS 28 Investment in Associates and Joint Ventures - Sale or Contribution of Assets between an Investor and its Associate or Joint Venture (Amendment)	01 January 2016 01 January 2016
IFRS 11 - Joint Arrangements	01 January 2015
IFRS 11 - Joint Arrangements Accounting for Acquisition of Interest in Joint Operation (Amendment)	01 January 2016
IFRS 12 - Disclosure of Interests in Other Entities	01 January 2015
IFRS 13 - Fair Value Measurement	01 January 2015
IAS 1 - Presentation of Financial Statements - Disclosure Initiative (Amendment)	01 January 2016
IAS 16 - Property, Plant and Equipment - Clarification of Acceptable Method of Depreciation (Amendment)	01 January 2016
IAS 38 - Intangible assets - Clarification of Acceptable Method of Amortization (Amendment)	01 January 2016
IAS 41 - Agriculture - Bearer Plants (Amendment)	01 January 2016
IAS 27 - Separate Financial Statements - Equity Method in Separate Financial Statements (Amendment)	01 January 2016

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

In addition to the above standards and interpretations, amendments to various accounting standards have also been issued by the IASB. Such improvements are generally effective for accounting periods beginning on or after 01 July 2016. The Company expects that such improvements to the standards will not have any impact on the Company's financial statements in the period of initial application.

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

<b>Standard or Interpretation</b>	<b>IASB Effective date (annual periods Beginning on or after)</b>
IFRS 9 - Financial Instruments: Classification and Measurement	01 January 2018
IFRS 14 - Regulatory Deferral Accounts	01 January 2016
IFRS 15 - Revenue from Contracts with Customers	01 January 2017

#### **4. SIGNIFICANT ACCOUNTING POLICIES**

##### **4.1 Tangible fixed assets**

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

Fixed assets except freehold land and office premises are stated at cost less accumulated depreciation and any identified impairment loss. Freehold land is stated at cost less any identified impairment loss. Office premises is stated at revalued amount, being its fair value at the date of the revaluation less any subsequent accumulated depreciation and subsequent accumulated impairment losses.

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

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.

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**

Assets leased out under Ijarah are stated at cost less accumulated depreciation and accumulated impairment losses, if any. Assets under Ijarah are depreciated over the period of lease term. 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**

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 Cards and rooms**

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.

## **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 lease arrangements, trade and other payables and dividends payable. Profit 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 ljarah 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 lease income pertaining to non-performing leases is held in suspense account, where necessary, in accordance with the requirements of the Prudential Regulations.

### **Morabaha transaction**

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

### **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.

### **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.

## 4.10 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 incurred.

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 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.

##### **Deferred**

The Modaraba accounts for deferred taxation using the liability method arising between the amounts attributed to assets and liabilities for financial reporting purposes and financial statements used for taxation purposes. However, deferred tax liability has not been provided in these financial statements as the management believes that the timing differences will not reverse in the foreseeable future due to the fact that the Modaraba intends to continue availing the tax exemption.

#### **4.15 Morabaha Investments**

Morabaha investments are stated net of provision. Provision is recognized for Morabaha Investments in accordance with the Prudential Regulations for Modarabas 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

### 5.1 Ijarah assets

Description	2015										NET BOOK VALUE			
	COST			DEPRECIATION			IMPAIRMENT			NET BOOK VALUE				
	As at 1 July 2014	Additions	Transfer	As at 30 June 2015	As at 1 July 2014	Charge for the year	Transfer	As at 30 June 2015	As at 1 July 2014	Charge for the year	Transfer Note 14.3.1	As at 30 June 2015	As at 30 June 2015	Depreciation Rate - %
Plant and machinery	1,437,084,966	805,000	(395,503,855)	1,042,386,111	1,134,381,205	109,805,497	(370,423,251)	873,763,451	50,963,840	13,495,341	(14,815,153)	49,644,028	118,978,632	As per term
Vehicle	220,129,146	31,747,000	(73,229,000)	178,647,146	120,110,498	34,970,568	(62,200,680)	92,880,386	1,104,397	3,285,000	(3,285,000)	1,104,397	84,662,363	As per term
Cessna aircraft	13,552,604	-	-	13,552,604	13,552,604	-	-	13,552,604	-	-	-	-	-	As per term
Consumer products	6,333,861	-	(6,333,861)	-	5,658,484	-	(5,658,484)	-	-	-	-	-	-	As per term
	<b>1,677,100,577</b>	<b>32,552,000</b>	<b>(475,066,716)</b>	<b>1,234,585,861</b>	<b>1,273,702,791</b>	<b>144,776,065</b>	<b>(438,282,415)</b>	<b>980,196,441</b>	<b>52,068,237</b>	<b>16,780,341</b>	<b>(18,100,153)</b>	<b>50,748,425</b>	<b>203,640,995</b>	

Description	2014										NET BOOK VALUE			
	COST			DEPRECIATION			IMPAIRMENT			NET BOOK VALUE				
	As at 1 July 2013	Additions	Transfer	As at 30 June 2014	As at 1 July 2013	Charge for the year	Transfer	As at 30 June 2014	As at 1 July 2013	Charge for the year	Transfer Note 14.3.1	As at 30 June 2014	As at 30 June 2014	Depreciation Rate - %
Plant and machinery	1,571,662,695	10,094,500	(144,672,229)	1,437,084,966	1,106,821,048	145,140,837	(117,580,680)	1,134,381,205	44,335,990	12,844,903	(6,217,053)	50,963,840	251,739,921	As per term
Vehicle	251,532,446	42,002,500	(73,405,800)	220,129,146	151,747,888	35,083,374	(66,720,764)	120,110,498	1,469,779	1,390,031	(1,755,413)	1,104,397	98,914,251	As per term
Cessna aircraft	13,552,604	-	-	13,552,604	13,552,604	-	-	13,552,604	-	-	-	-	-	As per term
Consumer products	6,333,861	-	-	6,333,861	5,594,704	63,780	-	5,658,484	-	-	-	-	675,377	As per term
	<b>1,843,081,606</b>	<b>52,097,000</b>	<b>(218,078,029)</b>	<b>1,677,100,577</b>	<b>1,277,716,244</b>	<b>180,287,991</b>	<b>(184,301,444)</b>	<b>1,273,702,791</b>	<b>45,805,769</b>	<b>14,234,934</b>	<b>(7,972,466)</b>	<b>52,068,237</b>	<b>351,329,549</b>	

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	2015										2014										
	COST					DEPRECIATION					COST					DEPRECIATION					
	As at 1 July 2014	Additions	Disposal / Adjustment	As at 30 June 2015	As at 1 July 2014	Charge for the year	Disposal / Adjustment	As at 30 June 2015	As at 30 June 2015	Depreciation Rate - %	As at 1 July 2013	Additions	Disposal / Adjustment	As at 30 June 2014	As at 1 July 2013	Charge for the year	Disposal / Adjustment	As at 30 June 2014	As at 30 June 2014	Depreciation Rate - %	
Office equipment	2,836,173	267,100	-	3,103,273	2,419,582	310,976	-	2,730,558	372,715	15% & 30%	7,061,453	20,384,114	(20,384,114)	-	7,061,453	561,364	(7,622,817)	-	-	10%	
Furniture and fixtures	869,542	-	-	869,542	456,501	118,486	-	574,987	294,555	15%	2,292,577	86,400	(331,372)	2,836,173	2,292,577	403,891	(276,886)	2,419,582	416,591	15% & 30%	
Vehicles	1,556,988	69,900	(2,800)	1,624,088	1,061,701	318,231	(2,800)	1,377,132	246,956	20%	1,005,172	202,140	(859,714)	869,542	1,005,172	153,800	(702,471)	456,501	413,041	15%	
Leasehold improvement	4,075,752	-	(4,075,752)	-	4,075,752	-	(4,075,752)	-	-	As per term	3,176,760	-	(2,829,713)	1,556,988	3,176,760	504,568	(2,619,627)	1,061,701	495,287	20%	
	<b>9,338,455</b>	<b>337,000</b>	<b>(4,078,552)</b>	<b>5,596,903</b>	<b>8,013,536</b>	<b>747,693</b>	<b>(4,078,552)</b>	<b>4,682,677</b>	<b>914,226</b>												
	<b>33,454,828</b>	<b>288,540</b>	<b>(24,404,913)</b>	<b>9,338,455</b>	<b>16,570,568</b>	<b>2,664,769</b>	<b>(11,221,801)</b>	<b>8,013,536</b>	<b>1,324,919</b>												



	Note	2015 Rupees	2014 Rupees
<b>6 Intangible assets</b>			
Trading Rights Entitlement Certificate	6.1	<b>26,648,757</b>	26,648,757
Room at Lahore Stock Exchange	6.2	<b>9,000,000</b>	9,000,000
		<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	6.3	-	258,858
		<b>9,000,000</b>	9,258,858

**6.1** This represents Trading Rights Entitlement Certificates (TREC) received against membership card pursuant to demutualization of the Lahore Stock Exchange (LSE).

**6.2** As per the requirements of Stock Exchange (Corporatization, Demutualization and Integration) Act 2012, the Modaraba was required to either register itself as broker or transfer / sell TREC within 2 years from the date of demutualization i.e. 27 August 2014. The management plans to use the TREC for its brokerage business and had accordingly applied to LSE for registration as broker before the lapse of the said period which was declined subsequently. The management is in process of filing a writ petition against the said order in Lahore High Court.

	Note	2015 Rupees	2014 Rupees
<b>6.2.1 Movement of Impairment</b>			
Opening balance		<b>26,648,757</b>	-
Impairment charged during the year		-	26,648,757
Closing balance		<b>26,648,757</b>	26,648,757

**6.3 Computer software**

<b>Net Carrying value as at 01 July</b>		<b>258,858</b>	517,716
Amortization charged	27	<b>(258,858)</b>	(258,858)
Balance as at 30 June (NBV)		-	258,858
Rate of amortization		<b>20%</b>	<b>20%</b>

	Note	2015 Rupees	2014 Rupees
<b>Gross Carrying value</b>			
Cost		<b>1,295,000</b>	1,295,000
Accumulated amortization		<b>(1,295,000)</b>	(1,036,142)
Net book value		-	258,858
<b>7 Shares- available for sale</b>			
Lahore Stock Exchange Limited	7.1	<b>9,351,243</b>	9,351,243
Gain on remeasurement		<b>464,856</b>	-
		<b>9,816,099</b>	9,351,243

**7.1** This represents 843,975 shares of Lahore Stock Exchange Limited at Rs. 10 each with a total face value of Rs. 8,439,750. Out of total shares issued by LSE, the Modaraba has received 40% equity shares i.e 337,590 shares in CDC account. The remaining 60% shares have been transferred to CDC sub account in Modaraba's name under the LSE's participant with the CDC which will remain blocked until these are divested / sold to strategic investors, general public and financial institutions and proceeds are paid to the Modaraba.

In absence of active market, these have been measured at breakup value determined on the basis of financial statements of LSE for the year ended 30 June 2014.

	Note	2015 Rupees	2014 Rupees
<b>8 Long term musharikhah investment - secured</b>			
Musharikhah investment	8.1	<b>141,219,665</b>	137,814,212
Less:			
Current portion of long term musharika investment	13	<b>(85,256,887)</b>	(70,278,925)
Provision against musharikhah investment	8.2	<b>(13,709,526)</b>	(6,109,619)
		<b>42,253,252</b>	61,425,668

**8.1** The profit charged on these facilities ranged from 10.00% to 20.00% per annum (2014: 10.00% to 18.27% per annum). These facilities are secured by way of personal guarantees and mortgage of properties.



	Note	2015 Rupees	2014 Rupees
<b>8.2 Impairment loss on musharikhah investment</b>			
Opening balance		6,109,619	17,234,229
Additions during the year			
Specific provision		2,599,907	2,664,890
General provision		5,000,000	-
		7,599,907	2,664,890
Reversed during the year		-	(13,789,500)
Closing balance		13,709,526	6,109,619
<b>9 Long term morabaha investment - secured</b>			
Long term morabaha investment	9.1	104,735,408	8,800,000
Add: Unearned morabaha income	9.2	19,495,915	-
		124,231,323	8,800,000
Less: Current maturity	13	(35,458,878)	-
		88,772,445	8,800,000
Less: Provision for doubtful morabaha investment	9.3	(8,800,000)	(8,800,000)
Long term morabaha investment net		79,972,445	-
<b>9.1</b> 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 (2014: Nil).			
<b>9.2</b> These represent receivables against morabaha transactions on deferred payment basis at a specified profit margin.			
	Note	2015 Rupees	2014 Rupees
<b>9.3 Provision for doubtful morabaha investment</b>			
Opening balance		8,800,000	8,800,000
Charge during the year		-	-
Closing balance		8,800,000	8,800,000
<b>10 Long term deposits</b>			
Long term deposits		498,944	498,944
Less: Current maturity of long term deposits	14	(106,444)	(306,444)
		392,500	192,500

## 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 Second Schedule to the Income Tax Ordinance, 2001.

	Note	2015 Rupees	2014 Rupees
<b>12 Short term morabaha investment - secured</b>			
Short term morabaha investment	12.1	<b>485,709,199</b>	612,839,518
Add: Unearned morabaha income	12.2	<b>936,942</b>	4,344,028
		<b>486,646,141</b>	617,183,546
Less: Provision for doubtful morabaha investment	12.3	<b>(237,699,881)</b>	(238,617,643)
Short term morabaha investment net		<b>248,946,260</b>	378,565,903

**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 (2014: 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	2015 Rupees	2014 Rupees
<b>12.3 Provision for doubtful morabaha investment</b>			
Opening balance		<b>238,617,643</b>	324,504,593
Addition during the year		-	4,543,089
Reversal during the year		<b>(917,762)</b>	(90,430,039)
		<b>(917,762)</b>	(85,886,950)
Closing balance		<b>237,699,881</b>	238,617,643

## 13 Current maturity of long term investments

Musharikhah investment	8	<b>85,256,887</b>	70,278,925
Morabaha investment	9.3	<b>35,458,878</b>	-
		<b>120,715,765</b>	70,278,925



	Note	2015 Rupees	2014 Rupees
<b>14 Advances, deposits, prepayments and other receivables</b>			
Profit receivable			
Morabaha investment	14.1	<b>1,236,632</b>	10,353,161
Musharikah investment	14.2	<b>1,454,551</b>	3,666,822
		<b>2,691,183</b>	14,019,983
Ijarah rental receivables	14.3	<b>288,535,659</b>	296,406,472
Prepayments		<b>476,551</b>	297,446
Advances		<b>3,940,662</b>	122,250
Current maturity of long term deposits	10	<b>106,444</b>	306,444
Other receivables		<b>49,244,843</b>	51,009,773
		<b>344,995,342</b>	362,162,368
Less: Provision for non performing assets	14.4	<b>(7,810,204)</b>	(9,453,203)
		<b>337,185,138</b>	352,709,165
<b>14.1 Morabaha profit receivable</b>			
Morabaha profit receivable		<b>31,300,714</b>	47,900,339
Less: Income transferred to suspense	14.1.1	<b>(30,064,082)</b>	(37,547,178)
		<b>1,236,632</b>	10,353,161
<b>14.1.1 Income transferred to suspense</b>			
Opening balance		<b>37,547,178</b>	40,372,215
Reversals during the year	25.2	<b>(2,708,760)</b>	(2,825,037)
Suspension written off		<b>(4,774,336)</b>	-
Closing balance		<b>(30,064,082)</b>	37,547,178
<b>14.2 Musharikah profit receivable</b>			
Musharikah profit receivable		<b>13,967,949</b>	12,500,210
Less: Income transferred to suspense	14.2.1	<b>(12,513,398)</b>	(8,833,388)
		<b>1,454,551</b>	3,666,822
<b>14.2.1 Income transferred to suspense</b>			
Opening balance		<b>8,833,388</b>	20,825,928
Addition during the year	25.3	<b>3,680,010</b>	2,408,089
Suspension written off		-	(14,400,629)
Closing balance		<b>12,513,398</b>	8,833,388
<b>14.3 Ijarah rental receivables</b>			
Ijarah rental receivables		<b>485,019,302</b>	476,042,886
Less: Income transferred to suspense	14.3.1	<b>(196,483,643)</b>	(179,636,414)
		<b>288,535,659</b>	296,406,472





	Note	2015 Rupees	2014 Rupee
<b>14.3.1 Income transferred to suspense</b>			
Opening balance		<b>179,636,414</b>	162,040,315
Additions during the year	25.1	<b>7,435,511</b>	14,014,829
Transfers during the year		<b>18,100,153</b>	7,972,466
Write off during the year		<b>(3,699,156)</b>	-
Reversals during the year	25.1	<b>(4,989,279)</b>	(4,391,196)
Closing balance		<b>196,483,643</b>	179,636,414

#### 14.3.2 Future Ijarah rentals receivable

Aggregate amount of future Ijarah rentals receivable on the basis of agreements executed upto 30 June 2015 are as follows:

	Note	2015 Rupees	2014 Rupee
Up to one year		<b>66,761,735</b>	157,518,919
Above one year and up to five year		<b>47,158,279</b>	122,175,652
		<b>113,920,014</b>	279,694,571

#### 14.4 Provision for non performing assets

Opening balance		<b>9,453,203</b>	12,006,031
Additions during the year		-	592,016
Write off during the year		<b>(1,453,118)</b>	(2,745,843)
Reversed during the year		<b>(189,881)</b>	(399,001)
		<b>(1,642,999)</b>	(2,552,828)
Closing balance		<b>7,810,204</b>	9,453,203



	Note	2015 Rupees	2014 Rupee
<b>15 Cash and bank balances</b>			
Cash at banks			
Current accounts	15.1	<b>51,814,711</b>	31,096,561
Deposit accounts	15.2 & 15.3	<b>10,000,000</b>	33,000,000
Savings accounts	15.3	<b>50,073,401</b>	57,067
Current account with State Bank of Pakistan	15.4	<b>1,041</b>	7,700
		<b>111,889,153</b>	64,161,328
Cash in hand		<b>21,001</b>	4,508
		<b>111,910,154</b>	64,165,836

**15.1** The balance of Rs. 50.3 million (2014: Rs. 1.208 million) is maintained with The Bank of Punjab (the holding Company of the Modaraba's Management Company).

**15.2** Under the terms and condition for the issuance of certificates of musharikah (both long and short term), the Modaraba is required to maintain a Redemption Reserve Fund equal to at least 5% of the contribution received, which may be utilized for redemption purposes. The balance has been placed in liquid, shariah compliant instruments to comply with the requirement.

**15.3** The rate of profit on deposit and saving accounts ranges between 5% to 9.25% per annum (2014: 6% to 9.25% per annum).

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

<b>16 Certificate capital</b>	2015 Rupees	2014 Rupee
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
	<b>340,200,000</b>	340,200,000

**16.1** As at 30 June 2015, The Punjab Modaraba Services (Private) Limited (the management company) held 13,320,694 (2014: 13,320,694) certificate each.



	Note	2015 Rupees	2014 Rupee
<b>17 Reserves</b>			
<b>Capital reserve</b>			
Statutory reserve	17.1	198,613,109	151,347,397
<b>Revenue reserves</b>			
Accumulated loss		<b>(368,096,223)</b>	(398,816,791)
		<b>(169,483,114)</b>	(247,469,394)

**17.1** 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	2015 Rupees	2014 Rupee
<b>18 Security deposits</b>			
Long term security deposits against Ijarah	18.1	143,210,241	172,542,553
Less: Current maturity of security deposits	20	<b>(51,397,830)</b>	(60,410,480)
		<b>91,812,411</b>	112,132,073

**18.1** This includes security deposit amounting to Rs. 82.7 million (2014: Rs. 82.7 million) against those Ijarah where the customers have defaulted payment of rentals and the Modaraba has filed suits for recovery. The Modaraba expects the settlement of these security deposits after one year subject to the decision of court cases and therefore classified these security deposits as long term.

	Note	2015 Rupees	2014 Rupee
<b>19 Long term musharikhah finance secured</b>			
Opening balance		896,953,577	971,664,436
Additions during the year		424,929,125	1,314,048,162
Less: Paid during the year		<b>(587,749,489)</b>	(1388,759,021)
		<b>(162,820,364)</b>	(74,710,859)
	19.1	<b>734,133,213</b>	896,953,577

**19.1** The Modaraba has availed musharikhah finance facilities from The Bank of Punjab having approved limits of Rs. 1,060 millions (2014: Rs. 1,060 million) maturing latest by 31 July 2017. 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 7.5% per annum (2014: 7.5% per annum).



	Note	2015 Rupees	2014 Rupee
<b>20 Current maturity of non current liabilities</b>			
Security deposits	18	<b>51,397,830</b>	60,410,480
		<b>51,397,830</b>	60,410,480
<b>21 Redeemable capital - participatory and unsecured</b>			
Opening balance		<b>100,000,000</b>	301,000,000
Issued during the year		-	-
Less: Redeemed during the year		-	(201,000,000)
Closing balance	21.1	<b>100,000,000</b>	100,000,000

**21.1** The share of profit payable is 7.5% per annum (2014: 7.5% per annum).

	Note	2015 Rupees	2014 Rupee
<b>22 Profit payable</b>			
Musharikhah finances		<b>12,257,753</b>	17,168,673
Redeemable capital		<b>607,091</b>	506,012
		<b>12,864,844</b>	17,674,685
<b>23 Trade and other payables</b>			
Accrued expenses		<b>533,500</b>	489,930
Ijarah participation money		<b>40,500</b>	40,500
Tax deducted at source		<b>108,941</b>	8,455
Advances against Ijarah / Morabaha / Musharikhah		<b>5,059,472</b>	12,865,343
Management fee payable		<b>4,102,884</b>	3,102,278
Other payables	23.1	<b>1,193,216</b>	1,521,037
		<b>11,038,513</b>	18,027,543

**23.1** These include Rs. Nil (2014: Rs.476,750) charged as penalty 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 shall be utilized for charitable and religious purposes as recognized by the Shari'ah. During the year, penalties received from customers for delayed payments were paid as donations to the following entities:



	<b>2015</b> <b>Rupees</b>	2014 Rupee
Shaukat Khanum Memorial Cancer Hospital	<b>26,000</b>	75,000
Edhi Foundation	<b>26,356</b>	241,363
Layton Rehmatullah Benevolent Trust	<b>26,000</b>	315,000
Kaukab Mir Memorial Welfare Trust	-	75,000
	<b>78,356</b>	706,363

## 24 Contingencies and commitments

### 24.1 Contingencies

- 24.1.1** 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 rejected the appeals. The Modaraba 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 favourable outcome of the case.
- 24.1.2** Additional Commissioner Inland Revenue (ACIR) issued order under section 122 (5A) of the Income Tax Ordinance, 2001, (the Ordinance) for tax year 2003 while rejecting the exemption claimed from tax under Clause 100 of Part I of Second Schedule to the Ordinance and made additions on account of provision for bad debts, which resulted in a tax liability of Rs. 27,410,608. The Modaraba filed a rectification application under section 221 of the Ordinance for reducing the tax rate from 35% to 25%, resultantly the rectification order passed by the tax department and reduced the tax liability to Rs. 14,580,110. The Modaraba also filed an appeal before the CIR (Appeals) for tax year 2003 against the order of ACIR. In this regard, after hearing of the appeal, the CIR (Appeals) by accepting the claim of exemption has issued a favorable order to the Modaraba while deleting the tax liability of Rs. 14,580,110 vide order No. 31 dated 27 June 2009. The income tax department has filed an appeal before Appellate Tribunal Inland Revenue against the order of CIR (Appeals) which is pending for adjudication. Modaraba management company expects a favourable outcome of the case.
- 24.1.3** 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 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 issued a favorable order to the Modaraba while deleting the tax liability of Rs. 17,667,886. The income tax department has filed an appeal before Appellate Tribunal Inland Revenue against the order of CIR (Appeals) which is pending for adjudication. Modaraba management company expects a favourable outcome of the case.



#### 24.1.4 Legal suits against Modaraba

Suit for rendition of account Rs. 22.5 million filed by a defaulter against the Modaraba. The management is of the view that case has no merit and would be disposed off in favor of the Modaraba.

#### 24.2 Commitments

24.2.1 Musharikah commitments approved but not disbursed as on balance sheet date amount to Rs. 11.475 million (2014 : Nil).

	Note	2015 Rupees	2014 Rupee
<b>25 Operating income</b>			
<b>25.1 Ijarah rentals</b>			
Ijarah income		<b>163,283,467</b>	232,069,165
Less: Rentals suspended	14.3.1	<b>(7,435,511)</b>	(14,014,829)
Add: Reversal of rentals suspended	14.3.1	<b>4,989,279</b>	4,391,196
<b>Total income from Ijarah</b>		<b>160,837,235</b>	222,445,532
<b>25.2 Profit on Morabaha investment</b>			
Morabaha investment		<b>12,141,480</b>	22,085,896
Add: Reversals of suspension	14.1.1	<b>2,708,760</b>	2,825,037
<b>Total income from Morabaha investment</b>		<b>14,850,240</b>	24,910,933
<b>25.3 Profit on Musharikah investment</b>			
Musharikah investment		<b>10,961,105</b>	18,294,761
Less: Suspension	14.2.1	<b>(3,680,010)</b>	(2,408,089)
<b>Total Income from Musharikah investment</b>		<b>7,281,095</b>	15,886,672
<b>25.4 Gain on disposal of fixed assets</b>			
Gain on disposal of owned assets		-	18,412,886
Gain on disposal of Ijarah assets	25.4.1	<b>156,551,479</b>	4,378,558
<b>Total gain on disposal of assets</b>		<b>156,551,479</b>	22,791,444

25.4.1 This includes Rs.155,712,000 received being Modaraba's share on sale of assets through Court.



	Note	2015 Rupees	2014 Rupees
<b>26 Other income</b>			
<b>Income from financial assets</b>			
Profit on bank deposits		<b>1,320,934</b>	1,326,882
<b>Income from other than financial assets</b>			
Processing fee		<b>9,676,524</b>	2,700,821
Creditor written back		-	2,434,494
Miscellaneous income		<b>2,687,743</b>	5,038,196
		<b>12,364,267</b>	10,173,511
		<b>13,685,201</b>	11,500,393
		<b>2015 Rupees</b>	<b>2014 Rupees</b>
<b>27 Operating expenses</b>			
Salaries, wages and other benefits	27.1	<b>11,435,329</b>	11,494,655
Depreciation on fixed assets - owned	5.2	<b>747,693</b>	2,664,769
Amortization of computer software	6.3	<b>258,858</b>	258,858
Travelling and conveyance		<b>117,960</b>	154,448
Legal and professional		<b>840,895</b>	2,330,016
Printing and stationery		<b>629,670</b>	631,810
Insurance		<b>212,753</b>	171,822
Fee and subscription		<b>1,014,825</b>	2,001,690
Auditors' remuneration	27.2	<b>480,000</b>	502,500
Repair and maintenance		<b>176,644</b>	651,164
Vehicle running and maintenance		<b>1,473,408</b>	1,807,026
Power and utilities		<b>47,474</b>	103,967
Entertainment		<b>257,268</b>	226,309
Advertisement		<b>158,996</b>	123,300
Telephone and postage		<b>380,537</b>	482,854
Corporate expenses		<b>612,915</b>	46,605
Rent, rates and taxes		<b>92,287</b>	213,647
Security charges		<b>132,932</b>	168,360
Miscellaneous		<b>343,464</b>	130,463
		<b>19,413,908</b>	24,164,263

**27.1** Salaries and other benefits include Rs. 0.315 million (2014: Rs.0.459 million) on account of provident fund contribution.



		2015 Rupees	2014 Rupee
<b>27.2 Auditors' remuneration</b>			
Audit fee		250,000	250,000
Half yearly review and others		200,000	200,000
Out of pocket expenses		30,000	52,500
		<b>480,000</b>	502,500
<b>28 Finance cost</b>			
Profit on musharikhah finances		55,627,668	69,515,738
Profit on redeemable capital		7,499,997	17,433,009
Bank and other charges		42,911	23,263
		<b>63,170,576</b>	86,972,010
<b>29 Management fee</b>			
Management fee is payable to Punjab Modaraba Services (Private) Limited. This has been calculated at 4% of profit before tax (2014: 5%).			
		2015 Rupees	2014 Rupees
<b>30 Taxation</b>			
<b>Current tax</b>			
- Current year		16,739,766	10,020,359
<b>Deferred</b>			
- Relating to origination and reversal of temporary differences		(12,801,978)	(25,373,531)
		<b>3,937,788</b>	(15,353,172)
<b>31 Earning per certificate - basic and diluted</b>			
Profit for the year	Rupees	<b>94,531,424</b>	74,296,458
Weighted average number of ordinary certificates	Numbers	<b>34,020,000</b>	34,020,000
Earning per certificate	Rupees	<b>2.78</b>	2.18
<b>32 Transactions with related parties</b>			

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:





	2015 Rupees	2014 Rupees
<b>32.1 Balance outstanding at the end of period</b>		
<b>32.1.1 The Bank of Punjab (Holding company of the Modaraba's Management Company)</b>		
Musharikhah finances	<b>734,133,213</b>	896,953,577
Profit payable on musharikhah finances	<b>12,257,753</b>	17,168,673
Net book value of the Ijarah assets given to employees	<b>1,694,118</b>	1,694,118
Ijarah security deposits	<b>902,230</b>	902,230
Certificates of musharikhah	<b>100,000,000</b>	100,000,000
Profit payable on certificates of musharikhah	<b>607,091</b>	506,012

### 32.2 Transactions during the year

#### 32.2.1 The Bank of Punjab (Holding company of the Modaraba's Management Company)

Ijarah rentals income	<b>1,244,616</b>	1,283,610
Profit charged on finances	<b>55,627,668</b>	69,515,738
Profit charged on certificates of musharikhah	<b>7,499,997</b>	17,433,009
Sale proceeds on disposal of assets	-	17,249,237
Transaction fee paid	-	1,000,000
Assignment and transfer of loan portfolio	-	76,137,000

### 33 Remuneration of officers and executives

	Officers Rupees	2015 Other employees Rupees	Total Rupees
Remuneration	<b>8,517,477</b>	<b>266,592</b>	<b>8,784,069</b>
Medical allowance	<b>599,968</b>	<b>19,044</b>	<b>619,012</b>
Utility allowance	<b>599,968</b>	<b>19,044</b>	<b>619,012</b>
Provident fund contribution	<b>310,695</b>	<b>10,451</b>	<b>321,146</b>
Expenses reimbursed	<b>1,092,090</b>	-	<b>1,092,090</b>
	<b>11,120,198</b>	<b>315,131</b>	<b>11,435,329</b>
Number of employees at the year end	<b>14</b>	<b>2</b>	<b>16</b>
Average number of employees during the year	<b>12</b>	<b>3</b>	<b>15</b>



	<b>Officers Rupees</b>	<b>2014 Other employees Rupees</b>	<b>Total Rupees</b>
Remuneration	8,786,976	810,348	9,597,324
Medical allowance	551,090	35,860	586,950
Utility allowance	551,090	35,391	586,481
Provident fund contribution	421,264	38,592	459,856
Expenses reimbursed	264,044	-	264,044
	<b>10,574,464</b>	<b>920,191</b>	<b>11,494,655</b>
Number of employees at the year end	6	2	8
Average number of employees during the year	10	4	14

### 34 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.

#### 34.1 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:

	<b>2015 Rupees</b>	2014 Rupees
Bank balances	<b>111,889,153</b>	64,161,328
Musharikhah investment	<b>127,510,139</b>	131,704,593
Morabaha investment	<b>414,175,592</b>	378,565,903
Advances, deposits and other receivables	<b>336,602,143</b>	351,685,579
Long term deposits	<b>498,944</b>	498,944
	<b>990,675,971</b>	926,616,347



### 34.1.1 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.

### 34.1.2 Description of Collateral held

The Modaraba's Ijarah are secured against Ijarah assets personal guarantees. In a 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.

### 34.1.3 Aging Analysis of Morabaha receivable

Past due	2015			
	Carrying Amount	Amount on which no suspension recognized	Amount on which suspension recognized	Suspension recognized
	-----Rupees-----			
0 days	1,236,632	1,236,632	-	-
1 day - 179 days	-	-	-	-
180 days - 364 days	-	-	-	-
1 year - less than 2 year	-	-	-	-
2 year - less than 3 year	-	-	-	-
3 year or more	-	-	30,064,082	30,064,082
<b>Total</b>	<b>1,236,632</b>	<b>1,236,632</b>	<b>30,064,082</b>	<b>30,064,082</b>

Past due	2014			
	Carrying Amount	Amount on which no suspension recognized	Amount on which suspension recognized	Suspension recognized
	-----Rupees-----			
0 days	10,353,049	10,353,049	-	-
1 day - 179 days	112	112	-	-
180 days - 364 days	-	-	-	-
1 year - less than 2 year	-	-	402,950	402,950
2 year - less than 3 year	-	-	-	-
3 year or more	-	-	37,144,228	37,144,228
<b>Total</b>	<b>10,353,161</b>	<b>10,353,161</b>	<b>37,547,178</b>	<b>37,547,178</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.

#### 34.1.4 Aging Analysis of Morabaha investment

Past due	2015			
	Carrying Amount	Amount on which no provision recognized	Amount on which provision recognized	provision recognized
	-----Rupees-----			
0 days	-	-	-	-
1 day -179 days	117,747,361	117,747,361	-	-
180 days- 364 days	12,136,945	12,136,945	-	-
1 year - less than 2 year	-	-	-	-
2 year - less than 3 year	-	-	-	-
3 year or more	234,493,277	103,000,000	369,193,065	246,499,780
<b>Total</b>	<b>364,377,583</b>	<b>232,884,306</b>	<b>369,193,065</b>	<b>246,499,780</b>

Past due	2014			
	Carrying Amount	Amount on which no provision recognized	Amount on which provision recognized	provision recognized
	-----Rupees-----			
0 days	137,280,262	137,280,262	-	-
1 day-179 days	-	-	-	-
180 days - 364 days	-	-	-	-
1 year - less than 2 year	-	-	-	-
2 year - less than 3 year	8,190,000	-	14,000,000	5,810,000
3 year and above	233,095,641	80,750,000	380,809,163	241,607,643
<b>Total</b>	<b>378,565,903</b>	<b>218,030,262</b>	<b>394,809,163</b>	<b>247,417,643</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.

#### 34.1.5 Aging Analysis of Ijarah receivable

Past due	2015			
	Carrying Amount	Amount on which no suspension recognized	Amount on which suspension recognized	Suspension recognized
	-----Rupees-----			
0 days	11,703,691	11,703,691	-	-
1 day -179 days	3,164,240	3,164,240	-	-
180 days - 364 days	10,134,452	9,203,410	931,042	931,042
1 year - less than 2 year	22,151,378	16,737,203	5,414,175	5,414,175
2 year - less than 3 years	68,872,041	51,243,468	10,949,818	10,949,818
3 year or more	172,509,853	-	179,188,608	179,188,608
<b>Total</b>	<b>288,535,655</b>	<b>92,052,012</b>	<b>196,483,643</b>	<b>196,483,643</b>



Past due	2014			Suspension recognized
	Carrying Amount	Amount on which no suspension recognized	Amount on which suspension recognized	
	-----Rupees-----			
0 days	9,070,639	9,070,639	-	-
1 day -179 days	25,366,950	22,328,032	3,038,918	3,038,918
180 days - 364 days	7,332,927	-	7,332,927	1,361,002
1 year - less than 2 year	37,563,838	-	37,563,838	2,877,999
2 year - less than 3 years	14,574,047	-	14,574,047	5,173,793
3 year or more	382,134,485	-	382,134,485	167,184,702
<b>Total</b>	<b>476,042,886</b>	<b>31,398,671</b>	<b>444,644,215</b>	<b>179,636,414</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.

#### 34.1.6 Aging Analysis of Musharikah receivable

Past due	2015			Suspension recognized
	Carrying Amount	Amount on which no suspension recognized	Amount on which suspension recognized	
	-----Rupees-----			
0 days	601,681.98	601,682	-	-
1 day -179 days	59,104	59,104	-	-
180 days - 364 days	-	-	1,027,843	1,027,843
1 year - less than 2 year	793,766	793,766	3,862,150	3,862,150
2 year - less than 3 year	-	-	-	-
3 year or more	-	-	7,623,405	7,623,405
<b>Total</b>	<b>1,454,552</b>	<b>1,454,552</b>	<b>12,513,398</b>	<b>12,513,398</b>

Past due	2014			Suspension recognized
	Carrying Amount	Amount on which no suspension recognized	Amount on which suspension recognized	
	-----Rupees-----			
0 days	-	-	-	-
1 day -179 days	3,403,040	3,403,040	-	-
180 days - 364 days	-	-	-	-
1 year - less than 2 year	-	-	-	-
2 year - less than 3 year	-	-	-	-
3 year or more	263,782	-	9,097,170	8,833,388
<b>Total</b>	<b>3,666,822</b>	<b>3,403,040</b>	<b>9,097,170</b>	<b>8,833,388</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.



### 34.1.7 Aging Analysis of Musharikah investment

Past due	2015			
	Carrying Amount	Amount on which no provision recognized	Amount on which provision recognized	provision recognized
	-----Rupees-----			
0 days	62,806,005	62,806,005	-	-
1 day - 179 days	3,475,567	3,475,567	-	-
180 days -364 days	3,700,804	3,700,804	5,000,000	-
1 year - less than 2 year	43,227,611	43,227,611	-	-
2 year - less than 3 year	-	-	-	-
3 year or more	14,300,152	5,590,626	8,709,526	8,709,526
<b>Total</b>	<b>127,510,139</b>	<b>118,800,613</b>	<b>13,709,526</b>	<b>8,709,526</b>

Managements has subjectively provided Rs.5 million for its portfolio and plans to review the need for subjective provision on yearly basis.

Past due	2014			
	Carrying Amount	Amount on which no provision recognized Amount	Amount on which provision recognized	provision recognized
	-----Rupees-----			
0 days	114,804,499	114,804,499	-	-
1 day - 179 days	-	-	-	-
180 days - 364 days	-	-	-	-
1 year - less than 2 year	-	-	-	-
2 year - less than 3 year	-	-	-	-
3 year or more	16,900,094	-	23,009,713	6,109,619
<b>Total</b>	<b>131,704,593</b>	<b>114,804,499</b>	<b>23,009,713</b>	<b>6,109,619</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.

**34.1.8** The Modaraba manages credit risk and its concentration through diversification of activities to avoid undue concentration of risk 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 2015 is as follows:

	<b>Assets Ijarah Rupees</b>	<b>Morabaha investment Rupees</b>	<b>Musharikah investment Rupees</b>	<b>2015 Total Rupees</b>	<b>% age</b>
Bank and NBFIs	882,744	-	-	882,744	0.13%
Textile Spinning and Composite	25,637,177	81,712,070	-	107,349,247	15.43%
Sugar and Allied	30,328,932	18,559,437	14,205,595	63,093,964	9.07%
Electric Goods	32,736,667	65,708,000	-	98,444,667	14.15%
Chemical and Pharmaceuticals	-	112,896,882	-	112,896,882	16.23%
Paper and Board	11,531,096	-	-	11,531,096	1.66%
Food and Allied	11,154,236	12,136,945	25,135,699	48,426,880	6.96%
Individuals	34,043,537	43,883,896	44,202,439	122,129,872	17.56%
Jute	-	-	-	-	0.00%
Oil and Gas	6,738,453	-	8,771,977	15,510,430	2.23%
Miscellaneous	49,450,478	-	31,450,236	80,900,714	11.63%
Aviation and transport	-	29,480,353	3,744,193	33,224,546	4.78%
Engineering, Steel & Construction	1,137,675	-	-	1,137,675	0.16%
Cement	-	-	-	-	0.00%
	<b>203,640,995</b>	<b>364,377,583</b>	<b>127,510,139</b>	<b>695,528,717</b>	<b>100.00%</b>

	<b>Assets Leased out Rupees</b>	<b>Morabaha investment Rupees</b>	<b>Musharikah investment Rupees</b>	<b>2014 Total Rupees</b>	<b>% age</b>
Banks and NBFIs	1,746,506	-	-	1,746,506	0.20%
Textiles spinning and composite	49,046,717	83,250,000	-	132,296,717	15.43%
Sugar and allied	91,229,450	21,809,437	-	113,038,887	13.19%
Electric goods	37,649,295	65,708,000	40,000,000	143,357,295	16.72%
Chemicals and Pharmaceuticals	-	116,306,035	-	116,306,035	13.57%
Paper and board	19,056,284	-	-	19,056,284	2.22%
Food and allied	19,498,060	14,585,818	33,766,720	67,850,598	7.91%
Individuals	47,103,538	43,082,232	7,537,873	97,723,643	11.40%
Jute	-	-	-	-	0.00%
Oil and Gas	9,553,825	-	9,000,000	18,553,825	2.16%
Miscellaneous	50,307,093	-	12,000,000	62,307,093	7.27%
Aviation and transport	-	29,480,353	29,400,000	58,880,353	6.87%
Engineering, Steel & Construction	12,472,866	-	-	12,472,866	1.45%
Cement	13,665,915	-	-	13,665,915	1.59%
	<b>351,329,549</b>	<b>374,221,875</b>	<b>131,704,593</b>	<b>857,256,017</b>	<b>100.00%</b>

### 34.2 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 interest payments:



	2015					
	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	101,253,425	101,253,425	-	-	-
Security deposits against Ijarah	143,210,241	143,210,238	127,081,038	1,418,550	6,915,850	7,794,800
Musharikhah finance	734,133,213	849,231,221	27,756,269	27,303,722	55,059,991	739,111,239
Unclaimed profit	13,344,226	13,344,226	13,344,226	-	-	-
Trade and other payable	11,038,513	11,038,513	11,038,513	-	-	-
Markup payable	12,864,844	12,864,844	12,864,844	-	-	-
	<b>1,014,591,037</b>	<b>1,130,942,467</b>	<b>293,338,315</b>	<b>28,722,272</b>	<b>61,975,841</b>	<b>746,906,039</b>

	2014					
	Carrying Amount	Contractual cash flows	6 months or less	6 to 12 months	1 year to 2 years	2 years to 5 years
	----- Rupees -----					
Redeemable capital	100,000,000	101,253,425	101,253,425	-	-	-
Security deposits against Ijarah	172,542,553	172,542,553	139,145,023	5,279,790	17,560,240	10,457,400
Musharikhah finance	896,953,577	1,104,850,212	33,912,217	33,359,301	67,271,518	970,307,176
Unclaimed profit	12,123,172	12,123,172	13,596,259	-	-	-
Trade and other payable	18,027,543	16,504,368	16,504,368	-	-	-
Markup payable	17,674,685	17,674,685	17,674,685	-	-	-
	<b>1,217,321,530</b>	<b>1,424,948,415</b>	<b>322,085,977</b>	<b>38,639,091</b>	<b>84,831,758</b>	<b>980,764,576</b>

**34.2.1** 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 17,18 and 20 to these financial statements.

### 34.3 Market risk

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

#### 34.3.1 Interest rate risk

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



	2015	2014	2015	2014
	Effective interest rate (Percentage)		Carrying amount (Rupees)	
<b>Financial assets</b>				
Musharikhah investment	<b>10.00 - 20.00</b>	10.00 - 18.27	<b>127,510,139</b>	131,704,593
Morabaha investment	<b>10.75 - 22.99</b>	10.75 - 22.99	<b>414,175,592</b>	378,565,903
Cash and bank balances	<b>5.00 - 9.25</b>	7.19 - 11.75	<b>60,073,401</b>	33,057,067
			<b>601,759,132</b>	543,327,563
<b>Financial liabilities</b>				
Redeemable Capital	<b>7.5</b>	7.5 - 10.2	<b>100,000,000</b>	100,000,000
Musharikhah finances	<b>7.5</b>	7.5	<b>734,133,213</b>	896,953,577
			<b>834,133,213</b>	996,953,577

#### 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 2015.

	Profit and loss 100 bps	
	Increase	Decrease
<b>As at 30 June 2015</b>		
Cash flow sensitivity-Variable rate financial assets	<b>787,241</b>	<b>(787,241)</b>
Cash flow sensitivity-Variable rate financial liabilities	<b>(1,501,440)</b>	<b>1,501,440</b>
Net effect	<b>(714,199)</b>	<b>714,199</b>
	Profit and loss 100 bps	
	Increase	Decrease
<b>As at 30 June 2014</b>		
Cash flow sensitivity-Variable rate financial assets	748,539	(748,539)
Cash flow sensitivity-Variable rate financial liabilities	(1,764,608)	1,764,608
Net effect	(1,016,069)	1,016,069

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

#### 34.3.2 Currency risk

As at 30 June 2015, there is no foreign exchange exposure on Modaraba's balance sheet.

#### 34.4 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.

### **34.5 Fair value of financial instruments**

The carrying values of financial assets and financial liabilities reported in balance sheet approximate their fair values. The Modaraba measures fair values using the following fair value hierarchy that reflects the significance of the inputs used in making the measurements:

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

### **34.6 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.

	2015 Rupees	2014 Rupees
<b>35 Cash generated from operations</b>		
<b>Profit/ (loss) before taxation</b>	<b>98,469,212</b>	58,943,286
<b>Adjustment for non cash expenses and other items:</b>		
Impairment of TREC	-	26,648,757
Reversals for morabaha investment	<b>(917,762)</b>	(85,886,950)
Provision / (reversals) for musharikhah investment	<b>7,599,907</b>	(11,124,610)
Provision for impairment of Ijarah assets	<b>16,780,341</b>	14,234,934
Other provisions	<b>(189,881)</b>	(2,552,828)
Depreciation of Ijarah assets	<b>144,776,065</b>	180,287,991
Depreciation on owned assets	<b>747,693</b>	2,664,769
Amortization on Intangible assets	<b>258,858</b>	258,858
Profit on redeemable capital	<b>7,499,997</b>	17,433,009
Bank and other charges	<b>42,911</b>	23,263
Profit on morabaha / musharikhah finances	<b>55,627,668</b>	69,515,738
Gain on disposal of fixed assets	<b>(156,551,479)</b>	(22,791,444)
<b>Operating profit before working capital changes</b>	<b>174,143,530</b>	247,654,773
<b>Working capital changes</b>		
<b>Decrease / (Increase) in operating assets</b>		
Morabaha arrangements	<b>66,653,789</b>	177,822,290
Purchase of assets under Ijarah arrangements	<b>(32,552,000)</b>	(52,097,000)
Proceeds from disposal of fixed assets	<b>193,335,780</b>	38,155,143
Long term deposits	<b>(200,000)</b>	150,000
Advances, deposits, prepayments and other receivables	<b>(2,386,245)</b>	(30,422,061)
	<b>224,851,324</b>	133,608,372
<b>(Decrease) / Increase in operating liabilities</b>		
Trade and other payables	<b>(6,989,030)</b>	(12,713,305)
Security deposit received against Ijarah arrangements	<b>5,129,250</b>	8,129,200
Security deposit refunded against Ijarah arrangements	<b>(34,461,562)</b>	(21,128,054)
	<b>(36,321,342)</b>	(25,712,159)
<b>Net changes in operating assets and liabilities</b>	<b>188,529,982</b>	107,896,213
<b>Cash generated from operations</b>	<b>362,673,512</b>	355,550,986



## 36 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 polices 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:

### 36.1 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.

### 36.2 Income taxes

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

	2015 Rupees	2014 Rupees
<b>37 Provident Fund</b>		
Size of the fund	<b>1,494,604</b>	1,532,476
Percentage of investments made	<b>110.98%</b>	100.67%
Fair value of investments	<b>1,658,750</b>	1,542,672
Cost of investments made	<b>1,658,750</b>	1,542,672

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



	<u>Investments</u> <u>2015</u> <u>Rupees</u>	<u>Investment</u> <u>as a % of</u> <u>size of</u> <u>the fund</u>	<u>Investments</u> <u>2014</u> <u>Rupees</u>	<u>Investment</u> <u>as a % of</u> <u>size of</u> <u>the fund</u>
<b>Cash at Bank</b>	<b>1,658,750</b>	<b>111%</b>	1,542,672	100.67%

**37.2** 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.

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

### 38 Subsequent Events

The Board at its meeting held on September 18, 2015 has approved cash dividend of Rs. 0.50 per certificate and transfer of Rs. 47,265,712 to statutory reserve for the year ended 30 June 2015, out of the profit earned during the year.

### 39 Date of authorization for issue

The financial statements of Modaraba were approved by the Directors of Modaraba Management Company and authorized for issue on September 18, 2015

### 40 General

Corresponding figures have been rearranged/reclassified where necessary to conform with current year classification, however no material changes have been made.

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

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

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



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