



**First Punjab Modaraba**  
An Islamic Financial Institution

**Quarterly Accounts**  
(Un-Audited)  
**September 30, 2012**



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# CORPORATE PROFILE

## BOARD OF DIRECTORS

Punjab Modaraba Services (Pvt.) Ltd.

Khalid Siddiq Tirmizey

Chairman

Khaqan Hasnain Ibrahim

Chief Executive

Mujahid Eshai

Director

Nadeem Amir

Director

Tariq Maqbool

Director

## CHIEF FINANCIAL OFFICER & COMPANY SECRETARY

Mudassar Kaiser Pal

## AUDIT COMMITTEE

Mujahid Eshai

Chairman

Nadeem Amir

Member

Tariq Maqbool

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

Al Baraka Bank (Pakistan) Limited

## REGISTRAR

Hameed Majeed Associates (Pvt) Ltd.

H.M. House, 7-Bank Square,

The Mall, Lahore

Tel: 042-37235081-2

## REGISTERED OFFICE

233-A, New Muslim Town, Lahore, Pakistan.

PABX: (+92-42) 35865032-37

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The Board of Directors of Punjab Modaraba Services (Pvt.) Limited, the management Company of First Punjab Modaraba (the Modaraba), is pleased to present the quarterly results of the Modaraba, together with Directors' report, for the quarter ended September 30, 2012.

Although Pakistan's economy has shown some recovery in terms of GDP growth, key macro indicators still remain weak. Specifically, while inflationary pressures have eased compared to last year, inflation expectations are entrenched; the deterioration in the external account has been less adverse than expected, but financing the current account deficit remains challenging; and lastly, despite strong growth in tax collection, there are pressures on the fiscal account. Furthermore, energy shortages and low investment continue to compromise the economy's capacity for growth.

The redemption of ijarah assets continued to reduce size of total lending portfolio in absence of booking of fresh assets. Consequently the revenues declined by Rs.63.86 million as compared to previous quarter. The corresponding effect on expenditure side was visible in shape of a decrease of Rs.72.53 million vis-à-vis previous quarter. Hence the results from operations in Q1 this year witnessed a reduction in loss before provision of Rs.8.67 million compared Q1 last year. The maturing migration impact on non performing assets also contributed to bring down net Loss after provision and impairment in Q1 to Rs.28.30 million as against Rs.55.13 million in Q1 last year.

Out of total non performing portfolio of Rs.984.84 million, recovery suits have been filed in cases amounting to Rs.858.44 million which would be followed up actively for faster results in or out of the courts. In the remaining cases, the Modaraba will continue with its unabated efforts for cash recoveries and regularization by rescheduling and restructuring.

The Board of Directors is grateful to the regulatory authorities for their guidance and support as also to the certificate holders for their continuing patronage and confidence in the Modaraba.

For and on behalf of the  
Board of Directors

January 21, 2013

**CHIEF EXECUTIVE**



# CONDENSED INTERIM BALANCE SHEET

AS AT SEPTEMBER 30, 2012

	Note	Un-audited September 30, 2012 Rupees	Audited June 30, 2012 Rupees
<b>ASSETS</b>			
<b>Non current assets</b>			
Tangible fixed assets	5		
Ijarah asset		683,592,429	721,624,239
Assets in own use		20,802,965	21,833,357
In-tangible assets	6	45,711,328	45,776,574
Long term musharikhah investment - secured		16,602,610	21,622,127
Long term deposits		648,944	656,944
		<b>767,358,276</b>	<b>811,513,241</b>
<b>Current assets</b>			
Short term morabaha investment - secured	7	490,165,271	497,784,821
Current maturity of long term investment	8	58,154,744	56,682,963
Property acquired against satisfaction of claim		46,050,000	46,050,000
Advances, deposits, prepayments and other receivables		410,089,334	439,269,313
Tax refundable		909,865	869,896
Cash and bank balances		32,892,790	58,509,315
		<b>1,038,262,004</b>	<b>1,099,166,308</b>
<b>TOTAL ASSETS</b>		<b>1,805,620,280</b>	<b>1,910,679,549</b>
<b>EQUITY AND LIABILITIES</b>			
Capital and reserves			
Certificate capital		340,200,000	340,200,000
Reserves		(225,977,719)	(197,501,943)
		<b>114,222,281</b>	<b>142,698,057</b>
<b>Non current liabilities</b>			
Security deposits		141,325,267	145,583,264
<b>Current liabilities</b>			
Current maturity of non current liabilities		68,313,602	87,304,755
Musharikhah finances - secured	9	999,342,428	1,041,532,173
Deferred morabaha income		11,688,068	8,163,234
Redeemable capital - participatory and unsecured	10	400,652,466	422,515,082
Trade and other payables		22,941,392	16,596,331
Mark up payable	11	35,009,476	34,103,874
Unclaimed profit		12,125,300	12,182,779
		<b>1,550,072,732</b>	<b>1,622,398,228</b>
Contingencies and commitments	13		
<b>TOTAL EQUITY AND LIABILITIES</b>		<b>1,805,620,280</b>	<b>1,910,679,549</b>

The attached notes 1 to 19 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

**CONDENSED INTERIM PROFIT AND LOSS ACCOUNT (UN-AUDITED)**  
FOR THE PERIOD ENDED SEPTEMBER 30, 2012



	Note	September 30, 2012 Rupees	September 30, 2011 Rupees
<b>Income</b>			
Ijarah rentals		88,757,725	152,324,659
Profit on morabaha investment		9,010,159	5,343,614
Profit on musharikah investment		1,318,718	485,983
Gain on disposal of fixed assets		3,456,725	(2,278,740)
Other income		1,017,383	11,546,977
		<b>103,560,710</b>	<b>167,422,493</b>
<b>Expenses</b>			
Operating expenses		8,867,041	7,902,584
Depreciation of ijarah assets		71,170,530	126,466,591
Financial and other charges	12	42,900,358	61,106,242
		<b>122,937,929</b>	<b>195,475,417</b>
<b>Operating profit/(loss) before provision</b>		<b>(19,377,219)</b>	<b>(28,052,924)</b>
Provision/(Reversal) for morabaha investment		(7,377,300)	19,486,565
Provision/(Reversal) for impairment of ijarah assets		14,598,303	6,214,202
Provision/(Reversal) for musharikah investment		1,702,931	220,989
Other Provisions		-	1,161,000
		<b>8,923,934</b>	<b>27,082,756</b>
<b>Operating profit/(loss) after provision and impairment</b>		<b>(28,301,153)</b>	<b>(55,135,680)</b>
<b>Modaraba Company's management fee</b>		<b>-</b>	<b>-</b>
<b>Profit / (Loss) for the period</b>		<b>(28,301,153)</b>	<b>(55,135,680)</b>
<b>Earnings per certificate - basic</b>		<b>(0.83)</b>	<b>(1.62)</b>

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## CONDENSED INTERIM STATEMENT OF COMPREHENSIVE INCOME (UN-AUDITED) FOR THE PERIOD ENDED SEPTEMBER 30, 2012

	July to September	
	2012 Rupees	2011 Rupees
Loss for the period	(28,301,153)	(55,135,680)
Total comprehensive loss for the period	<u>(28,301,153)</u>	<u>(55,135,680)</u>

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# CONDENSED INTERIM CASH FLOW STATEMENT (UN-AUDITED)

## FOR THE PERIOD ENDED SEPTEMBER 30, 2012



	Note	September 30, 2012 Rupees	September 30, 2011 Rupees
<b>Cash flow from Operating activities</b>			
Cash (used in) / generated from operations	14	94,684,021	113,074,173
Profit paid on certificates of musharikah		(13,835,231)	(17,015,073)
Profit paid on musharikah finances		(26,734,688)	-
Profit paid on morabaha finances		(1,424,836)	(1,397,217)
Taxes paid		(39,969)	(23,627)
		(42,034,724)	(18,435,917)
<b>Net cash (used in) / generated from operating activities</b>		<b>52,649,297</b>	<b>94,638,256</b>
<b>Cash flow from investing activities</b>			
Cash margin on LG received/ (refunded)		-	(372,592)
Musharikah investment		1,844,805	1,734,821
Purchase of fixed assets in own use		(38,000)	(162,935)
Proceeds from sale of assets in own use		18,100	19,120
<b>Net cash (used in)/generated from investing activities</b>		<b>1,824,905</b>	<b>1,218,414</b>
<b>Cash flow from financing activities</b>			
Musharikah finances		(42,189,745)	79,990,807
Morabaha		(8,780,887)	2,308,333
Redeemable capital		(29,062,616)	(302,793,250)
Profit distributed among the certificate holders		(57,479)	(127,238)
<b>Net cash generated from/ (used in) financing activities</b>		<b>(80,090,727)</b>	<b>(220,621,348)</b>
<b>Net decrease in cash and cash equivalents</b>		<b>(25,616,525)</b>	<b>(124,764,678)</b>
<b>Cash and cash equivalents at the beginning of the period</b>		<b>58,509,315</b>	<b>182,410,708</b>
<b>Cash and cash equivalents at the end of the period</b>		<b>32,892,790</b>	<b>57,646,030</b>

The attached notes 1 to 19 form an integral part of these financial statements.

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## CONDENSED INTERIM STATEMENT OF CHANGES IN EQUITY FOR THE PERIOD ENDED SEPTEMBER 30, 2012 (UN-AUDITED)

	Certificate Capital	Capital Reserve	Unappropriated profit / (Accumulated Loss)	Total
	Rupees	Rupees	Rupees	Rupees
<b>Balance as at 1st July 2011</b>	<b>340,200,000</b>	<b>114,199,168</b>	<b>(157,953,556)</b>	<b>296,445,612</b>
Total comprehensive income for quarter ended 30 September 2011	-	-	(55,135,680)	(55,135,680)
<b>Balance as at 30 September 2011</b>	<b>340,200,000</b>	<b>110,683,572</b>	<b>(213,089,236)</b>	<b>241,309,932</b>
<b>Balance as at 1st July 2012</b>	<b>340,200,000</b>	<b>128,064,665</b>	<b>(325,566,607)</b>	<b>142,698,058</b>
Total comprehensive income/(loss) for quarter ended 30 September 2012	-	-	(28,301,153)	(28,301,153)
Incremental depreciation on revaluation of fixed assets	-	(174,624)	-	(174,624)
<b>Balance as at 30 September 2012</b>	<b>340,200,000</b>	<b>127,890,041</b>	<b>(353,867,760)</b>	<b>114,222,281</b>

The attached notes 1 to 19 form an integral part of these financial statements.

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# NOTES TO THE CONDENSED INTERIM FINANCIAL INFORMATION

## FOR THE PERIOD ENDED SEPTEMBER 30, 2012



### 1. Status and nature of business

First Punjab Modaraba ("the Modaraba") was formed under the Modaraba Companies and Modaraba (Floatation and Control) Ordinance, 1980 and Rules framed there under and is managed by Punjab Modaraba Services (Private) Limited (wholly owned subsidiary of The Bank of Punjab), a Company incorporated in Pakistan. The Registered Office of the Modaraba is situated at the 233-A, New Muslim Town, Lahore. The Modaraba commenced its business operations from December 23, 1992. The Modaraba is listed on all the Stock Exchanges in Pakistan.

The Modaraba is a perpetual, multi purpose and multi dimensional modaraba and is primarily engaged in the business of Ijarah, musharika and morabaha financing, equity investment and other related business in accordance with the injunctions of Islam.

During the period the Modaraba has incurred a loss of Rs. 28,301,153 while the accumulated losses net of capital reserve, as at 30 September 2012 amount to Rs. 225,977,719. Further the current liabilities of the Modaraba exceeded its current assets by Rs. 511,810,728 as at 30 September 2012.

Going forward, Punjab Modaraba Services (Pvt.) Limited, the management company, with the support of The Bank of Punjab is engaged in finalizing a plan whereby the operations of the Modaraba may be transferred to and merged with The Bank of Punjab.

### 2. Basis of preparation

This condensed interim financial information is un-audited. This interim financial information for the quarter ended 30 September 2012 has been prepared in accordance with the requirements of the International Accounting Standard (IAS) - 34 "Interim Financial Reporting" as applicable in Pakistan.

This condensed interim financial information is being submitted to the certificate holders as required under the Rule 10 of Modaraba Companies and Modaraba Rules, 1981.

### 3. Accounting policies

The accounting policies and methods of computation adopted for the preparation of this condensed interim financial information are the same as those applied in the preparation of the financial statements of the Modaraba for the preceding year ended June 30, 2012.

### 4. Estimates

The preparation of this interim financial information requires management to make judgements, estimates and assumptions that affect the application of accounting policies and the reported amounts of assets and liabilities, income and expense. Actual results may differ from these estimates. The significant judgements made by management in applying the Modaraba's accounting policies and the key sources of estimation were the same as those that were applied to the financial statements for year ended 30 June 2012.



## 5. Tangible fixed assets

	Assets leased out Rupees	Assets in own used Rupees	Total Rupees
Book Value as at 30 June 2012 (Audited)	721,624,239	21,833,357	<b>743,457,596</b>
Additions during the periods	66,685,000	455,139	<b>67,140,139</b>
Disposal during the periods	(18,947,977)	(399,039)	<b>(19,347,016)</b>
Impairment of Assets	(14,598,303)	-	<b>(14,598,303)</b>
Net Depreciation	(71,170,530)	(1,086,492)	<b>(72,257,022)</b>
<b>Book Value as at 30 September 2012 (n-audited)</b>	<b>683,592,429</b>	<b>20,802,965</b>	<b>704,395,394</b>

September 30,  
2012  
(Un-audited)  
Rupees

June 30,  
2012  
(Audited)  
Rupees

## 6. In-tangible assets

Corporate membership of Lahore Stock Exchange	<b>37,100,000</b>	37,100,000
Less: Impairment on LSE membership	<b>(1,100,000)</b>	(1,100,000)
	<b>36,000,000</b>	36,000,000
Room at Lahore Stock Exchange	<b>9,000,000</b>	9,000,000
	<b>45,000,000</b>	45,000,000
LMS software	<b>1,295,000</b>	1,295,000
Less: Amortization	<b>(583,672)</b>	(518,426)
	<b>45,711,328</b>	45,776,574

**6.1** After the demutualization process, the members of Lahore Stock Exchange (LSE) have been issued ordinary shares and Trading Rights Entitlement Certificates (TRECs). As informed by LSE, the value of ordinary shares and TRECs has not been determined yet.

The last auctions of membership and room, resulting from default by members, as per record of LSE, was Rs. 19.25 million. The management is of the view that such auctions are forced in nature which, in absence of any active market, are not representative of fair value. Hence, no further provision for impairment has been recorded.



	September 30, 2012 (Un-audited) Rupees	June 30, 2012 (Audited) Rupees
<b>7. Morabaha investment-secured</b>		
Gross Morabaha Investment	819,007,663	837,529,348
Add: Unearned morabaha income	11,688,069	8,163,234
	<u>830,695,732</u>	<u>845,692,582</u>
Less: Provision for doubtful finances	(340,530,461)	(347,907,761)
	<u>490,165,271</u>	<u>497,784,821</u>
<b>8. Current maturity of long term investment</b>		
Morabaha investment	-	-
Unearned morabaha income	-	-
Musharikah investment	58,154,744	56,682,963
	<u>58,154,744</u>	<u>56,682,963</u>
<b>9. Musharikah finances - secured</b>		
These musahrika finance facilities have been availed from the Bank of Punjab, having limit of Rs. 1,060 million (June 30, 2012: Rs. 1,060 million).		
These facilities are secured by way of hypothecation charge over present and future book debts and receivables of Modaraba for an amount of Rs. 1,900 million (June 30, 2012 : Rs. 1,900 million). The estimated share of profit payable on musharikah facility is 11.95%, (2012: 11.91% to 13.54%).		
	September 30, 2012 (Un-audited) Rupees	June 30, 2012 (Audited) Rupees
<b>10. Redeemable capital - participatory and unsecured</b>		
Opening balance	422,515,082	963,061,760
Issued during the year	358,052,466	1,337,354,284
Less: Redeemed during the year	(379,915,082)	(1,877,900,962)
	<u>(21,862,616)</u>	<u>(540,546,678)</u>
Closing balance	<u>400,652,466</u>	<u>422,515,082</u>
<b>11. Mark-up Payable</b>		
Musharikah Finance	30,434,907	26,735,342
Morabaha Finance	30,892	1,884,385
Redeemable Capital	4,543,677	5,484,147
	<u>35,009,476</u>	<u>34,103,874</u>



# First Punjab Modaraba

	September 30, 2012 (Un-audited) Rupees	June 30, 2012 (Audited) Rupees
<b>12. Financial and other charges</b>		
Financial charges on Musharikhah & Morabaha	30,005,597	30,620,412
Financial charges on Redeemable capital	12,893,883	30,484,899
Bank and other charges	878	931
	<b>42,900,358</b>	<b>61,106,242</b>

## 13. Contingencies and commitments

### 13.1 Contingencies

13.1.1 There are no changes in contingent liabilities since the last published financial statements.

### 13.2 Commitments

13.2.1 Ijarah commitments approved but not disbursed as on balance sheet date amount to Rs. Nil (June 30, 2012 : Rs. Nil).

13.2.2 Morabaha commitments approved but not disbursed as on balance sheet date amount to Rs. Nil (June 30, 2012 : Rs. Nil).

	September 30, 2012 (Un-audited) Rupees	June 30, 2012 (Audited) Rupees
<b>14. Cash flow from operating activities</b>		
Profit / (Loss) for the period	(28,301,153)	(55,135,680)
Adjustments for:		
Depreciation of ijarah assets	71,170,530	126,466,591
Depreciation of assets in own use	977,116	935,889
Gain/loss on sale of assets leased out	(3,456,725)	(2,278,740)
Provision/(Reversal) against doubtful morabaha investment	(7,377,300)	19,486,565
Provision/(Reversal) against leased assets	14,598,303	6,214,202
Provision/(Reversal) against musharikhah investment	1,702,931	220,989
Other provisions	-	1,161,000
Profit on musharikhah/morabaha finances	30,005,597	30,620,412
Profit on certificates of musharikhah	12,894,761	30,392,834
	<b>120,515,213</b>	<b>213,219,742</b>
<b>Operating profit before working capital changes</b>	<b>92,214,060</b>	<b>158,084,062</b>



	September 30, 2012 (Un-audited) Rupees	June 30, 2012 (Audited) Rupees
<b>Working capital changes</b>		
(Increase)/decrease in operating assets:		
Morabaha investment	18,521,685	23,455,246
Purchase of assets leased out	(66,685,000)	(57,337,200)
Proceeds from transfer of assets leased out	22,384,499	54,970,768
Long term deposits	(8,000)	-
Advances, deposits, prepayments and other receivables	29,179,979	(40,315,342)
	3,393,163	(19,226,528)
Increase/(decrease) in operating liabilities:		
Security deposits received	450,000	1,730,770
Security deposits refunded	(7,718,263)	(13,069,709)
Trade and other payables	6,345,061	(14,444,422)
	(923,202)	(25,783,361)
	2,469,961	(45,009,889)
<b>Cash generated from operations</b>	<b>94,684,021</b>	<b>113,074,173</b>

#### 15. Taxation

Income of non trading modaraba is exempt from tax provided that not less than 90% of profits are distributed to the certificate holders.

However, due to loss for the period, no provision for taxation has been made in these financial statements.

	September 30, 2012 (Un-audited) Rupees	June 30, 2012 (Audited) Rupees
<b>16. Transactions with related parties</b>		
<b>16.1 Balance outstanding at the end of period</b>		
<b>16.1.1 The Bank of Punjab (Holding company of Modaraba's Management Company)</b>		
Musharikah finances	999,342,428	1,041,532,170
Profit payable on Musharikah finances	30,434,907	26,735,342.00
Net book value of the assets leased to employees	7,451,568	5,670,464
Lease security deposits	1,669,570	1,669,570
Lease rentals receivables	(37,968)	-
Certificates of Musharikah	300,000,000	300,000,000
Profit payable on Certificates of Musharikah	2,868,986	3,143,836
<b>16.1.2 BOP Employee Provident Fund</b>		
Certificates of Musharikah	60,000,000	60,000,000
Profit payable on Certificates of musharikah	840,544	1,260,816



# First Punjab Modaraba

	July to September	
	2012	2011
	Rupees	Rupees
<b>16.2 Transactions during the period</b>		
<b>16.2.1 The Bank of Punjab (Holding company of Modaraba's Management Company)</b>		
Lease rentals income	986,328	1,288,038
Profit charged on finances	30,434,254	29,418,970
Profit charged on certificates of Musharikah	9,261,451	3,313,973
<b>16.2.2 BOP Employee Provident Fund</b>		
Profit charged on Certificates of Musharikah	2,627,670	7,825,896

## 17. Financial risk management

The Modaraba's financial risk management objectives and policies are consistent with that disclosed in the financial statements for the year ended 30 June 2012.

## 18. Date of authorization

This unaudited interim financial information for the period ended 30 September 2012 was authorized for issue by the Board of Directors of the Management company on 21 January 2013.

## 19. General

Figures have been rounded off to the nearest rupee.

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

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

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