

Growth + Prosperity

First Punjab Modaraba  
*(An Islamic Financial Institution)*

(UN-AUDITED)  
**QUARTERLY ACCOUNTS**  
SEPTEMBER 30, 2014





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## 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

### Auditors of the Management Company

Hameed Chaudhry & Co.  
Chartered Accountants

### Bankers

The Bank of Punjab  
Bank Alfalah Limited

### Chief Financial Officer & Company Secretary

Mudassar Kaiser Pal

### Registrar

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

### Audit Committee

Mahboob-ul-Hassan	Chairman
Nadeem Amir	Member
Tariq Maqbool	Member

### Registered Office

BOP Tower, 1st Floor, 10-B Block E-II, Main  
Boulevard, Gulberg III, Lahore. Postal Code No.  
54600

### Human Resource Committee

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

PABX: (+92-42) 35783676

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E-mail: [info@punjabmodaraba.com.pk](mailto:info@punjabmodaraba.com.pk)

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

### Auditors of the Modaraba

Ernst & Young Ford Rhodes Sidat Hyder  
Chartered Accountants

## Directors' Report

### 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 quarterly results of the Modaraba, together with Directors' report, for the quarter ended September 30, 2014.

Gradual improvement in economy continued during the quarter under review. The current heavy rains and floods, which have engulfed central and southern Punjab, however, threatened the nascent recovery in economic activity. The stability in State Bank of Pakistan's discount rate over the period was a positive and comforting sign. It is hoped that situation will improve in coming quarters and one can expect the growth and vibrancy in the economy as resolved by the Government.

Due to strict financial control and management, the Modaraba was able to reduce its expenditure during the quarter under review by 19%. The reduction was more than sufficient to offset the decline of 10% in revenues. The other factor contributing towards decreased expenditure was continued support of the Bank of Punjab by application of subsidized profit rate on its financing lines for the Modaraba. Further due to concerted efforts for recovery from non performing assets, the Modaraba was able to reverse provisions of Rs.9.25 million and continue with its profitable trend. The above stability in financial indicators is gradually becoming permanent feature of Modaraba's performance.

Going forward, recovery from non-performing assets and business development will be focal points. For recovery, every possible measure will be taken depending upon the situation of individual cases including litigation, restructuring / rescheduling, out of court settlements and repossession of assets etc. The development of business will soon witness introduction of new products and services, identifying new target markets and repeat business from valuable customers with excellent repayment history. This will be made possible by capacity building in terms of human resource as well as information technology infrastructure.

The Board duly acknowledges the guidance and support extended by the Securities & Exchange Commission of Pakistan and wishes to be its beneficiary in the future as well.

For and on behalf of the  
Board of Directors

Lahore: October, 28 2014

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



## Condensed Interim Balance Sheet

As at 30 September 2014

	Note	Un-Audited 30 September 2014 Rupees	Audited 30 June 2014 Rupees
<b>ASSETS</b>			
<b>Non current assets</b>			
Tangible fixed assets	5		
Assets leased out		<b>330,458,832</b>	351,329,549
- Assets in own use		<b>1,247,548</b>	1,324,919
- In-tangible assets	6	<b>9,193,612</b>	9,258,858
Shares- available for sale	7	<b>9,351,243</b>	9,351,243
Long term musharikah investment - secured		<b>56,780,230</b>	61,425,668
Long term deposits		<b>192,500</b>	192,500
Deferred tax assets		<b>25,714,016</b>	25,373,531
		<b>432,937,981</b>	458,256,268
<b>Current assets</b>			
Short term morabaha investment - secured	8	<b>360,153,879</b>	378,565,903
Current maturity of long term investment	9	<b>72,666,670</b>	70,585,369
Advances, deposits, prepayments and other receivables		<b>390,421,542</b>	352,843,147
Cash and bank balances		<b>25,885,731</b>	64,165,836
		<b>849,127,822</b>	866,160,255
<b>TOTAL ASSETS</b>		<b>1,282,065,803</b>	1,324,416,523
<b>EQUITY AND LIABILITIES</b>			
<b>Capital and reserves</b>			
Certificate capital		<b>340,200,000</b>	340,200,000
Reserves		<b>(242,250,674)</b>	(247,469,394)
		<b>97,949,326</b>	92,730,606
<b>Non current liabilities</b>			
Security deposits		<b>114,321,031</b>	112,132,073
Long term musharikah finance secured	10	<b>857,107,099</b>	896,953,577
		<b>971,428,130</b>	1,009,085,650
<b>Current liabilities</b>			
Current maturity of long term liabilities		<b>61,039,172</b>	60,410,480
Deferred morabaha income		-	4,344,028
Redeemable capital - participatory and unsecured		<b>100,000,000</b>	100,000,000
Trade and other payables		<b>12,386,545</b>	18,027,543
Mark up payable		<b>16,119,939</b>	17,674,685
Unclaimed profit		<b>12,123,175</b>	12,123,172
Provision for taxation		<b>11,019,516</b>	10,020,359
		<b>212,688,347</b>	222,600,267
<b>Contingencies and commitments</b>	11	-	-
<b>TOTAL EQUITY AND LIABILITIES</b>		<b>1,282,065,803</b>	1,324,416,523

The attached notes 1 to 18 form an integral part of this interim financial information.

**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

For the period ended 30 September 2014 (Un-Audited)

	Note	30 September 2014 Rupees	30 September 2013 Rupees
<b>Income</b>			
Lease rentals		51,151,057	55,784,545
Profit on morabaha investment		5,094,545	7,484,973
Profit on musharikhah investment		1,028,279	1,995,926
Gain on disposal of fixed assets		-	292,922
Other income		2,122,091	527,681
		<b>59,395,972</b>	66,086,047
<b>Expenses</b>			
Operating expenses		3,635,395	6,354,641
Depreciation of assets leased out		41,020,470	47,649,934
Finance cost	12	18,121,453	23,855,595
		<b>62,777,318</b>	77,860,170
<b>Operating profit/(loss) before provision</b>			
		<b>(3,381,346)</b>	(11,774,123)
Provision/(Reversal) for morabaha investment		(917,762)	(2,543,219)
Provision/(Reversal) for impairment of leased assets		(10,751,002)	-
Provision/(Reversal) for musharikhah investment		2,599,907	2,664,890
Other Provisions / (Reversal)		(189,881)	-
		<b>(9,258,738)</b>	121,671
<b>Profit/(loss) after provision and impairment</b>			
		<b>5,877,392</b>	(11,895,794)
Modaraba Company's management fee		-	-
		<b>5,877,392</b>	(11,895,794)
<b>Taxation</b>			
	13	<b>658,672</b>	-
<b>Profit / (Loss) for the period</b>			
		<b>5,218,720</b>	(11,895,794)
<b>Earnings / (Loss) per certificate - basic and diluted</b>			
		<b>0.15</b>	(0.35)

The attached notes 1 to 18 form an integral part of this interim financial information.

**Chief Executive**

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(Private) Limited

**Director**

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(Private) Limited

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Punjab Modaraba Services  
(Private) Limited



## Condensed Interim Statement of Comprehensive Income

For the period ended 30 September 2014 (Un-Audited)

	<b>30 September 2014 Rupees</b>	30 September 2013 Rupees
<b>Income/ (Loss) for the period</b>	<b>5,218,720</b>	(11,895,794)
<b>Total comprehensive Income/ (loss) for the period</b>	<b>5,218,720</b>	(11,895,794)

The attached notes 1 to 18 form an integral part of this interim financial information.

**Chief Executive**

Punjab Modaraba Services  
( Private ) Limited

**Director**

Punjab Modaraba Services  
( Private ) Limited

**Director**

Punjab Modaraba Services  
( Private ) Limited

## Condensed Interim Cash Flow Statement

For the period ended 30 September 2014 (Un-Audited)

	Note	30 September 2014 Rupees	30 September 2013 Rupees
<b>Cash flow from Operating activities</b>			
Cash generated from operations	14	18,796,435	65,042,270
Profit paid on certificates of musharikhah		(1,738,888)	(7,662,962)
Profit paid on musharikhah finances		(17,937,311)	(22,067,714)
Taxes paid		-	(22,350)
		<b>(19,676,199)</b>	<b>(29,753,026)</b>
<b>Net cash (used in) / generated from operating activities</b>		<b>(879,764)</b>	<b>35,289,244</b>
<b>Cash flow from investing activities</b>			
Musharikhah investment		2,564,137	228,753
Purchase of fixed assets in own use		(118,000)	160,020
Proceeds from sale of assets in own use		-	253,600
<b>Net cash (used in)/generated from investing activities</b>		<b>2,446,137</b>	<b>642,373</b>
<b>Cash flow from financing activities</b>			
Musharikhah finances		(39,846,478)	(107,615,579)
Redeemable capital		-	(1,000,000)
<b>Net cash generated from/ (used in) financing activities</b>		<b>(39,846,478)</b>	<b>(108,615,579)</b>
<b>Net decrease in cash and cash equivalents</b>		<b>(38,280,105)</b>	<b>(72,683,962)</b>
<b>Cash and cash equivalents at the beginning of the period</b>		<b>64,165,836</b>	<b>90,519,231</b>
<b>Cash and cash equivalents at the end of the period</b>		<b>25,885,731</b>	<b>17,835,269</b>

The attached notes 1 to 18 form an integral part of this interim financial information.

**Chief Executive**

Punjab Modaraba Services  
(Private) Limited

**Director**

Punjab Modaraba Services  
(Private) Limited

**Director**

Punjab Modaraba Services  
(Private) Limited





## Condensed Statement of Changes in Equity

For the period ended 30 September 2014 (Un-audited)

	<u>Certificate Capital Rupees</u>	<u>Capital Reserve Rupees</u>	<u>Accumulated loss Rupees</u>	<u>Total Rupees</u>
<b>Balance as at 1st July 2013</b>	<b>340,200,000</b>	<b>127,366,169</b>	<b>(436,489,928)</b>	<b>31,076,241</b>
Total comprehensive income/(loss) for quarter ended 30 September 2013	-	-	(11,895,794)	(11,895,794)
Transferred from surplus on revaluation of fixed assets on account of incremental depreciation				
<b>Balance as at 30 September 2013</b>	<b>340,200,000</b>	<b>110,683,572</b>	<b>(448,385,722)</b>	<b>19,180,447</b>
<b>Balance as at 1st July 2014</b>	<b>340,200,000</b>	<b>151,347,397</b>	<b>(398,816,791)</b>	<b>92,730,606</b>
Total comprehensive income/(loss) for quarter ended 30 September 2014	-	-	5,218,720	5,218,720
<b>Balance as at 30 September 2014</b>	<b>340,200,000</b>	<b>151,347,397</b>	<b>(393,598,071)</b>	<b>97,949,326</b>

The attached notes 1 to 18 form an integral part of this interim financial information.

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

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

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



## Notes to the Condensed Interim Financial Information

For the period ended 30 September 2014 (Un-audited)

### 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, multi purpose and multi dimensional modaraba and is primarily engaged in the business of leasing, musharika and morabaha financing, equity investment and other related business in accordance with the injunctions of Islam.

During the period the Modaraba has earned a profit of Rs.5,218,720 while the accumulated losses, net of reserves, as at 30 September 2014 amount to Rs. 242,250,674 which exceed fifty percent of the total amount subscribed by the holders of the Modaraba Certificates.

In order to address going concern issue in terms of section 23 of the Modaraba Companies and Modarabas (Flotation and Control) Ordinance, 1980, The Bank of Punjab (BOP) being the parent company of the Modaraba's Management Company and the exclusive secured creditor of the Modaraba has extended its due support in terms of deferral of repayment of credit lines to mitigate liquidity risk and application of subsidized profit rate to make Modaraba profitable.

Further the Management has prepared a business plan with focus on recovery and booking of quality fresh assets thereby achieving sustained profitability. On the basis of support and the arrangements as outlined above and the business plan prepared by the management which has been approved by the Board of Directors, the management is of the view that the Modaraba would have adequate resources to continue its business in the foreseeable future.

### 2 Basis of preparation

This condensed interim financial information is un-audited. This interim financial information of the Modaraba for the quarter ended 30 September 2014 has been prepared in accordance with the requirements of the International Accounting Standard (IAS) - 34 "Interim Financial Reporting".

This condensed interim financial information is being submitted to the certificate holders as required under 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 30 June 2014.

### 4 Estimates

The preparation of this condensed 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 the 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 2014.



	<b>Assets leased out Rupees</b>	<b>Assets own use Rupees</b>	<b>Total Rupees</b>
<b>5 Tangible fixed assets</b>			
Book Value as at 30 June 2014 (Audited)	351,319,302	1,326,787	352,646,089
Additions during the period	20,275,000	118,000	20,393,000
Disposal during the period	(115,000)	-	(115,000)
Impairment of Assets	-	-	-
Net Depreciation	(41,020,470)	(197,239)	(41,217,709)
Book Value as at 30 September 2014 (unaudited)	<b>330,458,832</b>	<b>1,247,548</b>	<b>331,706,380</b>
	<b>Note</b>	<b>30 September 2014 (Un-audited) Rupees</b>	30 June 2014 (Audited) Rupees
<b>6 In-tangible assets</b>			
Trading Rights Entitlement Certificate Room at Lahore Stock Exchange	6.1	<b>26,648,757 9,000,000</b>	26,648,757 9,000,000
		<b>35,648,757</b>	35,648,757
Less: Impairment on Trading Rights Entitlement certificate		<b>(26,648,757)</b>	(26,648,757)
		<b>9,000,000 193,612</b>	9,000,000 258,858
Computer Software		<b>9,193,612</b>	<b>9,258,858</b>
<b>6.1</b> This represents trading rights entitlement certificate (TREC) received against membership card pursuant to demutualization of the Lahore Stock Exchange (LSE). The Modaraba has allocated the carrying value of membership of LSE between TREC and shares in ratio of 0.74 : 0.26.			
	<b>Note</b>	<b>30 September 2014 (Un-audited) Rupees</b>	30 June 2014 (audited) Rupees
<b>7 Shares available for sale</b>			
Unquoted Lahore Stock Exchange Limited	7.1	<b>9,351,243</b>	9,351,243



**7.1** Pursuant to demutualization of the Lahore Stock Exchange (LSE), the ownership rights in a Stock Exchange were segregated from the right to trade on an exchange. As a result of such demutualization, the Modaraba received shares and TREC from the LSE against its membership card which was carried at Rs. 36,000,000 in the books of the Modaraba.

The above arrangement has resulted in allocation of 843,975 shares at Rs. 10 each with a total face value of Rs. 8,439,750 and TREC to the Modaraba by the LSE. Out of Total shares issued by the LSE, the Modaraba has received 40% equity shares i.e 337,590 shares in its CDC account. The remaining 60% shares have been transferred to CDC sub-account in the Modaraba’s name under the LSE’s participant ID with the CDC which will remain blocked until these are divested/sold to strategic investor(s), general public and financial institutions and proceeds are paid to the Modaraba,

In the absence of active market, these have been measured at break up value determined on the basis of financial statements of LSE for the year ended 30 June 2013.

	<b>30 September 2014 (Un-audited) Rupees</b>	30 June 2014 (Audited) Rupees
<b>8 Morabaha investment-secured</b>		
Gross Morabaha Investment	<b>606,653,667</b>	612,839,518
Add: Unearned morabaha income	-	4,344,028
	<b>606,653,667</b>	617,183,546
Less: Provision for doubtful finances	<b>(246,499,788)</b>	(238,617,643)
	<b>360,153,879</b>	378,565,903
<b>9 Current maturity of long term investment</b>		
Musharikah investment	<b>72,666,670</b>	56,682,963
<b>10 Long term musharikah finance secured</b>		
Opening balance	<b>896,953,577</b>	<b>971,664,436</b>
Additions during the year	<b>57,945,892</b>	<b>1,314,048,162</b>
Less: Paid during the year	<b>(97,792,370)</b>	<b>(1,388,759,021)</b>
	<b>(39,846,478)</b>	<b>(74,710,859)</b>
	<b>857,107,099</b>	<b>896,953,577</b>



**10.1 Musharikhah finances - secured**

The Modaraba has availed musharikhah finance facilities from The Bank of Punjab having approved limits of Rs.1,060 million (2013: Rs.1,060 million). 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 7.50% (2014: 7.5%).

**11 Contingencies and commitments**

**11.1 Contingencies**

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

**11.2 Commitments**

Ijarah disbursements approved but not disbursed as on balance sheet date amount to Rs.7.55million (June 30, 2014: 5.37million)

	<b>30 September 2014 Rupees</b>	30 September 2013 Rupees
<b>12 Finance Cost</b>		
Financial charges on Musharikhah & Morabaha	<b>16,231,474</b>	16,574,954
Financial charges on Redeemable capital	<b>1,890,410</b>	7,280,641
	<b>18,121,884</b>	<b>23,855,595</b>
<b>13 Taxation</b>		
Current	<b>999,157</b>	-
Deferred	<b>(340,485)</b>	-
	<b>658,672</b>	-
<b>14 Cash flow from operating activities</b>		
Profit / (Loss) for the period	<b>5,877,392</b>	(11,895,794)
Adjustments for:		
Depreciation of ijarah assets	<b>41,020,470</b>	47,649,934
Depreciation of assets in own use	<b>197,239</b>	794,072
Amortization of intangible assets	<b>63,828</b>	65,246
Gain/loss on sale of assets leased out	-	(292,922)
Provision/(Reversal) against doubtful morabaha investment	<b>(917,762)</b>	(2,543,219)
Provision/(Reversal) against leased assets	<b>(10,751,002)</b>	-
Provision/(Reversal) against musharikhah investment	<b>2,599,907</b>	2,664,890
Other provisions	<b>(189,881)</b>	-
Profit on musharikhah/morabaha finances	<b>16,231,043</b>	16,574,523
Profit on certificates of musharikhah	<b>1,890,410</b>	7,281,072
	<b>50,144,252</b>	72,193,596
<b>Operating profit before working capital changes</b>	<b>56,021,644</b>	60,297,802

**Working capital changes**

(Increase)/decrease in operating assets:

Morabaha investment	<b>10,529,879</b>	6,506,866
Purchase of assets leased out	<b>(20,275,000)</b>	(25,052,500)
Proceeds from transfer of assets leased out	<b>115,000</b>	4,587,213
Long term deposits	<b>340,485</b>	-
Advances, deposits, prepayments and other receivables	<b>(25,227,225)</b>	10,205,888
	<b>(34,516,861)</b>	(3,752,533)

Increase/(decrease) in operating liabilities:

Security deposits received	<b>2,932,650</b>	4,327,349
Security deposits refunded	-	(3,858,356)
Trade and other payables	<b>(5,640,998)</b>	8,028,008
	<b>(2,708,348)</b>	8,497,001

**(37,225,209)**

4,744,468

**Cash generated from operations****18,796,435**

65,042,270

**30 September  
2014  
(Un-audited)  
Rupees**

30 June  
2014  
(Audited)  
Rupees

**15 Transactions with related parties****15.1 Balance outstanding at the end of period****15.1.1 The Bank of Punjab (Holding company of Modaraba's Management Company)**

Musharikah finances	<b>857,107,099</b>	896,953,577
Profit payable on Musharikah finances	<b>15,462,405</b>	17,168,673
Net book value of the assets leased to employees	<b>631,096</b>	1,694,118
Lease security deposits	<b>902,230</b>	902,230
Certificates of Musharikah	<b>100,000,000</b>	100,000,000
Profit payable on Certificates of Musharikah	<b>657,534</b>	505,562



**July to September**  
**2014**                      2013  
**Rupees**                      Rupees

**15.2 Transactions during the period**

**15.2.1 The Bank of Punjab (Holding company of Modaraba’s Management Company)**

Lease rentals income received	<b>207,436</b>	350,730
Profit charged / paid on finances	<b>16,231,043</b>	20,777,335
Profit charged / paid on certificates of Musharikah	<b>1,890,410</b>	7,280,641

**16 Financial risk management**

The Modaraba’s financial risk management objectives and policies are consistent with that disclosed in the financial statements as at and for the year ended 30 June 2014.

**17 Date of authorization**

This unaudited interim financial information for the period ended 30 September 2014 was authorized for issue by the Board of Directors of the Management Company, on October 28, 2014

**18 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

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## **First Punjab Modaraba**

Managed By:

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

(A wholly owned subsidiary of The Bank of Punjab)

BOP Tower, 1st Floor, 10-B Block E-II, Main Boulevard, Gulberg III, Lahore, Postal Code No. 54600

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