



First Punjab Modaraba

An Islamic Financial Institution

3rd Quarterly Accounts
(Un-Audited)
March 31, 2013



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First Punjab Modaraba

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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

23-Civic Centre, Barkat Market,
New Garden Town, Lahore-Pakistan
PABX: (+92-42) 35843218
FAX: (+92-42) 35940802
E-mail: info@punjabmodaraba.com.pk
URL: www.punjabmodaraba.com.pk



The Board of Directors of Punjab Modaraba Services (Pvt.) Limited, the management company of First Punjab Modaraba (the Modaraba), is pleased to present the results of the Modaraba for nine months ended March 31, 2013 together with Directors' report.

Non-economic factors like the poor law-and-order situation continue to hamper commercial activity in addition to stubborn structural problems in public sector enterprises and the energy sector. Despite these negatives, the resilience of the informal sector appears to be pushing the formal economy forward. Construction activities remain strong, and there are indications of foreign interest in joint-projects in Pakistan's real estate sector. However, with a caretaker government paving the way for general elections in May 2013, domestic investors are understandably reluctant to take a long-term view.

The decreasing trend of revenues in the Modaraba continued owing to absence of fresh business and redemption of existing ijarah assets, resulting in decrease of Rs. 203.42 million in revenues. On the other side a reduction of Rs.204.06 million in expenditure was witnessed as compared with corresponding period. Hence the operating loss before provision for the period under consideration stood at Rs.57.75 million against Rs.58.39 million in corresponding period last year. The maturing migration factor in provisioning against non performing assets caused reduction in provisions. Accordingly, the loss after provision and impairment for the period was restricted to Rs.87.36 million against Rs.119.43 million in last year.

The recovery suits amounting to Rs.969.75 million, out of total non performing portfolio of Rs.1,065.61 million, are being followed up vigorously in or out of the courts. In the remaining cases, the Modaraba is continuing with its 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

Lahore: April 26, 2013

CHIEF EXECUTIVE



CONDENSED INTERIM BALANCE SHEET

AS AT MARCH 31, 2013

	Note	Un-audited March 31, 2013 Rupees	Audited June 30, 2012 Rupees
ASSETS			
Non current assets			
Ijarah assets	5		
Assets leased out		554,707,005	721,624,239
Assets in own use		18,511,258	21,833,357
In-tangible assets	6	45,582,254	45,776,574
Long term musharikhah investment - secured	7	4,388,766	21,622,127
Long term deposits		198,944	656,944
		623,388,227	811,513,241
Current assets			
Short term morabaha investment - secured	8	483,727,196	497,784,821
Current maturity of long term investment		66,739,083	56,682,963
Property acquired against satisfaction of claim		-	46,050,000
Advances, deposits, prepayments and other receivables ⁹		370,384,995	439,269,313
Tax refundable		975,105	869,896
Cash and bank balances		23,175,135	58,509,315
		945,001,514	1,099,166,308
TOTAL ASSETS		1,568,389,741	1,910,679,549
EQUITY AND LIABILITIES			
Capital and reserves			
Certificate capital		340,200,000	340,200,000
Reserves		(298,205,131)	(211,367,440)
		41,994,869	128,832,560
Surplus on revaluation of fixed assets		13,341,625	13,865,497
		55,336,494	142,698,057
Non current liabilities			
Security deposits		116,138,834	145,583,264
Long term morabaha finances - secured		-	-
Redeemable capital - participatory and unsecured		-	-
		116,138,834	145,583,264
Current liabilities			
Current maturity of non current liabilities		81,196,141	87,304,755
Musharikhah finances - secured	10	955,217,464	1,041,532,173
Deffered morabaha income		-	8,163,234
Redeemable capital - participatory and unsecured	11	301,900,000	422,515,082
Trade and other payables		21,720,727	16,596,331
Mark up payable	12	24,756,648	34,103,874
Unclaimed profit		12,123,432	12,182,779
		1,396,914,412	1,622,398,228
Contingencies and commitments	14		
TOTAL EQUITY AND LIABILITIES		1,568,389,741	1,910,679,549

The attached notes 1 to 20 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 MARCH 31, 2013



Note	2013		2012	
	July to March	Jan. to March	July to March	Jan. to March
	Rupees	Rupees	Rupees	Rupees
Income				
	242,003,245	67,832,206	424,583,081	127,327,000
Ijarah rentals				
Profit on morabaha investment	20,331,746	4,553,102	20,624,650	6,589,376
Profit on musharikhah investment	2,634,059	501,905	3,522,583	1,333,210
Gain on disposal of assets	3,496,657	(113,939)	7,567,322	9,433,271
Other income	2,807,923	861,005	18,396,242	4,059,181
	271,273,630	73,634,279	474,693,878	148,742,038
Expenses				
	24,905,914	7,464,715	25,334,057	8,458,945
Operating expenses				
Depreciation of ijarah assets	194,536,699	58,728,720	344,885,887	102,927,428
Financial and other charges	109,580,851	30,457,728	162,866,717	50,349,499
	329,023,464	96,651,163	533,086,661	161,735,872
Operating profit/(loss) before provision	(57,749,834)	(23,016,884)	(58,392,783)	(12,993,834)
Provision/(Reversal) for morabaha investment	(12,627,294)	5,191,844	29,294,931	(9,678,200)
Provision/(Reversal) for impairment of ijarah assets	2,993,726	847,084	22,083,607	8,027,368
Provision/(Reversal) for musharikhah investment	2,742,895	-	7,336,728	6,894,750
Provision/(Reversal) against Ijarah rentals	36,502,402	-	-	-
Other Provisions / (Reversal)	-	-	2,322,001	-
	29,611,729	6,038,928	61,037,267	5,243,918
Operating profit/(loss) after provision and impairment	(87,361,563)	(29,055,812)	(119,430,050)	(18,237,752)
Modaraba Company's management fee	-	-	-	-
Profit / (Loss) for the period	(87,361,563)	(29,055,812)	(119,430,050)	(18,237,752)
Loss per certificate - basic	(2.57)	(0.85)	(3.51)	(0.54)

The annexed notes 1 to 20 form integral part of this interim financial statements.

Chief Executive
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(Private) Limited

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CONDENSED INTERIM STATEMENT OF COMPREHENSIVE INCOME (UN-AUDITED)
FOR THE PERIOD ENDED MARCH 31, 2013

	<u>2013</u> <u>July to</u> <u>March</u> <u>Rupees</u>	<u>2012</u> <u>July to</u> <u>March</u> <u>Rupees</u>
Loss for the period	(87,361,563)	(119,430,050)
Total comprehensive loss for the period	(87,361,563)	(119,430,050)

The attached notes 1 to 20 form an integral part of these financial statements.

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CONDENSED INTERIM CASH FLOW STATEMENT (UN-AUDITED)
FOR THE PERIOD ENDED MARCH 31, 2013



	Note	March 31, 2013 Rupees	March 31, 2012 Rupees
Cash flow from Operating activities			
Cash (used in) / generated from operations	15	309,796,948	458,900,431
Profit paid on certificates of musharikah		(34,359,264)	(66,350,708)
Profit paid on musharikah finances		(82,713,074)	(61,304,744)
Profit paid on morabaha finances		(1,855,738)	(4,061,699)
Taxes paid		(105,209)	(83,200)
		(119,033,285)	(131,800,351)
Net cash (used in) / generated from operating activities		190,763,663	327,100,080
Cash flow from investing activities			
Cash margin on LG received/ (refunded)		-	(1,311,155)
Musharikah investment		4,434,346	7,498,107
Purchase of fixed assets in own use		(73,100)	(365,535)
Proceeds from sale of assets in own use		18,100	83,120
Net cash (used in)/generated from investing activities		4,379,346	5,904,537
Cash flow from financing activities			
Musharikah finances		(86,314,709)	(132,525,342)
Morabaha		(16,288,051)	(13,741,276)
Redeemable capital		(127,815,082)	(327,443,918)
Profit distributed among the certificate holders		(59,347)	(143,149)
Net cash generated from/ (used in) financing activities		(230,477,189)	(473,853,685)
Net decrease in cash and cash equivalents		(35,334,180)	(140,849,068)
Cash and cash equivalents at the beginning of the period		58,509,315	182,410,708
Cash and cash equivalents at the end of the period		23,175,135	41,561,640

The attached notes 1 to 20 form an integral part of these financial statements.

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CONDENSED INTERIM STATEMENT OF CHANGES IN EQUITY FOR THE PERIOD ENDED MARCH 31, 2013 (UN-AUDITED)

	Certificate Capital	Statutory Reserve	Revaluation Surplus	Unappropriated profit / (Accum- ulated Loss)	Total
	Rupees	Rupees	Rupees	Rupees	Rupees
Balance as at 1st July 2011	340,200,000	114,199,168	-	(157,953,556)	296,445,612
Total comprehensive loss for nine months ended 31 March 2012	-	-	-	(119,430,050)	(119,430,050)
Balance as at 31 March 2012	<u>340,200,000</u>	<u>114,199,168</u>	<u>-</u>	<u>(277,383,606)</u>	<u>177,015,562</u>
Balance as at 1st July 2012	340,200,000	114,199,168	13,865,497	(325,566,608)	142,698,057
Total comprehensive loss for nine months ended 31 March 2013	-	-	-	(87,361,563)	(87,361,563)
Incremental depreciation on revaluation of fixed assets	-	-	(523,872)	523,872	-
Balance as at 31 March 2013	<u>340,200,000</u>	<u>114,199,168</u>	<u>13,341,625</u>	<u>(412,404,299)</u>	<u>55,336,494</u>

The attached notes 1 to 20 form an integral part of these financial statements.

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NOTES TO THE CONDENSED INTERIM FINANCIAL INFORMATION

FOR THE PERIOD ENDED MARCH 31, 2013



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 23 Civic Centre, Barkat Market, New Garden Town, Lahore. The Modaraba commenced its business operations from 23 December 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. 87,361,563 while the accumulated losses, net of capital reserves, as at 31 March 2013 amount to Rs. 284,863,505 which exceeds fifty percent of the total amount subscribed by the holders of the Modaraba Certificates. Further the current liabilities of the Modaraba exceeded its current assets by Rs. 451,912,898 as at 31 March 2013.

In view of the above matters, Punjab Modaraba Services (Pvt.) Limited, the management company, with support of The Bank of Punjab is engaged in devising a plan whereby the operations of the Modaraba and its assets and liabilities will be transferred to and merged with The Bank of Punjab through scheme of arrangement, subject to completion of legal formalities.

The above matters indicate existence of material uncertainty with regard to Modaraba’s ability to continue as a going concern. However, the management is confident about the successful completion of the proposed merger transaction, accordingly these financial statements have been prepared on going concern basis.

2. Basis of preparation

This condensed interim financial information is un-audited but subject to limited scope review by the auditors. This condensed interim financial information of the Company for nine months ended 31 March 2013 has been prepared in accordance with the requirements of the International Accounting Standard (IAS) - 34 “Interim Financial Reporting”.

This interim financial information does not include all information required for full annual financial statements, and should be read in conjunction with the financial statements of the Modaraba for the year ended 30 June 2012.

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 30 June 2012, except as follows:

The Company has adopted the following amendments to IFRSs which became effective for the current period:

IAS 1 – Presentation of Financial Statements – Presentation of items of other comprehensive income (Amendment)

IAS 12 – Income Taxes - Recovery of Underlying Assets (Amendment)

The adoption of the above amendments did not have any effect on the financial statements.



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 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

	Ijarah assets Rupees	Assets in own used Rupees	Total Rupees
Book Value as at 30 June 2012 (Audited)	721,624,239	21,833,357	743,457,596
Additions during the periods	67,929,775	472,141	68,401,916
Disposal during the periods	(37,316,584)	(386,378)	(37,702,962)
Impairment of Assets	(2,993,726)	-	(2,993,726)
Net Depreciation	(194,536,699)	(3,407,862)	(197,944,561)
Book Value as at 31 March 2013 (unaudited)	554,707,005	18,511,258	573,218,263

March 31, 2013 (Un-audited) Rupees	June 30, 2012 (Audited) Rupees
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6. In-tangible assets

Corporate membership of Lahore Stock Exchange	37,100,000	37,100,000
Less: Impairment on LSE membership	(1,100,000)	(1,100,000)
	36,000,000	36,000,000
Room at Lahore Stock Exchange	9,000,000	9,000,000
	45,000,000	45,000,000
LMS software	1,295,000	1,295,000
Less: Amortization	(712,746)	(518,426)
	45,582,254	45,776,574

6.1 After the demutualization process, THE Modaraba has received ordinary shares of Lahore Stock Exchange (LSE) and Trading Rights Entitlement Certificate (TREC) in lieu of its membership card. The Modaraba has received 843,975 shares of LSE having face value of Rs. 10 each, out of which 60% of the shares are kept in block account and divestment of the same will be made in accordance with the requirements of the Stock Exchanges (Corporatization, Demutualization and integration) Act. The accounting treatment of TREC and shares received from the exchange is being discussed in the Professional Standards and Technical Advisory Committee of the Institute of Chartered Accountants of Pakistan (ICAP) and will be finalized in due course.

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.

In view of the above factors, management is not currently in a position to determine the extent of impairment required, if any. Hence, no further provision for impairment has been recorded.



	March 31, 2013 (Un-audited) Rupees	June 30, 2012 (Audited) Rupees
7. Long term musharika investment - secured		
Musharika investment	88,752,132	93,186,478
Less: Current portion of long term musharika investment	(66,739,083)	(56,682,963)
Less: Provision against musharika investment	(17,624,283)	(14,881,388)
	<u>4,388,766</u>	<u>21,622,127</u>
8. Morabaha investment-secured		
Gross Morabaha Investment	810,207,663	828,729,348
Add: Unearned morabaha income	-	8,163,234
	<u>810,207,663</u>	<u>836,892,582</u>
Less: Provision for doubtful finances	(326,480,467)	(339,107,761)
	<u>483,727,196</u>	<u>497,784,821</u>
9. Advances, deposits, prepayments and other receivables		
These include ijarah rental receivables amounting to Rs. 352,585,690 (30 June 2012: Rs. 390,605,630) against which provision amounting to Rs. 36,502,402 (30 June 2012: Rs. Nil) has been created.		
10. Musharika finances - secured		
This represents musahrika finance facilities availed from The Bank Of Punjab, having limit of Rs. 1,060 million (30 June 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 (30 June 2012 : Rs. 1,900 million).		
The estimated share of profit payable on musharika facility ranges from to 9.38% to 11.95% (30 June 2012: 11.91% to 13.54%).		
	March 31, 2013 (Un-audited) Rupees	June 30, 2012 (Audited) Rupees
11. Redeemable capital - participatory and unsecured		
Opening balance	422,515,082	963,061,760
Issued during the year	1,020,312,466	1,337,354,284
Less: Redeemed during the year	(1,140,927,548)	(1,877,900,962)
	<u>(120,615,082)</u>	<u>(540,546,678)</u>
Closing balance	<u>301,900,000</u>	<u>422,515,082</u>



	March 31, 2013 (Un-audited) Rupees	June 30, 2012 (Audited) Rupees
12. Mark-up Payable		
Musharikhah / Morabaha finance	22,147,192	28,619,727
Redeemable Capital	2,609,456	5,484,147
	<u>24,756,648</u>	<u>34,103,874</u>
13. Financial and other charges		
Financial charges on Musharikhah & Morabaha	78,096,278	81,682,208
Financial charges on Redeemable capital	31,476,639	81,177,248
Bank and other charges	7,934	7,261
	<u>109,580,851</u>	<u>162,866,717</u>
14. Contingencies and commitments		
14.1 Contingencies		
14.1.1 There are no significant changes in contingent liabilities since the last published financial statements.		
14.2 Commitments		
Commitments as on balance sheet date amount to Rs. Nil (30 June 2012: Rs. Nil)		
	March 31, 2013 (Un-audited) Rupees	March 31, 2012 (Un-audited) Rupees
15. Cash flow from operating activities		
Profit / (Loss) for the period	(87,361,563)	(119,430,050)
Adjustments for:		
Depreciation of ijarah assets	194,536,699	344,885,887
Depreciation of assets in own use	3,417,886	2,573,652
Amortization of intangible assets	172,335	195,525
Gain/loss on sale of assets	(3,496,657)	(7,567,322)
Provision/(Reversal) against doubtful morabaha investment	(12,627,294)	29,294,931
Provision/(Reversal) against leased assets	2,993,726	22,083,607
Provision/(Reversal) against musharikhah investment	2,742,895	7,336,728
Provision/(Reversal) against lease rental receivables	36,502,402	-
Other provisions	-	2,322,001
Profit on musharikhah/morabaha finances	78,096,278	81,682,208
Profit on certificates of musharikhah	31,484,573	81,184,509
	<u>333,822,843</u>	<u>563,991,726</u>
Operating profit before working capital changes	<u>246,461,280</u>	<u>444,561,676</u>



	March 31, 2013 (Un-audited) Rupees	March 31, 2012 (Un-audited) Rupees
Working capital changes		
(Increase)/decrease in operating assets:		
Morabaha investment	18,521,685	94,419,593
Purchase of assets leased out	(67,929,775)	(166,420,900)
Proceeds from transfer of assets leased out	39,310,439	150,562,903
Proceeds against banking claim	48,450,000	-
Long term deposits	(458,000)	-
Advances, deposits, prepayments and other receivables	32,381,916	9,667,068
	70,276,265	88,228,664
Increase/(decrease) in operating liabilities:		
Security deposits received	450,000	5,274,740
Security deposits refunded	(12,514,993)	(49,165,865)
Trade and other payables	5,124,396	(29,998,784)
	(6,940,597)	(73,889,909)
	63,335,668	14,338,755
Cash generated from operations	309,796,948	458,900,431

16. 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.

	March 31, 2013 (Un-audited) Rupees	June 30, 2012 (Audited) Rupees
17. Transactions with related parties		
17.1 Balance outstanding at the end of period		
17.1.1 The Bank of Punjab (Holding company of Modaraba's Management Company)		
Musharikhah finances	956,866,504	1,041,532,170
Profit payable on Musharikhah finances	22,447,145	26,735,342.00
Net book value of the assets leased to employees	2,876,052	5,670,464
Ijarah security deposits	1,523,370	1,669,570
Ijarah rentals receivables	656,003	-
Certificates of Musharikhah	300,000,000	300,000,000
Profit payable on Certificates of Musharikhah	2,624,384	3,143,836
17.1.2 BOP Employee Provident Fund		
Certificates of Musharikhah	-	60,000,000
Profit payable on Certificates of musharikhah	-	1,260,816



First Punjab Modaraba

	July to March 2013 Rupees	July to March 2012 Rupees
17.2 Transactions during the period		
17.2.1 The Bank of Punjab (Holding company of Modaraba's Management Company)		
Ijarah rentals income	2,281,283	3,531,898
Profit charged on finances	78,174,505	85,399,547
Profit charged on certificates of Musharikah	25,152,548	16,098,904
17.2.2 BOP Employee Provident Fund		
Profit charged on Certificates of Musharikah	2,980,832	7,437,321

18. 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 2011.

19. Date of authorization

This unaudited interim financial information for the period ended 31 March 2013 was authorized for issue by the Board of Directors of the Management company on 26 April 2013.

20. 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



First Punjab Modaraba

An Islamic Financial Institution

Managed by:

Punjab Modaraba Services (Pvt) Ltd.

(A wholly owned subsidiary of The Bank of Punjab)

23-Civic Centre, Barkat Market,

New Garden Town, Lahore-Pakistan

PABX: (+92-42) 35843218

FAX: (+92-42) 35940802

www.punjabmodaraba.com.pk