

First Punjab Modaraba

(An Islamic Financial Institution)



Growth + Prosperity

Contents

Corporate Profile	02
Our Vision and Our Mission	03
Financial Highlights 04	
Jama Punji	06
Six Years at a Glance	07
Chairman's Review	08
Directors' Report	09
Directors' Report (Urdu)	13
Statement of Compliance With Best Practices of Corporate Governance	19
Review Report on Statement of Compliance of Corporate Governance	22
Notice of Book Closure & Annual Review Meeting	24
Pattern of Certificate Holders	25
Categories of Certificate Holders	26

Financial Report

Auditors' Report	28
Annual Shari'ah Advisor's Report	30
Balance Sheet	32
Profit and Loss Account	33
Statement of Comprehensive Income	34
Cash Flow Statement	35
Statement of Changes in Equity	36
Notes to the Financial Statements	37

Consolidated Financial Report

Auditors' Report	82
Balance Sheet	84
Profit and Loss Account	85
Statement of Comprehensive Income	86
Cash Flow Statement	87
Statement of Changes in Equity	88
Notes to the Financial Statements	89



Corporate Profile

Board of Directors

Punjab Modaraba Services (Pvt.) Ltd.

Khalid Siddiq Tirmizey	Chairman
Aamir Malik	Chief Executive
Nadeem Amir	Director
Ijaz ur Rehman Qureshi	Director
Mahboob-ul-Hassan	Director
Umar Iqbal Sheikh	Director
Imran Bashir	Director

Chief Financial Officer & Company Secretary

Mudassar Kaiser Pal

Audit Committee

Imran Bashir	Chairman
Nadeem Amir	Member
Ijaz ur Rehman Qureshi	Member

Human Resource Committee

Imran Bashir	Chairman
Ijaz ur Rehman Qureshi	Member
Nadeem Amir	Member
Aamir Malik	Member

Auditors of the Modaraba

EY Ford Rhodes
Chartered Accountants

Auditors of the Management Company

Shinewing Hameed Chaudhry & Co.
Chartered Accountants

Bankers

The Bank of Punjab
Bank Alfalah Limited
Meezan Bank Limited

Registrar

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

Registered Office

Office No. 100, 3rd floor, National Tower,
28-Egerton Road, Lahore
Tel: (+92-42) 36365191-93
Fax: (+92-42) 36365195
E-mail: info@punjabmodaraba.com.pk



First Punjab Modaraba

Our Vision

Connect the Community to
Islamic Mode of Financing.



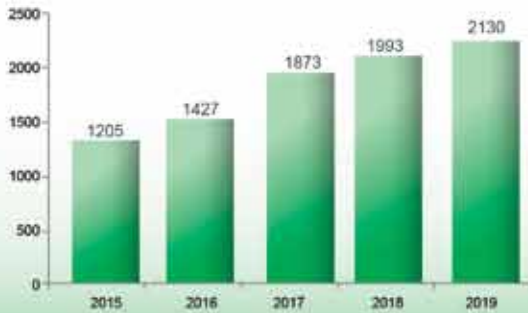
Our Mission

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

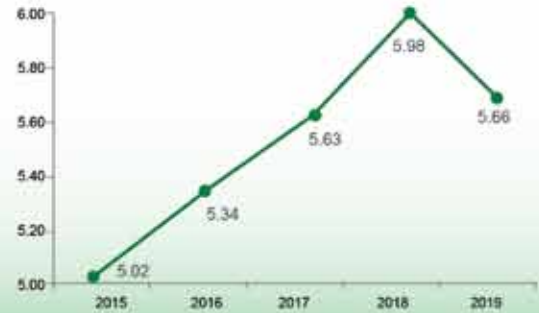


Financial Highlights

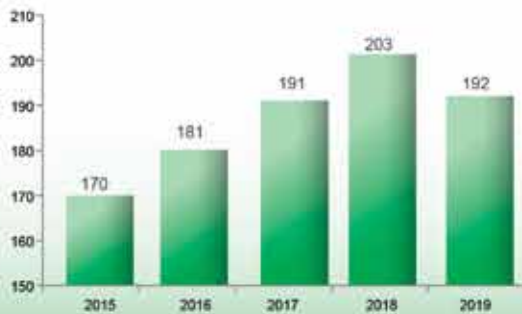
Total Assets



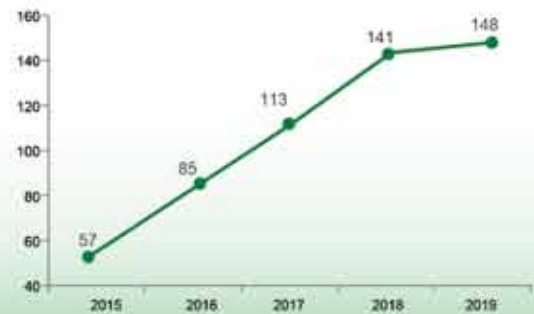
Break Up Value Trend



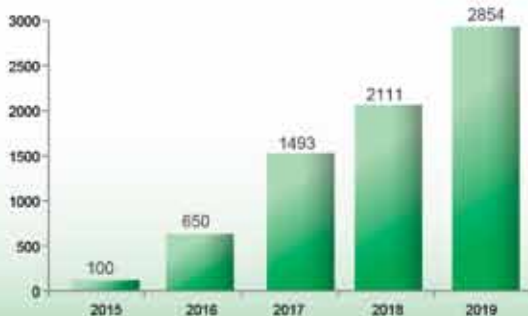
Equity



Profit Trend



Fresh Business



Reserve












Product of First Punjab Modaraba







- Fast Processing
- No Pre-payment Penalty
- Option to choose Tenure
- Hassel Free
- Diminishing Musharakah
- Ijarah
- Murabaha



**Be aware, Be alert,
Be safe**
Learn about investing at
www.jamapunji.pk

Key features:

-  Licensed Entities Verification
-  Scam meter*
-  Jamapunji games*
-  Tax credit calculator*
-  Company Verification
-  Insurance & Investment Checklist
-  FAQs Answered

-  Stock trading simulator
(based on live feed from KSE)
-  Knowledge center
-  Risk profiler*
-  Financial calculator
-  Subscription to Alerts (event
notifications, corporate and
regulatory actions)
-  Jamapunji application for
mobile device



Six Years at a Glance

	(Amounts in '000)					
	June-14	June-15	June-16	June-17	June-18	June-19
BALANCE SHEET						
Authorized Capital	500,000	500,000	500,000	500,000	500,000	500,000
Equity:						
Issued, Subscribed & Paid Up Capital	340,200	340,200	340,200	340,200	340,200	340,200
Reserves	151,347	198,613	204,119	209,697	215,477	216,693
Loss on re-valuation of Investment	-	-	-	-	-	-
Un-appropriated Profit	(398,817)	(368,096)	(362,587)	(358,247)	(352,254)	(364,283)
Total	92,730	170,717	181,732	191,650	203,423	192,609
Liabilities:						
Redeemable Capital	100,000	100,000	100,000	400,000	400,000	445,518
Musharikh Arrangements	896,954	734,133	955,925	1,101,205	1,193,495	1,223,622
Accrued, Deferred & Other Liabilities	234,733	200,890	189,704	180,964	195,971	267,847
Total	1,231,687	1,035,024	1,245,629	1,682,169	1,789,466	1,936,987
Total Equity & Liabilities	1,324,417	1,205,741	1,427,361	1,873,819	1,992,889	2,129,596
Operating Assets:						
Ijarah Assets	351,330	203,641	208,430	178,858	225,738	363,711
Deferred tax	25,373	38,175	48,144	56,069	61,834	64,399
Musharikh Investment	131,704	127,510	458,781	889,074	896,722	857,740
Morabaha Investment	378,566	364,378	309,143	276,995	275,416	308,264
Sub Total	886,973	733,704	1,024,498	1,400,996	1,459,710	1,594,114
Other Assets:						
Assets in own use	10,584	9,914	9,914	2,561	3,390	3,338
Investment in Subsidiary	-	-	-	50,000	76,500	76,500
Shares-Available for sale	9,353	9,816	10,309	-	-	-
Deposits, Prepayments & other receivables "	353,343	340,397	352,570	378,509	406,090	412,619
Cash & Bank Balances	64,166	111,910	30,065	41,753	47,169	43,025
Sub Total	437,446	472,037	402,858	472,823	533,149	535,482
Total Assets	1,324,419	1,205,745	1,427,356	1,873,819	1,992,859	2,129,596
PROFIT & LOSS ACCOUNT						
Operating Income	263,244	339,520	135,358	125,081	128,663	169,527
Other Income	34,291	13,685	4,124	6,114	10,749	17,903
Total Income	297,535	353,205	139,482	131,195	139,413	187,430
Operating Expenses	148,518	187,461	58,813	29,374	15,117	30,319
Financial Charges	86,972	63,171	57,792	79,970	93,504	150,423
Management Fee	3,102	4,103	1,716	2,672	3,079	-
Total Expenses	238,592	254,735	118,321	112,016	111,700	180,742
Profit before Taxation	58,943	98,470	21,161	24,048	27,713	6,688
Taxation	15,353	(3,938)	6,371	3,836	1,041	(463)
Profit for the year	74,296	94,532	27,532	27,884	28,754	6,225
DISTRIBUTION:						
Cash Dividend(%)	5	5.	5	5	5	0
Bonus (%)	-	-	-	-	-	-
RATIOS:						
Breakup Value (Rs.)	2.73	5.02	5.34	5.63	5.98	5.66
Earning per Certificate (Rs.)	2.18	2.78	0.53	0.82	0.81	0.18
Return on Equity (Rs.)	80.12	55.37	15.15	14.55	14.14	3.23

Chairman's Review

I am pleased to present report on the affairs of First Punjab Modaraba for the year ended 30th June, 2019. As anticipated, the year under consideration witnessed grave challenges including economic slowdown, weakening of Pak Rupee, rising inflation and interest rates and subdued capital market. The operations of the Modaraba remained under control and positive bottom line was achieved, despite exorbitant increase in financial cost. Economic growth in next year is likely to remain weak by recent historical standards as country's severe twin deficits require fiscal austerity. In addition, a tighter monetary stance and elevated inflation are expected to eat into household spending and credit growth.

The Modaraba is part of a prominent financial services group led by The Bank of Punjab, who has emerged as one of the foremost financial institutions in the country, focused on spurring an economic revival by endeavoring to meet the needs of tomorrow as well as today. The Bank's extensive portfolio encompasses all facets of banking. The Modaraba's vision and mission encompass promotion of Islamic mode of financing and progressive enhancement of fully researched Islamic Financing Products so as to continuously meet its customer's need. The importance of the respective roles of the Board and the Management are well understood and exhibited in the performance of the modaraba.

During the year the Board of Directors comprise six members, possessing diversified banking and financial expertise. During the year, Mr. Umer Iqbal Sheikh was appointed on the Board who brings along extensive experience of Islamic Banking while Khawaja Farooq Saeed resigned from the Board. The Board conducted thorough review of quarterly accounts presented by the Management and adequately provided its strategic guidance on policy matters. Historically, the annual review of Board performance in respect of its effectiveness and performance is carried out on a self-assessment basis. A detailed questionnaire covering the basic principles of fairness, integrity and accountability with prime focus to enhance Modaraba's performance is filled out by the Board members.

I take this opportunity to thank Registrar Modaraba, Securities & Exchange Commission of Pakistan, Pakistan Stock Exchange and other relevant regulatory bodies for their continued guidance and support extended to the Modaraba.

November 8, 2019



KHALID S. TIRMIZEY
Chairman

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 26th Directors' Report of the Modaraba, together with audited financial statements and auditors' report for year ended June 30, 2019.

Composition of the Board

During the year under review:

- i. the Board comprised of all six male directors.
- ii. the Board included one executive and five non-executive directors, while the casual vacancy of independent director was filled subsequent to the year end.
- iii. the names of Board Committees members were as under:

Audit Committee

Khawaja Farooq Saeed,	Chairman (resigned)
Mr. Nadeem Amir,	Member
Mr. Ijaz ur Rehman Qureshi	Member

Human Resource Committee

Mr. Ijaz ur Rehman Qureshi,	Chairman
Mr. Nadeem Amir,	Member
Mr. Aamir Malik,	Member

Risk Management Committee

Mr. Ijaz ur Rehman Qureshi,	Chairman
Mr. Nadeem Amir,	Member
Mr. Aamir Malik,	Member

The Board has a policy to remunerate the independent director @ Rs.25,000/- for each meeting attended of Board and Board Committee. No other director is paid any remuneration.

Economic Outlook and Future Prospects

The year under consideration went as a year of missed targets. The GDP growth, exports, fiscal deficit, revenue generation, inflation and other key indicators were all, well off the mark. While the government was able to stop the bleeding in the forex reserves through mobilization of support from friendly countries, delays in finalization of an IMF program was seen as a major contributing factor which adversely impacted market sentiments. As a consequence the benchmark PSX index touched a multi year low of 33,166 points and the market capitalization was down almost 50% in USD terms from its peak.

On remedial side, the government adopted the traditional tools (fiscal and monetary tightening) for curbing aggregate demand. Discount rate increased by 575 basis points during the year. Combined with devaluation and a slew of regulatory duties, the current account deficit (CAD) contracted. Greater data availability and data mining solutions might result in an expansion of tax base while the growing importance of Belt and Road Initiative (BRI) and the key position occupied by the CPEC component within the overall BRI would mean that Foreign Direct Investment inflows to Pakistan will gradually become robust. The second phase of CPEC will see greater cooperation in the Industrial and Agricultural sector. Consistent policy focus on re-industrialization and reduction of rent seeking opportunities (Real estate) could set the base for a strong industrial growth rebound.



Principal activities and performance of Modaraba

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

The Modaraba maintained its growth trajectory by booking fresh assets resulting in increase in total assets and lending portfolio. The profit margins were, however, squeezed amid exorbitant increase in borrowing cost. The bottom line of Rs. 6.23 million led to earning per certificate of Rs.0.18 while the breakup value per certificate decreased to Rs. 5.66 due to payment of previous year's dividend. The newly established Brokerage Company was able to achieve break-even despite lackluster performance of stock market.

The strategy of procurement of fresh assets for sustainable growth and recovery from non-performing assets will be persisted by the Modaraba in future, while early profit rate rationalization and economic upturn will be critical for the targeted goals.

Financial Results

The financial results of the Modaraba are summarized below:

	<u>2019</u> Rupees	<u>2018</u> Rupees
Profit for the year	6,225,166	28,754,066
Accumulated Loss – brought forward	(352,253,538)	(358,246,791)
Other Comprehensive Income	-	-
Profit available for appropriation	<u>6,225,166</u>	<u>28,754,066</u>

Appropriations

Transfer to statutory reserve	1,245,033	5,750,813
Final dividend 2019: NIL (2018: 5.00%)	17,010,000	17,010,000
Accumulated Loss – carried forward	<u>(364,283,405)</u>	<u>(352,253,538)</u>
Earning per certificate - Rs.	<u>0.18</u>	<u>0.85</u>

Profit Distribution and transfer to reserves

The Board at its meeting held on November 08, 2019 approved cash dividend of Rs. Nil in order to maintain reserves and equity of the Modaraba, while transfer of Rs. 1,245,033/- to statutory reserve for the year ended June 30, 2019, out of the profit earned, was approved.

FPM Financial Strength Rating

The Pakistan Credit Rating Agency (Pvt.) Limited (PACRA) has maintained long term rating of "A-" and short term rating of "A2" with "Stable" outlook, based on annual and interim review.

Wholly owned Subsidiary

The wholly owned Subsidiary of the company i.e. Punjab Capital Securities (Private) Limited achieved break-even during the year and earned profit of Rs.0.795 million despite very difficult period for Brokerage companies where as its net assets stood at Rs.70.038 million. We are hopeful that the Subsidiary will be able to perform better in next financial year.

Corporate and Financial Reporting Framework

- The financial statements, prepared by the management of the Modaraba, present its state of affairs fairly, the result of its operations, cash flows and changes in equity;
- Proper books of account of the Modaraba have been maintained;
- Appropriate accounting policies have been consistently applied in preparation of financial statements and accounting estimates are based on reasonable and prudent judgment;
- International Financial Reporting Standards, as applicable in Pakistan, have been followed in the preparation of financial statements and any departures there from have been adequately disclosed and explained;
- The system of internal control is sound in design and has been effectively implemented and monitored;
- There are no significant doubts upon the Modaraba's ability to continue as a going

concern.

- There has been no material departure from the best practices of corporate governance, as detailed in the listing regulations.
- There were no principal risks or uncertainties facing the Modaraba.
- There were no significant changes that have occurred during the financial year concerning the nature of the business of the Modaraba or its subsidiary.
- There were no material changes and commitments affecting the financial position of the Modaraba which have occurred between the end of the financial year of the Modaraba to which the financial statement relates and the date of the report.
- Key operating and financial data of the Modaraba for the last six years in summarized form is annexed.
- There are no outstanding demands of statutory payments on account of taxes, duties, levies and charges as at 30 June 2019, except for those disclosed in financial statements.
- The value of investments of the staff provident fund, based on audited accounts, was Rupees. 4,658,880/- as at 30 June, 2019.
- During the year, four meetings of the Board of Directors were held. Attendance by each director was as follow:

Name of Directors	No. of Meetings Attended
Mr. Khalid Siddiq Tirmizey	4
Khawaja Farooq Saeed	2
Mr. Nadeem Amir	4
Mr. Mahboob-ul Hassan	1
Mr. Ijaz-ur-Rehman Qureshi	4
Mr. Umer Iqbal Sheikh	2
Mr. Aamir Malik	4

- Leave of absence was granted to the Directors, who could not attend the Board meetings.
- During the year, Khawaja Farooq Saeed resigned, while Mr. Umer Iqbal Sheikh joined the Board of Directors.
- During the year, two 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	2
Mr. Ijaz-ur-Rehman Qureshi	2
<ul style="list-style-type: none"> During the year, Khawaja Farooq Saeed, Chairman Audit Committee resigned from the Audit Committee. No amount was paid by the Modaraba to any of the directors for attending meetings of the Board of Directors and Audit Committee. The management company paid an amount of Rs.100,000/- to one of the directors. The pattern of the holding by the certificate holders is included in this annual report. No trades in certificates of the Modaraba were carried out by the Directors, Executives or their spouses and minor children during the year ended June 30, 2019. 	

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 EY Ford Rhodes, 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, 2020, subject to the approval of Registrar Modaraba.

Compliance with the Code of Corporate Governance

The requirements of the Listed Companies (Code of Corporate Governance) Regulations, 2019, relevant for year ended June 30, 2019 have been duly complied with and any exceptions have been disclosed in the Statement of Compliance with the Best Practices of Corporate Governance.

Statement of Ethics and Business Practices

The Board has adopted a Code of Conduct that sets out core values relating to lawful and

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

Social, Ethical and Environmental Responsibilities

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

Acknowledgments

The Board greatly appreciates the continuous guidance and support extended by the Registrar Modaraba and Securities & Exchange Commission of Pakistan and expects to be its beneficiary in future as well.

For and on behalf of the Board



(Aamir Malik)
Chief Executive



(Nadeem Amir)
Director

Lahore: November 8, 2019

ڈائریکٹرز کی رپورٹ

پنجاب مضاربہ (مضاربہ) کی انتظامی کمپنی پنجاب مضاربہ سروسز (پرائیویٹ) لمیٹڈ کے بورڈ آف ڈائریکٹرز 30 جون 2019ء کو اختتام پذیر سال کے لئے ارزراہ مسرت مضاربہ کی 26 ویں ڈائریکٹرز رپورٹ بمعہ پڑتال شدہ مالیاتی اسٹیٹمنٹس اور آڈیٹرز کی رپورٹ پیش کرتے ہیں۔

بورڈ کی ترکیب

زیر جائزہ برس کے دوران:

- i. بورڈ تمام چھ ڈائریکٹرز پر مشتمل تھا۔
- ii. بورڈ میں ایک ایگزیکٹو اور پانچ نان ایگزیکٹو ڈائریکٹرز شامل ہیں جب کہ سال کے اختتام پر آزاد ڈائریکٹر کی عارضی نشست پر بھرتی کر دی گئی۔
- iii. بورڈ کمیٹیوں کے اراکین کے نام حسب ذیل ہیں:

آڈٹ کمیٹی

خواجہ فاروق سعید، چیئر مین (مستعفی ہوئے)

محترم ندیم عامر، رکن

محترم اعجاز الرحمن قریشی، رکن

ہیومن ریسورس کمیٹی

محترم اعجاز الرحمن قریشی، چیئر مین

محترم ندیم عامر، رکن

محترم عامر ملک، رکن

رسک مینجمنٹ کمیٹی

محترم اعجاز الرحمن قریشی، چیئر مین

محترم ندیم عامر، رکن

محترم عامر ملک، رکن

بورڈ آف ڈائریکٹرز نے بورڈ اور کمیٹی اجلاس میں شرکت کے لئے آزاد ڈائریکٹرز کا معاوضہ -/25,000 روپے مقرر کیا ہے۔ کسی اوڈائریکٹر کو معاوضہ ادا نہیں کیا جاتا۔

معاشی منظر نامہ اور مستقبل کے امکانات

زیر جائزہ سال خطا اہداف کا سال تھا۔ شرح نمو، برآمدات، مالیاتی خسارہ، آمدنی کا حصول، افراط زر اور دیگر بنیادی اشارے اپنے اہداف سے کافی پیچھے تھے۔ جب کہ حکومت نے دوست ممالک کی مدد سے فاریکس ذخائر میں کمی کو روکنے کی بھرپور کوشش کی۔ آئی ایم ایف پروگرام کو حتمی شکل دینے میں تاخیر نے منڈی کے جذبات کو بری طرح متاثر کیا۔ نتیجتاً PSX انڈیکس دو سالوں کی کم ترین سطح 33,166 پر بند ہوا جب کہ مارکیٹ میں سرمایہ داری عروج کے مقابلہ میں امریکی ڈالر کے لحاظ سے 50 فی صد کم ہوئی۔

بحالی کے لحاظ سے، حکومت نے (مالیاتی اور مانیٹری سختی جیسے) روایتی اقدامات کو اپنایا تا کہ مجموعی طلب میں کمی واقع ہو۔ شرح سود سال بھر میں 575 پیسز پوائنٹس بڑھی۔ روپے کی بے قدری اور ریگولیٹری فراخ رفتاری سے تعمیل کی وجہ سے کرنٹ اکاؤنٹ خسارہ میں کمی واقع ہوئی۔ بھاری ڈیٹا کی دستیابی اور ڈیٹا مینٹنگ سالیویشن کی وجہ سے ٹیکس بیس میں توسیع کے امکانات موجود ہیں جب کہ بیلٹ اینڈروڈ اقدامات (BRI) کی اہمیت میں بھی اضافہ ہوا۔ مجموعی طور پر BRI کا CPEC کا لازمی حصہ ہونے پر پاکستان میں غیر ملکی سرمایہ داری میں اضافہ ہوگا۔ CPEC کے دوسرے مرحلہ کے دوران صنعتی اور زرعی شعبہ میں انتہائی پیش رفت کے امکانات ہیں۔ صنعت کاری اور ریلوے اسٹیمپ پر ترجیاً مستقل پالیسی صنعتی ترقی میں اہم کردار ادا کرے گی۔

بنیادی سرگرمیاں اور مضاربہ کی کارکردگی

مضاربہ دوائی اور کثیر الطرفہ مضاربہ ہے اور بنیادی طور پر اسلامی اصولوں کے عین مطابق اجارہ، مشارکہ اور مراہجہ فائیننسنگ، ایکویٹی سرمایہ داری اور دیگر متعلقہ امور کے کاروبار سے وابستہ ہے۔

مضاربہ نے تازہ ترین اثاثہ جات کی بکنگ کے نتیجے میں کل اثاثہ جات اور لینڈنگ پورٹ فولیو میں اضافہ کے ذریعے اپنی نمو کے گراف کو برقرار رکھا ہے۔ تاہم منافع کی شرح قرضوں کی لاگت میں اضافہ کی وجہ سے کم رکھی گئی ہے۔ 0.18 روپے فی سٹوکیٹ آمدنی کی وجہ سے کل آمدنی 6.23 ملین روپے رہی جب کہ گذشتہ برس کے منافع منقسمہ کی ادائیگی کی وجہ سے فی سٹوکیٹ بریک اپ قیمت 5.66 روپے تک کم کردی گئی۔ نئی قائم شدہ بروکریج کمپنی نے سٹاک مارکیٹ میں سست روی کے باوجود منافع حاصل کیا ہے۔

مستحکم نمو کے لئے تازہ ترین اثاثہ جات کے حصول کی حکمت عملی اور غیر فعال اثاثہ جات سے وصولی مستقبل میں مضاربہ کے لئے کارآمد ثابت ہوگی۔ جب کہ منافع کی شرح میں تفاوت اور معاشی بحالی اہداف کے لئے انتہائی اہم ہوگی۔

مالیاتی نتائج

مضاربہ کے مالیاتی نتائج کا خلاصہ حسب ذیل ہے:

2018ء	2019ء	
روپے	روپے	
28,754,066	6,225,166	نفع / (نقصان) برائے مالیاتی سال
(352,246,791)	(3,642,834,05)	غیر مختص نفع / (نقصان) - آگے لایا گیا
-	-	دیگر جامع آمدنی
28,754,066	6,225,166	تخصیص کے لئے دستیاب منافع

تصرفات

5,750,813	1,245,033	لازمی ذخائر کو منتقلی
17,010,000	17,010,000	حتمی منافع منقسمہ 2018:5 فی صد (2017:5.00 فی صد)
(352,253,538)	(364,283,405)	غیر مختص نفع / (نقصان) - آگے لایا گیا
0.85	0.18	فی سٹوفیلیٹ آمدنی - روپے

نفع کی تقسیم اور ذخائر کو منتقلی

08 نومبر 2019ء کو منعقدہ بورڈ کے اجلاس میں ذخائر اور ایکویٹی کے استحکام کیلئے صفر منافع منقسمہ تجویز کیا گیا۔ جب کہ 30 جون 2019ء کو اختتام پذیر سال کے لئے منافع میں سے 1,245,033 روپے ذخائر میں منتقل کئے گئے۔

FPM مالیاتی استحکام کا درجہ

پاکستان کریڈٹ ریٹنگ ایجنسی (پرائیویٹ) لمیٹڈ (PACRA) نے سالانہ اور عبوری جائزہ کی بنیاد پر ”مستحکم“ آؤٹ لک کے ساتھ طویل مدتی درجہ بندی ”A-“ اور قلیل مدتی درجہ بندی ”A2“ برقرار رکھی ہے۔

سبسڈیری

پنجاب مضاربہ کمپنی کی سبسڈیری کمپنی پنجاب کیپٹل سیکورٹیز نے اس سال بریک ایوان حاصل کرتے ہوئے 0.795 ملین منافع حاصل کیا اور اس کے اثاثے 70.038 ملین پر موجود ہیں۔ ہم پُر امید ہیں کہ آنے والے مالی سال میں سبسڈیری بہتر کارکردگی دکھائے گی۔

کاروباری اور مالیاتی رپورٹنگ فریم ورک

- ✓ مضاربہ کی انتظامیہ کی جانب سے تیار کردہ مالیاتی اسٹیٹمنٹس اس کے کاروباری امور، آپریشنز کے نتائج، کیش فلو اور ایکویٹی میں تبدیلی کو واضح انداز میں پیش کرتی ہیں۔
- ✓ مضاربہ کے کھاتوں کی باضابطہ کتابیں تیار کی گئی ہیں۔
- ✓ مالیاتی اسٹیٹمنٹس کی تیاری میں موزوں اکاؤنٹنگ پالیسیاں کا باقاعدگی سے اطلاق کیا گیا ہے اور اکاؤنٹنگ تخمینے موزوں اور اہل فیصلوں کی بنیاد پر لگائے گئے ہیں۔
- ✓ مالیاتی اسٹیٹمنٹس کی تیاری کے لئے پاکستان میں لاگو بین الاقوامی مالیاتی رپورٹنگ معیارات کی پیروی کی گئی ہے اور اس میں کی گئی تبدیلیوں کو مناسب انداز میں واضح کیا گیا ہے۔
- ✓ داخلی ضبط کا نظام مربوط ہے اور اس کو موثر انداز میں لاگو کیا گیا ہے اور اس کی نگرانی کی جاتی ہے۔
- ✓ مضاربہ کی کاروباری جاری رکھنے کی صلاحیت میں کوئی ابہام موجود نہ ہے۔
- ✓ لسٹنگ ضوابط میں بیان کردہ کارپوریٹ گورننس کی بہترین عمل داری میں کوئی رکاوٹ نہ ہے۔
- ✓ مضاربہ کو کسی بھی قسم کی بے یقینی اور پرنسپل رسک درپیش نہ ہے۔
- ✓ مضاربہ یا اس کی ذیلی کمپنیوں کے کاروبار کی نوعیت میں مالیاتی سال کے دوران کوئی نمایاں تبدیلی واقع نہ ہوئی ہے۔
- ✓ مالیاتی سال کے اختتام پر مضاربہ کی مالی حالت پر اثر انداز ہونی والی کوئی مادی تبدیلی واقع نہ ہوئی ہے۔
- ✓ گزشتہ چھ برسوں کے لئے مضاربہ کے بنیادی فعالیت اور مالیاتی اعداد و شمار کا خلاصہ لف ہذا ہے۔
- ✓ ٹیکس، ڈیوٹی، لیوی اور جرمانوں کی مد میں 30 جون 2019ء تک ماسوائے مالیاتی اسٹیٹمنٹس میں بیان کردہ رقوم کے کسی قسم کی رقوم واجب الادا نہ ہیں۔
- ✓ پڑتال شدہ کھاتوں کی بنیاد پر 30 جون 2019ء کو سٹاف پراویڈنٹ فنڈ کی سرمایہ داری 4,658,880 روپے ہے۔

✓ سال بھر میں بورڈ آف ڈائریکٹرز کے چار اجلاس منعقد ہوئے۔ ہر ڈائریکٹر کی حاضری حسب ذیل ہے:

نام ڈائریکٹر	اجلاس میں حاضری کی تعداد
محترم خالد صدیق ترمذی	4
خواجہ فاروق سعید	2
محترم ندیم عامر	4
محترم محبوب الحسن	1
محترم اعجاز الرحمن قریشی	4
محترم عمراقبال شیخ	2
محترم عامر ملک	4

✓ بورڈ اجلاس میں شرکت نہ کرنے والے ڈائریکٹرز کو رخصت عنایت کی گئی۔

✓ امسال خواجہ فاروق سعید نے استعفیٰ دے دیا جب کہ عمراقبال شیخ نے بورڈ آف ڈائریکٹرز میں شمولیت اختیار کی۔

✓ امسال آڈٹ کمیٹی کے دو اجلاس منعقد ہوئے اور ہر رکن کی حاضری حسب ذیل ہے:

نام ڈائریکٹر	اجلاس میں حاضری کی تعداد
خواجہ فاروق سعید	2
محترم ندیم عامر	2
محترم اعجاز الرحمن قریشی	2

✓ امسال خواجہ فاروق سعید، چیئر مین آڈٹ کمیٹی نے کمیٹی سے استعفیٰ دے دیا۔

✓ بورڈ آف ڈائریکٹرز اور آڈٹ کمیٹی اجلاس میں شرکت کے لئے کسی ڈائریکٹر کو مضاربہ کی جانب سے ادائیگی نہ کی گئی۔ انتظامی کمپنی نے

ایک ڈائریکٹر کو 100,000 روپے کی رقم ادا کی۔

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

✓ 30 جون 2019ء کو اختتام پذیر سال کے دوران ڈائریکٹرز، ایگزیکٹوز یا ان کے اہلیان اور نابالغ بچوں کی جانب سے مضاربہ کے

سٹوکیٹ میں کوئی تجارت نہ کی گئی ہے۔

سٹوکیٹ ہولڈرز کا کردار

بورڈ یقینی دہانی کراتا ہے کہ مضاربہ کے سٹوکیٹ ہولڈرز کو مضاربہ کے کاروباری امور پر اثر انداز ہونے والی نمایاں پیش رفت سے آگاہ کیا جاتا

ہے۔ اس مقصد کے حصول کے لئے سہ ماہی، نصف سالہ اور سالانہ رپورٹس کے ذریعے شٹھٹیکٹ ہولڈرز کو معلومات فراہم کی جاتی ہیں۔ بورڈ سالانہ جائزہ اجلاس میں شٹھٹیکٹ ہولڈرز کی موثر شرکت کی حوصلہ افزائی کرتا ہے تاکہ اعلیٰ سطحی جواب دہی کو یقینی بنایا جاسکے۔

آڈیٹرز

موجودہ آڈیٹرز میسرز EY فورڈر ہوڈز، چارٹرڈ اکاؤنٹنٹس، کو اہل ہونے کی بنا پر 30 جون 2020 کو اختتام پذیر مالیاتی سال کے لئے مضاربہ کا آڈیٹ مقرر کیا جاتا ہے۔ جو رجسٹرڈ مضاربہ کی منظوری سے مشروط ہے۔

کوڈ آف کارپوریٹ گورننس کی تعمیل

30 جون 2019ء کو اختتام پذیر سال سے متعلقہ لسٹڈ کمپنیز (کوڈ آف کارپوریٹ گورننس) ضوابط، 2019ء کی باقاعدہ تعمیل کی گئی ہے اور کارپوریٹ گورننس کی بہترین عمل داری میں اسٹیٹمنٹ آف کمپلائنس میں مستثنیات بیان کی گئی ہیں۔

اخلاقیات اور کاروباری عمل داری

بورڈ نے ضابطہ اخلاق کو اپنایا ہے جس میں کاروباری امور سے متعلق قانونی اور اخلاقی اصول بیان کئے گئے ہیں۔ تمام ملازمین کو اس ضابطہ اخلاق کی نقل فراہم کی گئی ہے اور صارفین، عملہ اور ضوابط کی پاسداری اور عمل داری پر اعلیٰ اقدار کو زیر غور لاتے ہیں۔ اس طرح مضاربہ کا تعمیلی خاکہ تیار ہوتا ہے۔

سماجی، اخلاقی اور ماحولیاتی ذمہ داریاں

بورڈ سماجی، اخلاقی اور ماحولیاتی معاملات سے متعلق بہت حساس ہے اور عوامی مفاد کے اس شعبہ میں مسلسل کردار ادا کرنے کا خواہاں ہے۔

اعترافات

بورڈ رجسٹرڈ مضاربہ اور سیکیورٹیز اینڈ ایکسچینج کمیشن آف پاکستان کی مسلسل رہنمائی اور مدد کو قدر کی نگاہ سے دیکھتا ہے اور مستقبل میں بھی اس سے مستفید ہونے کا خواہش مند ہے۔

منجانب/ برائے بورڈ آف ڈائریکٹرز



(ندیم عامر)

ڈائریکٹر



(عامر ملک)

چیف ایگزیکٹو

لاہور: 08 نومبر، 2019ء

Statement of Compliance

with Listed Companies (Code of Corporate Governance) Regulations, 2017

Name of company
Year ending

FIRST PUNJAB MODARABA
JUNE 30, 2019

The company has complied with the requirements of the Regulations in the following manner:

1. The total number of directors are SIX as per the following:
 - a. Male: SIX
 - b. Female: Nil
2. The composition of Board is as follows:

a) Independent Directors	*Khawaja Farooq Saeed
b) Other Non-executive Director	Mr. Khalid Siddiq Tirmizey
	Mr. Nadeem Amir
	Mr. Ijaz ur Rehman Qureshi
	Mr. Mahboob –ul-Hassan
	Mr. Umer Iqbal Sheikh
c) Executive Directors	Mr. Aamir Malik

*During the year Khawaja Farooq Saeed resigned from the Board and Mr. Umer Iqbal Sheikh joined as Director. The current composition of the board of management company does not meet the requirement of minimum number of independent directors which is to or one third of the total numbers of the board, which is higher.
3. The directors have confirmed that none of them is serving as a director on more than five listed companies, including this company (excluding the listed subsidiaries of listed holding companies where applicable).
4. The company has prepared a Code of Conduct and has ensured that appropriate steps have been taken to disseminate it throughout the company along with its supporting policies and procedures.
5. The Board has developed a vision/mission statement, overall corporate strategy and significant policies of the company. A complete record of particulars of significant policies along with the dates on which they were approved or amended has been maintained.
6. All the powers of the Board have been duly exercised and decisions on relevant matters have been taken by Board as empowered by the relevant provisions of the Act and these Regulations.
7. 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. The Board has complied with the requirements of Act and the Regulations with respect to frequency, recording and circulating minutes of meeting of Board.
8. The Board of directors have a formal policy and transparent procedures for remuneration of directors in accordance with the Act and these Regulations.
9. During the year, the following directors attended Director's Training program:

Mr. Nadeem Amir
Mr. Khalid S. Tirmizey



10. The Board has approved appointment of CFO, Company Secretary and Head of Internal Audit, including their remuneration and terms and conditions of employment and complied with relevant requirements of the Regulations.

11. CFO and CEO duly endorsed the financial statements before approval of the Board.

12. The Board has formed committees comprising of members given below:

a) Audit Committee

*Mr. Khawaja Farooq Saeed	Chairman
Mr. Nadeem Amir	Member
Mr. Ijaz ur Rehman Quresh	Member

* During the year, Khawaja Farooq Saeed resigned from the board.

b) HR and Remuneration Committee

Mr. Ijaz ur Rehman Qureshi	Chairman
Mr. Nadeem Amir	Member
Mr. Aamir Malik	Member

c) Risk Management Committee

Mr. Ijaz ur Rehman Qureshi	Chairman
Mr. Nadeem Amir	Member
Mr. Aamir Malik	Member

13. The terms of reference of the aforesaid committees have been formed, documented and advised to the committee for compliance.

14. The frequency of meetings (quarterly/half yearly/ yearly) of the committee were as per following:

Committee	Meetings held
a) Audit Committee	Two
b) HR and Remuneration Committee	Two
c) Risk Management Committee	Nil

Pursuant to resignation of Khawaja Farooq Saeed from Board and Audit Committee during the year, only two meetings of Audit Committee were held.

15. The Board has set up an effective internal audit function which is considered suitably qualified and experienced for the purpose and is conversant with the policies and procedures of the Modaraba.

16. The statutory auditors of the Modaraba have confirmed that they have been given a satisfactory rating under the quality control review program of the ICAP and registered with Audit Oversight Board of Pakistan, that they or any of the partners of the firm, their spouses and minor children not hold shares of the company 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.

17. The statutory auditors or the persons associated with them have not been appointed to provide other services except in accordance with the Act, these regulations or any other regulatory requirement and the auditors have confirmed that they have observed IFAC guidelines in this regard.
18. We confirm that all other requirements of the Regulations have been complied with except:
 - i. Khawaja Farooq Saeed, independent director resigned during the year and his position was filled subsequent to year end.
 - ii. Due to vacancy as explained above, the independent director could not be appointed as Chairman of Audit Committee and Human Resource Management Committee.
 - iii. In view of the scale of operations of Modaraba, same person remained CFO and company secretary.



KHALID S. TIRMIZEY
Chairman



Review Report to the Certificate Holders

OF FIRST PUNJAB MODARABA

Review Report on the Statement of Compliance contained in Listed Companies (Code of Corporate Governance) Regulations, 2017

We have reviewed the enclosed Statement of Compliance with the Listed Companies (Code of Corporate Governance) Regulations, 2017 (the Regulations) prepared by the Board of Directors (the Board) of Punjab Modaraba Services (Private) Limited, the Management Company of First Punjab Modaraba (the Modaraba) for the year ended 30 June 2019 in accordance with the requirements of regulation 40 of the Regulations.

The responsibility for compliance with the Regulations is that of the Board of the Management Company of the Modaraba. Our responsibility is to review whether the Statement of Compliance reflects the status of the Management Company's compliance with the provisions of the Regulations in respect of the Modaraba and report if it does not and to highlight any non-compliance with the requirements of the Regulations. 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 Regulations.

As a part of our audit of the 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 Boards' statement on internal control covers all risks and controls or to form an opinion on the effectiveness of such internal controls, the Management Company's corporate governance procedures and risks.

The Regulations require the Management Company to place before the Audit Committee, and upon recommendation of the Audit Committee, place before the Board for their review and approval, the Modaraba's related party transactions and also ensure compliance with the requirements of section 208 of the Companies Act, 2017. We are only required and have ensured compliance of this requirement to the extent of the approval of the related party transactions by the Board upon recommendation of the Audit Committee. We have not carried out procedures to assess and determine the Management Company's process for identification of related parties and that whether the related party transactions were taken at arm's length price or not.

Based on our review, nothing has come to our attention which causes us to believe that the Statement of Compliance does not appropriately reflect the Management Company's compliance, in all material respects, with the requirements contained in the Regulations as applicable to the Modaraba for the year ended 30 June 2019.

Further, we highlight below instances of non-compliance with the requirements of the Regulations as reflected in the note reference where these are stated in the Statement of Compliance.

S. No.	Note Reference	Description
(i)	2 (a, b)	The current composition of the board of the Management Company does not meet the requirement of minimum number of independent directors which is two or one third of the total members of the board, whichever is higher.
(ii)	14	Two meetings of Audit Committee were held during the year.
(iii)	18 (i)	The independent director resigned during the year and his position was filled subsequent to year end.
(iv)	18 (ii)	The independent director could not be appointed as Chairman of Audit Committee and Human Resource Management Committee
(v)	18 (iii)	In view of the scale of operations of Modaraba, same person remained CFO and company secretary.

Chartered Accountants
Place: Lahore
Date: 13 November 2019



NOTICE OF ANNUAL REVIEW MEETING

The Certificate Holders are hereby notified that the Certificate Transfer Books shall remain closed from 26-11-2019 to 03-12-2019 (both days inclusive), for the purpose of attending Annual Review Meeting. All transfers received in order upto close of business hours on November 25, 2019 with our Registrar's office, M/s. Hameed Majeed Associates (Pvt.) Ltd., H.M House, 7-Bank Square, The Mall, Lahore, will be considered in time.

The Annual Review Meeting of the Certificate holders will be held at 3:00 pm on Tuesday, December 03, 2019 at Auditorium of LSE Financial Services Limited, LSE Plaza, 19-Khayaban-e-Aiwan-e-Iqbal, Lahore to review the performance of the Modaraba for the year ended June 30, 2019 in terms of Prudential Regulation No.11, Part IV for Modarabas.

The annual audited financial statements of the Modaraba for year ended June 30, 2019 are also available on Modaraba's website: **www.punjabmodaraba.com.pk**.

By the Order of
Board of Directors

(Mudassar Kaiser Pal)
COMPANY SECRETARY



PATTERN OF SHAREHOLDINGS

AS ON JUNE 30, 2019

Number of ShareHolders	Shareholdings		Total Number of Share Held	Percentage of Total Capital
	From	To		
930	1 -	100	41,217	0.12
1387	101 -	500	384,410	1.13
1037	501 -	1000	844,662	2.48
571	1001 -	5000	1,281,909	3.77
101	5001 -	10000	741,680	2.18
35	10001 -	15000	453,004	1.33
32	15001 -	20000	574,583	1.69
13	20001 -	25000	297,383	0.87
8	25001 -	30000	225,053	0.66
5	30001 -	35000	167,418	0.49
5	35001 -	40000	186,684	0.55
8	40001 -	45000	340,000	1.00
4	45001 -	50000	196,500	0.58
1	55001 -	60000	59,000	0.17
1	65001 -	70000	67,550	0.20
3	70001 -	75000	222,900	0.66
1	75001 -	80000	80,000	0.24
2	80001 -	85000	170,000	0.50
1	85001 -	90000	88,000	0.26
3	95001 -	100000	296,500	0.87
3	105001 -	110000	322,786	0.95
1	115001 -	120000	117,923	0.35
1	125001 -	130000	127,500	0.37
2	130001 -	135000	268,000	0.79
1	150001 -	155000	151,000	0.44
2	175001 -	180000	358,500	1.05
6	195001 -	200000	1,191,144	3.50
1	205001 -	210000	210,000	0.62
2	210001 -	215000	430,000	1.26
1	220001 -	225000	222,500	0.65
2	255001 -	260000	512,500	1.51
1	290001 -	295000	293,000	0.86
1	295001 -	300000	300,000	0.88
1	350001 -	355000	351,000	1.03
1	365001 -	370000	367,500	1.08
1	520001 -	525000	525,000	1.54
1	640001 -	645000	642,223	1.89
1	1220001 -	1225000	1,225,000	3.60
1	1265001 -	1270000	1,265,777	3.72
1	5095001 -	5100000	5,099,500	14.99
1	5230001 -	5235000	13,320,694	39.16
4,181			34,020,000	100.00



Categories of Certificate Holders

as at June 30, 2019

Categories of Shareholders	No. of Certificate Holders	Shares Held	Percentage
Individuals	4,125	13,517,755	39.7347
Associated Companies, Undertakings and Related Parties			
THE BANK OF PUNJAB		4,788	0.0141
PUNJAB MODARABA SERVICES (PVT) LTD.		13,320,694	39.1555
TRUSTEE-THE BANK OF PUNJAB			
EMPLOYEES GRATUITY FUND		5,099,500	14.9897
Running Total:	3	18,424,982	54.1593
MUTUAL FUNDS			
SECURITY STOCK FUND LTD.		3,100	0.0091
PRUDENTIAL STOCKS FUND LIMITED		100	0.0003
Running Total:	7	3,200	0.0094
Directors, Chief Executive Ofcer and their spouse and minor children		NIL	NIL
Executives		NIL	NIL
Public Sector Companies and Corporations	1	400	0.0012
Banks, Development Financial Institutions, Non Banking Financial Institutions, Insurance Companies, Takaful, Modarabas and Pension Funds.	14	1,757,473	5.1660
Others	30	316,190	0.9294
GRAND TOTAL	4,180	34,020,000	100



Financial Statements

as at June 30, 2019





Auditors' Report to the Certificate Holders

We have audited the annexed unconsolidated balance sheet of First Punjab Modaraba (the Modaraba) as at 30 June 2019 and the related unconsolidated profit and loss account, unconsolidated statement of comprehensive income, unconsolidated cash flow statement and unconsolidated 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 Modaraba Companies and Modaraba Rules, 1981;
- (b) In our opinion:
 - (i) the unconsolidated balance sheet and unconsolidated 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 4.1, 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 unconsolidated balance sheet, unconsolidated profit and loss account, unconsolidated statement of comprehensive income, unconsolidated cash flow statement and unconsolidated 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 2019 and of the profit, its comprehensive income its 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 company and deposited in the Central Zakat Fund established under section 7 of that Ordinance.

The unconsolidated financial statements for the year ended 30 June 2018 were audited by another firm of chartered accountants. The audit report dated 08 October 2018 expressed an unmodified opinion.

EY Ford Rhodes
Chartered Accountants
Audit Engagement Partner: Farooq Hameed
Lahore
13 November, 2019

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 year ended June 30, 2019 in accordance with the requirements of the Shari'ah Compliance and Shari'ah Audit Mechanism for Modarabas and report in my opinion:

1. The Modaraba has a mechanism which has strengthened the Shari'ah compliance, in letter and spirit and the systems, procedures and policies adopted by the Modaraba are in line with the Shari'ah principles;
2. Staff Training
 - All products are being executed through product policy manuals (PPMs) which have been vatted by the shari'ah Advisor. Before vetting, certain changes were proposed and discussed with management which incorporated in the product policy manuals (PPMs).
 - For the effective excution of products, Shari'ah Advisor aranged a Moradbah training sessions to acquaint the staff members with the processes.
3. the agreement(s) entered into by the Modaraba are Shari'ah compliant and the financing agreement(s) have been executed on the formats as approved by the Religious Board of SECP and all the related conditions have been met;
4. Charity amount has been disbursed to charity organization.
5. In few cases Shari'ah Compliance issues were discussed with the concerned Depatments and resolved accordingly. The Management of the Modaraba is committed to follow Shari'ah compliance strictly.

Conclusion

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



MUFTI MUHAMMAD UMAR
SHARI'AH ADVISOR

MUFTI MUHAMMAD UMAR
SHARIAH ADVISOR
FIRST PUNJAB MODARABA

08 August, 2019





Unconsolidated Balance Sheet

As at 30 June 2019

ASSETS	Note	2019 Rupees	2018 Rupees
Non current assets			
Tangible fixed assets	5		
- Ijarah assets	5.1	363,711,083	225,737,910
- Assets in own use	5.2	3,338,201	2,489,560
Intangible assets	6	-	-
Investment in subsidiary	7	76,500,000	76,500,000
Long term musharikhah investment - secured	8	382,757,015	442,297,062
Long term morabaha investment - secured	9	9,053,126	17,509,825
Long term deposits	10	203,444	692,900
Deferred tax assets	11	64,398,663	61,834,231
		899,961,532	827,061,488
Current assets			
Short term morabaha investment - secured	12	294,796,541	253,021,469
Current maturity of long term investments	13	479,398,426	459,309,170
Ijarah rental receivable	14	300,162,866	295,654,829
Advances, deposits, prepayments and other receivables	15	108,106,122	106,986,472
Tax refund due from government		4,145,679	3,657,066
Cash and bank balances	16	43,024,878	47,169,012
		1,229,634,512	1,165,798,018
TOTAL ASSETS		2,129,596,044	1,992,859,506
EQUITY AND LIABILITIES			
Operating (Loss)/ profit before provision			
Authorized certificate capital 50,000,000 (30 June 2018: 50,000,000) modaraba certificates of Rs. 10 each		500,000,000	500,000,000
Issued, subscribed and paid-up certificate capital 34,020,000 (30 June 2018: 34,020,000) certificates of Rs. 10 each	17	340,200,000	340,200,000
Capital Reserves	18	216,692,528	215,447,495
Revenue Reserves	18	(364,283,405)	(352,253,538)
		192,609,123	203,393,957
Non current liabilities			
Long Term Security deposits	19	51,453,730	21,029,947
Deferred morabaha income	20	776,860	2,944,677
Long term musharikhah finance secured	21	1,223,621,569	1,193,495,035
		1,275,852,159	1,217,469,659
Current liabilities			
Current maturity of non current liabilities	22	95,179,731	93,674,741
Redeemable capital - participatory and unsecured	23	445,518,493	400,000,000
Profit payable	24	40,771,650	21,538,172
Trade and other payables	25	61,114,844	39,476,576
Provision for taxation		992,666	944,824
Unclaimed profit		17,557,378	16,361,577
		661,134,762	571,995,890
TOTAL EQUITY AND LIABILITIES		2,129,596,044	1,992,859,506
Contingencies and commitments	26		

The annexed notes from 1 to 41 form an integral part of these financial statements.

Chief Financial Officer
Punjab Modaraba Services
(Private) Limited

Chief Executive
Punjab Modaraba Services
(Private) Limited

Director
Punjab Modaraba Services
(Private) Limited

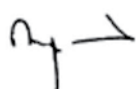
Director
Punjab Modaraba Services
(Private) Limited

Unconsolidated Profit and Loss Account

For the Year Ended 30 June 2019

	Note	2019 Rupees	2018 Rupees
Income			
Income from lease financing	27.1	42,919,970	26,895,114
Income from morabaha financing	27.2	7,459,176	4,799,112
Income from diminishing musharaka financing	27.3	117,576,608	95,305,505
Gain on disposal of fixed assets	28	1,571,610	1,663,497
Other income	29	17,902,902	10,749,347
		187,430,266	139,412,575
Expenses			
Administrative expenses	30	39,202,027	35,350,651
Ijarah receivables written off	14	679,630	-
Finance cost	31	150,423,380	93,503,603
		190,305,037	128,854,254
Operating (Loss)/ profit before provision		(2,874,771)	10,558,321
Reversal for impairment of ijarah assets		9,000,000	1,010,946
Reversal for Provision against Ijarah rentals		3,828,092	19,275,950
Provision against other receivable		(3,318,088)	-
Reversal / (Provision) for musharikhah investment	13.1	52,825	(52,825)
		9,562,829	20,234,071
Operating profit after provision and impairment		6,688,058	30,792,392
Modaraba Company's management fee	32	-	(3,079,239)
		6,688,058	27,713,153
Taxation	33	(462,892)	1,040,913
Profit for the period		6,225,166	28,754,066
Earnings per certificate - basic and diluted		0.18	0.85

The annexed notes from 1 to 41 form an integral part of these financial statements.



Chief Financial Officer
Punjab Modaraba Services
(Private) Limited



Chief Executive
Punjab Modaraba Services
(Private) Limited



Director
Punjab Modaraba Services
(Private) Limited



Director
Punjab Modaraba Services
(Private) Limited



Unconsolidated Statement of Comprehensive Income

For the Year Ended 30 June 2019

	<u>2019</u> <u>Rupees</u>	<u>2018</u> <u>Rupees</u>
Income for the year	6,225,166	28,754,066
Other Comprehensive Income for the Period	-	-
Total comprehensive income for the year	<u>6,225,166</u>	<u>28,754,066</u>

The annexed notes from 1 to 41 form an integral part of these financial statements.

Chief Financial Officer
Punjab Modaraba Services
(Private) Limited

Chief Executive
Punjab Modaraba Services
(Private) Limited

Director
Punjab Modaraba Services
(Private) Limited

Director
Punjab Modaraba Services
(Private) Limited

Unconsolidated Cash Flow Statement

For the Year Ended 30 June 2019

	<u>Note</u>	<u>2019</u> <u>Rupees</u>	<u>2018</u> <u>Rupees</u>
Cash flow from operating activities			
Cash generated from operations	38	32,968,578	59,097,550
Profit paid on redeemable capital		(34,371,236)	(25,219,861)
Profit paid on musharikhah finances		(96,561,229)	(66,327,531)
Taxes paid		(3,468,094)	(4,464,493)
		(134,400,559)	(96,011,885)
Net cash used in operating activities		(101,431,981)	(36,914,335)
Cash flow from investing activities			
Invement in Musharikhah - Net		39,034,427	(7,700,303)
Proceeds from disposal of fixed assets		66,500	1,150,500
Investment in subsidiary		-	(26,500,000)
Purchase of fixed assets in own use		(1,643,908)	(1,007,246)
Net cash generted from/ (used in) investing activities		37,457,019	(34,057,049)
Cash flow from financing activities			
Musharikhah finances - net	21	30,126,534	92,289,489
Redeemable capital - net	23	45,518,493	-
Profit distributed among the certificate holders		(15,814,199)	(15,901,909)
Net cash generated from financing activities		59,830,828	76,387,580
Net (decrease)/ increase in cash and cash equivalents		(4,144,134)	5,416,196
Cash and cash equivalents at the beginning of the year		47,169,012	41,752,816
Cash and cash equivalents at the end of the year	16	43,024,878	47,169,012

The annexed notes from 1 to 41 form an integral part of these financial statements.



Chief Financial Officer
Punjab Modaraba Services
(Private) Limited



Chief Executive
Punjab Modaraba Services
(Private) Limited



Director
Punjab Modaraba Services
(Private) Limited



Director
Punjab Modaraba Services
(Private) Limited



Unconsolidated Statement of Changes in Equity

For the Year Ended 30 June 2019

	Certificate Capital Rupees	Capital Reserve Statutory Reserves Rupees	Revenue Reserve Accumulated Loss Rupees	Total Rupees
Balance as at 1 July 2017	340,200,000	209,696,682	(358,246,791)	191,649,891
Profit for the year	-	-	28,754,066	28,754,066
Other comprehensive income for the year	-	-	-	-
Total comprehensive income for the year	-	-	28,754,066	28,754,066
Transfer to Statutory reserve	-	5,750,813	(5,750,813)	-
Transactions with owners				
Profit distribution for the year ended 30 June 2017 at Rs. 0.5 per certificate	-	-	(17,010,000)	(17,010,000)
Balance as at 30 June 2018	340,200,000	215,447,495	(352,253,538)	203,393,957
Profit for the period	-	-	6,225,166	6,225,166
Other comprehensive income for the year	-	-	-	-
Total comprehensive income for the year	-	-	6,225,166	6,225,166
Transfer to Statutory Reserve	-	1,245,033	(1,245,033)	-
Transactions with owners				
Profit Distribution for the year ended 30 June 2018 at Rs. 0.5 per certificate	-	-	(17,010,000)	(17,010,000)
Balance as at 30 June 2019	340,200,000	216,692,528	(364,283,405)	192,609,123

The annexed notes from 1 to 41 form an integral part of these financial statements.

Chief Financial Officer
Punjab Modaraba Services
(Private) Limited

Chief Executive
Punjab Modaraba Services
(Private) Limited

Director
Punjab Modaraba Services
(Private) Limited

Director
Punjab Modaraba Services
(Private) Limited

Unconsolidated Notes to the Financial Statements

For the year ended June 30, 2019

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 3rd floor, National Tower, Egerton Road, Lahore. The Modaraba commenced its operations on 23 December 1992. The Modaraba is listed on Pakistan Stock Exchange.

The Modaraba established its wholly owned subsidiary on November 29, 2016 as a private limited Company under the name of Punjb Capital Securities (Pvt) Limited. The registered office of Punjab Capital Securities (Pvt) Limited is situated at 3rd Floor, LSE Plaza, 19-Khayabane Aiwane Iqbal, Lahore. The Company is mainly engaged in the business of brokerage services, portfolio management and consultancy services.

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

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

2. Basis of Preparations

2.1 Statement of compliance

These financial statements have been prepared in accordance with the accounting and reporting standards as applicable in Pakistan. Such standards as applicable in Pakistan comprises of:

- International Financial Reporting Standards (IFRS Standards) issued by International Accounting Standards Board (IASB) as notified under Companies Act, 2017;
- Provisions of and directives issued under the Companies Act, 2017; and
- The requirements of Modaraba Companies and Modarabas (Flotation and Control) Ordinance, 1980, Modaraba Companies and Modaraba Rules, 1981 and Prudential Regulations for Modarabas (hereinafter referred to as the relevant laws).

Where provisions and directives issued under Companies Act, 2017 and the relevant laws differ from IFRS Standards, the provisions and directives issued under Companies Act, 2017 and the relevant laws have been followed.

The SECP has issued directive (vide SRO 431 (I) / 2007 dated May 22, 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 Lease Financing transactions as defined by the said standard. The Modaraba has adopted the said standard.



2.2 Basis of measurement

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

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.

2.4 Significant accounting estimates and judgments

The preparation of financial statements in conformity with the approved accounting standards requires the management to make estimates, judgments and assumptions that affect the reported amounts of assets and liabilities, income and expenses. It also requires the management to exercise judgment in application of the Modaraba's accounting policies. The estimates, judgment and associated assumptions are based on the management's experience and various other factors that are believed to be reasonable under the circumstances. These estimates and assumptions are reviewed on an on-going basis.

Revisions to accounting estimates are recognized in the period in which the estimate is revised if the revision affects only that period, or in the period of revision and future periods if the revision affects both the current and future periods. The areas where various assumptions and estimates are significant to the Modaraba's financial statement or where judgment was exercised in the application of accounting policies are as follows:

2.4.1 Depreciation/Amortization

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

2.4.2 Provision against non-performing loans and advances

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

2.4.3 Income taxes

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

2.4.4 Provision against non performing financing (Suspense income)

The Modaraba reviews its overdue ijarah rentals, morabaha receivable and musharika receivable 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.

3. New accounting standards / amendments and IFRS interpretations that are effective for the year ended 30 June 2019

The Modaraba has adopted the following accounting standard and the amendments and interpretation of IFRSs which became effective for the current year:

IFRS 9 – Financial Instruments

IFRS 15 – Revenue from contracts with customers (Amendments)

IFRS 2 – Share-based Payments – Classification and Measurement of Share-based Payments Transactions (Amendments)

IFRS 4 – Insurance Contracts – Applying IFRS 9 Financial Instruments with IFRS 4 Insurance Contracts (Amendments)

IAS 40 – Investment Property: Transfers of Investment Property (Amendments)

IAS 12 - Income Taxes- Income Tax consequences of payment on financial instruments classified as equity

IAS 28 - Investment in Associates and Joint Ventures- Clarification that measuring investees at fair value through profit or loss is an investment by investment choice

IAS 23 - Borrowing Cost eligible for capitalization

IFRS 1 - Joint Arrangements –previously held interests in Joint operations

IFRS 3 - Previously held Interests in joint operations

The adoption of the above amendments, improvements to accounting standards and interpretations did not have any effect on the financial statements except as described in note 4.1.

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

The following standards, 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:

	Effective date annual periods beginning on or after:
IFRS 16 - Leases	01 Jan 2019
IFRIC 23 - Uncertainty over Income Tax Treatments	01 Jan 2019
IFRS 9 - Prepayment Features with Negative Compensation – (Amendments)	01 Jan 2019
IAS 28 - Long-term Interests in Associates and Joint Ventures – (Amendments)	01 Jan 2018



IAS 19 - Plan Amendment, Curtailment or Settlement — (Amendments)	01 Jan 2018
IFRS 3 - Business Combinations - Previously held Interests in a joint operation — (Amendments)	01 Jan 2019
IFRS 11 - Joint Arrangements - Previously held Interests in a joint operation	01 Jan 2019
IAS 12 - Income Taxes - Income tax consequences of payments on financial instruments classified as equity	01 Jan 2019
IAS 23 - Borrowing Costs - Borrowing costs eligible for capitalization	01 Jan 2019
IAS 1 - Presentation of Financial Statements — (Amendments)	01 Jan 2020
IAS 8 - Accounting Policies, Changes in Accounting Estimates and Errors — (Amendments)	01 Jan 2020

The above standards and amendments are not expected to have any material impact on the Modaraba's financial statements in the period of initial application. Other than IFRS 16 'Leases' for which the Modaraba is currently evaluating the potential impact on its financial statements.

In addition to the above standards and amendments, improvements to various accounting standards have also been issued by the IASB in December 2017. Such improvements are generally effective for annual reporting period beginning on or after January 01, 2019. The Modaraba expects that such improvements to the standards will not have any material impact on the Modaraba'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.

Standards	Effective date (annual periods beginning on or after)
IFRS 1 – First time adoption of International Financial Reporting Standards	January 01, 2009
IFRS 14 – Regulatory Deferral Accounts	January 01, 2016
IFRS 17 – Insurance Contracts	January 01, 2022

4. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

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

4.1 Change in accounting policy

IFRS 9 - 'Financial Instruments'

IFRS 9 Financial Instruments replaces IAS 39 Financial Instruments: Recognition and Measurement for annual periods beginning on or after 1 July 2018, bringing together all three aspects of the accounting for financial instruments: classification and measurement; impairment; and hedge accounting.

The Modaraba applied IFRS 9 prospectively, with an initial application date of 1 July 2018. The Modaraba has not restated the comparative information, which continues to be reported under IAS 39. Differences (if any) arising from the adoption of IFRS 9 have been recognized directly in retained earnings and other components of equity.

(a) Classification and measurement

Under IFRS 9, debt instruments are subsequently measured at fair value through profit or loss, amortized cost, or fair value through OCI. The classification is based on two criteria: the Company's business model for managing the assets; and whether the instruments' contractual cash flows represent 'solely payments of principal and interest' on the principal amount outstanding.

The assessment of the Modaraba's business model was made as of the date of initial application, 1 July 2018. The assessment of whether contractual cash flows on debt instruments are solely comprised of principal and interest was made based on the facts and circumstances as at the initial recognition of the assets.

The Modaraba has not designated any financial liabilities as at fair value through profit or loss. There are no changes in classification and measurement of the Modaraba's financial liabilities.

(b) Impairment

In relation to the impairment of financial assets, IFRS 9 requires an expected credit loss model, as opposed to an incurred credit loss model under IAS 39. The expected credit loss model requires an entity to account for expected credit losses and changes in those expected credit losses at each reporting date to reflect changes in credit risk since initial recognition. In other words, it is no longer necessary for a credit event to have occurred before credit losses are recognized.

However, NBFI & Modaraba Association of Pakistan, based on the clarification of the SECP, have informed all its members that the provisioning criteria will remain those as framed under Modaraba Ordinance, 1980 and Rules & Regulations framed therein. Accordingly, the Modaraba has maintained provision against financing assets in accordance with relevant laws applicable to Modaraba.

Furthermore, the management has made an assessment of impairment under expected credit loss model of IFRS 9 for financial assets other than financing assets i.e. balances with banks and other financial assets, and concluded that impact is not material to the financial statements.



Securities and Exchange Commission of Pakistan (SECP) through its S.R.O No. 985 (1) / 2019 dated 2nd September 2019, in partial modification of its previous S.R.O 229 (1) / 2019 dated February 14, 2019 notified that , in respect of companies holding financial assets due from Government of Pakistan, the requirement contained in 'IFRS-9 (Financial Instruments) with respect to application of Expected credit lossess method" shall not be applicable till 30 June 2021, provided that the company follow relevant requirement of IAS-39 'Financial instruments: Recognition and Measurement', in respect of above referred financial assets during the exemption period. Consequently, these financial statements do not include the impact of ECL method in respect of 'Tax refunds due from government'.

Hedge accounting

As at year end, the Company does not have hedge relationships. Accordingly, IFRS 9 will not have an impact on Company's financial statements.

4.2 Tangible fixed assets

Assets in own use

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

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

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.

Asset's residual values and useul lives are reviewed and adjusted. If appropriate at each reporting date. An asset's carrying amount is written down immediately to its recoverable amount if the asset's carrying amount is greater then its estimated recoverable amount.

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

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

Intangible Assets

Intangible assets having a finite useful life are stated at cost less accumulated amortisation and accumulated impairment losses, if any. Subsequent costs are included in the asset's carrying amounts or recognised as separate assets, as appropriate, only where it is probable that the future economic benefits associated with the assets will flow to the Modaraba and the cost of the items can be measured reliably. The useful lives and amortisation method are reviewed and adjusted, as appropriate, at each reporting date. Amortisation is charged from the month the asset is available for use while in the case of assets disposed of, it is charged till the month preceding the month of disposal.

Intangible assets having an indefinite useful life are stated at cost less accumulated impairment losses, if any.

Gain or loss on disposal of intangible assets, if any. Is taken to the profit and loss account in the period in which these arise.

Ijarah Assets

Ijarah assets are stated at cost less accumulated depreciation and accumulated impairment losses, if any. Depreciation is charged to profit and loss account applying the straight line method whereby the cost of an asset less salvage value is written off over the period of facility, which is considered to be the estimated useful life of the asset. 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. In respect of additions and disposals during the year, depreciation is charged proportionately from the date of delivery of assets to the date of its maturity / termination.

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

4.3 Impairment (Including provision for potential ijarah losses and write offs)

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

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

4.4 Investment in Subsidiary

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



to the extent of initial cost of investments. A reversal of impairment loss is recognized in the profit and loss account.

4.5 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.

4.6 Morabaha Investments

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

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

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

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

4.7 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.

4.8 Financial instruments

4.8.1 Financial assets

Financial assets - initial recognition

The Modaraba has adopted IFRS 9 Financial Instruments with effect from 1 July 2018. Accordingly, financial assets are classified, at initial recognition, and subsequently measured at amortized cost, fair value through other comprehensive income (OCI), and fair value through profit or loss.

The classification of financial assets at initial recognition depends on the financial asset's contractual cash flow characteristics and the Company's business model for managing them. With the exception of trade debts and bank balance that do not contain a significant financing component or for which the Company has applied the practical expedient, the Company initially measures a financial asset at its fair value plus, in the case of a financial asset not at fair value through profit or loss, transaction costs. Trade debts that do not contain a significant financing component or for which the Company has applied the practical expedient are measured at the transaction price determined under IFRS 15.

In order for a financial asset to be classified and measured at amortized cost or fair value through OCI, it needs to give rise to cash flows that are 'solely payments of principal and

interest (SPPI)' on the principal amount outstanding.

This assessment is referred to as the SPPI test and is performed at an instrument level.

The Company's business model for managing financial assets refers to how it manages its financial assets in order to generate cash flows. The business model determines whether cash flows will result from collecting contractual cash flows, selling the financial assets, or both.

Purchases or sales of financial assets that require delivery of assets within a time frame established by regulation or convention in the market place (regular way trades) are recognized on the trade date, i.e., the date that the Company commits to purchase or sell the asset.

Financial assets - subsequent measurement

For purposes of subsequent measurement, financial assets are classified in four categories:

- a) Financial assets at fair value through profit or loss
- b) Financial assets at amortized cost (debt instruments)
- c) Financial assets designated at fair value through OCI with no recycling of cumulative gains and losses upon derecognition (equity instruments)
- d) Financial assets at fair value through OCI with recycling of cumulative gains and losses (debt instruments)

Financial assets at fair value through profit or loss

Financial assets at fair value through profit or loss include financial assets held for trading, financial assets designated upon initial recognition at fair value through profit or loss, or financial assets mandatorily required to be measured at fair value. Financial assets are classified as held for trading if they are acquired for the purpose of selling or repurchasing in the near term.

Derivatives, including separated embedded derivatives, are also classified as held for trading unless they are designated as effective hedging instruments. Financial assets with cash flows that are not solely payments of principal and interest are classified and measured at fair value through profit or loss, irrespective of the business model. Notwithstanding the criteria for debt instruments to be classified at amortized cost or at fair value through OCI, as described above, debt instruments may be designated at fair value through profit or loss on initial recognition if doing so eliminates, or significantly reduces, an accounting mismatch.

Financial assets at fair value through profit or loss are carried in the statement of financial position at fair value with net changes in fair value recognized in the statement of profit or loss.

The Modaraba does not have financial assets recorded at fair value through profit or loss.

Financial assets at amortized cost (debt instruments)

This category is the most relevant to the Modaraba. The Modaraba measures financial assets at amortized cost if both of the following conditions are met:



- a) The financial asset is held within a business model with the objective to hold financial assets in order to collect contractual cash flows; and
- b) The contractual terms of the financial asset give rise on specified dates to cash flows that are solely payments of principal and interest on the principal amount outstanding

Financial assets at amortized cost are subsequently measured using the effective interest (EIR) method and are subject to impairment. Gains and losses are recognized in profit or loss when the asset is derecognized, modified or impaired.

The Modaraba's financial assets at amortized costs includes advances, deposits, prepayments and other receivables, ijarah rental receivables, musharikhah investment, morabaha investment and long term deposits.

Financial assets designated at fair value through OCI with no recycling of cumulative gains and losses upon derecognition (equity instruments)

Upon initial recognition, the Company can elect to classify irrevocably its equity investments as equity instruments designated at fair value through OCI when they meet the definition of equity under IAS 32 Financial Instruments: Presentation and are not held for trading. The classification is determined on an instrument-by-instrument basis.

Gains and losses on these financial assets are never recycled to profit or loss. Dividends are recognized as other income in the statement of profit or loss when the right of payment has been established, except when the Company benefits from such proceeds as a recovery of part of the cost of the financial asset, in which case, such gains are recorded in OCI. Equity instruments designated at fair value through OCI are not subject to impairment assessment.

The Modaraba does not have equity instruments recorded at fair value through OCI with no recycling of cumulative gains and losses upon derecognition.

Financial assets at fair value through OCI with recycling of cumulative gains and losses (debt instruments)

The Company measures debt instruments at fair value through OCI if both of the following conditions are met:

- a) The financial asset is held within a business model with the objective of both holding to collect contractual cash flows and selling; and
- b) The contractual terms of the financial asset give rise on specified dates to cash flows that are solely payments of principal and interest on the principal amount outstanding.

For debt instruments at fair value through OCI, interest income, foreign exchange revaluation and impairment losses or reversals are recognized in the statement of profit or loss and computed in the same manner as for financial assets measured at amortized cost. The remaining fair value changes are recognized in OCI. Upon derecognition, the cumulative fair value change recognized in OCI is recycled to profit or loss.

The Modaraba does not have debt instruments recorded at fair value through OCI with recycling of cumulative gains and losses.

Financial assets - Derecognition

A financial asset (or, where applicable a part of a financial asset or part of a Company of similar financial assets) is primarily derecognized when:

- a) The rights to receive cash flows from the asset have expired; or
- b) The Company has transferred its rights to receive cash flows from the asset or has assumed an obligation to pay the received cash flows in full without material delay to a third party under a 'pass-through' arrangement; and either (a) the Company has transferred substantially all the risks and rewards of the asset, or (b) the Company has neither transferred nor retained substantially all the risks and rewards of the asset, but has transferred control of the asset.

When the Company has transferred its rights to receive cash flows from an asset or has entered into a pass-through arrangement, it evaluates if, and to what extent, it has retained the risks and rewards of ownership. When it has neither transferred nor retained substantially all the risks and rewards of the asset nor transferred control of the asset, the asset is recognized to the extent of the Company's continuing involvement in the asset. In that case, the Company also recognizes an associated liability. The transferred asset and the associated liability are measured on a basis that reflects the rights and obligations that the Company has retained.

Continuing involvement that takes the form of a guarantee over the transferred asset, is measured at the lower of the original carrying amount of the asset and the maximum amount of consideration that the Company could be required to repay.

Financial assets - Impairment

The Company recognizes an allowance for expected credit losses ("ECL") for all debt instruments not held at fair value through profit or loss. ECLs are based on the difference between the contractual cash flows due in accordance with the contract and all the cash flows that the Company expects to receive. The shortfall is then discounted at an approximation to the asset's original effective interest rate.

ECLs are recognized in two stages. For credit exposures for which there has not been a significant increase in credit risk since initial recognition, ECLs are provided for credit losses that result from default events that are possible within the next 12-months (a 12-month ECL). For those credit exposures for which there has been a significant increase in credit risk since initial recognition, a loss allowance is required for credit losses expected over the remaining life of the exposure, irrespective of the timing of the default (a lifetime ECL).

The Company considers a financial asset in default when contractual payments are 60 days past due. However, in certain cases, the Company may also consider a financial asset to be in default when internal or external information indicates that the Company is unlikely to receive the outstanding contractual amounts in full before taking into account any credit enhancements held by the Company. A financial asset is written off when there is no reasonable expectation of recovering the contractual cash flows.

However, NBFI & Modaraba Association of Pakistan, based on the clarification of the SECP, have informed all its members that the provisioning criteria will remain those as framed under Modaraba Ordinance, 1980 and Rules & Regulations framed therein. Accordingly, the Modaraba has maintained provision against financing assets in accordance with relevant laws applicable to Modaraba.



For bank balances, the Company applies a simplified approach in calculating ECLs based on lifetime expected credit losses. The Company reviews internal and external information available for each bank balance to assess expected credit loss and the likelihood to receive the outstanding contractual amount. The expected credit losses are recognized in the statement of profit or loss.

Upon adoption of IFRS 9, the Company has no material impact on amounts in the statement of financial position as the current methodology adequately reflects requirements of the new standards.

4.8.2 Financial liabilities

Financial liabilities - initial recognition

Financial liabilities are classified, at initial recognition, as financial liabilities at fair value through profit or loss, loans and borrowings, payables, or as derivatives designated as hedging instruments in an effective hedge, as appropriate.

All financial liabilities are recognized initially at fair value and, in the case of loans and borrowings and payables, net of directly attributable transaction costs.

The Company's financial liabilities include deferred morabaha income, redeemable capital, trade and other payables, unclaimed profit, profit payable and long term musharikhah finance.

Financial liabilities - subsequent measurement

Loans and borrowings

After initial recognition, interest-bearing loans and borrowings are subsequently measured at amortized cost using the EIR method. Gains and losses are recognized in profit or loss when the liabilities are derecognized as well as through the EIR amortization process.

Amortized cost is calculated by taking into account any discount or premium on acquisition and fees or costs that are an integral part of the EIR. The EIR amortization is included as finance costs in the statement of comprehensive income.

This category applies to long term loans, short term borrowings utilized under mark-up arrangements, creditors, liabilities against assets subject to finance lease, accrued and other liabilities.

Financial liabilities - derecognition

A financial liability is derecognized when the obligation under the liability is discharged or cancelled or expires.

When an existing financial liability is replaced by another from the same lender on substantially different terms, or the terms of an existing liability are substantially modified, such an exchange or modification is treated as a derecognition of the original liability and the recognition of a new liability, and the difference in the respective carrying amounts is recognized in the statement of profit or loss.

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.

4.9 Finance arrangements including Certificates of Musharikah

These are carried on the balance sheet at principal amount.

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

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

4.10 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.

4.11 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.

Defined benefit plan

The Modaraba operates an un-funded gratuity scheme for its eligible employees completing prescribed period of service in accordance with service rules of the Modaraba. Provision is made for gratuity in accordance with the requirements laid down by IAS 19. The actuarial gains and losses are recognized in other comprehensive income when they occur. Amounts recorded in profit and loss are limited to current and past service costs, gains or losses on settlements and net interest income (expense). All other changes in the net defined benefit asset (liability) are recognized in other comprehensive income with no subsequent recycling to profit and loss.

4.12 Revenue recognition

Ijarah rentals

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

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



Morabaha transaction

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

Profit on musharikh arrangement is recognized under the effective interest rate, based on the amount outstanding.

Profit on bank deposit

Return on bank deposits are recognized on accrual basis, using effective interest 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 on equity instruments is recognized when the right to receive the same is established.

Commission income

Commission income is recognized on accrual basis.

4.13 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.

4.14 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.

4.15 Taxation

Current

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

Deferred

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

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

4.16 Earnings per certificate

Earnings per certificate is calculated by dividing the profit after taxation for the year by weighted average number of certificates outstanding during the year. Diluted earnings per certificate is determined by adjusting the profit or loss attributable to ordinary certificate holders by taking into account the conversion of any diluted potential ordinary certificate.

4.17 Segment reporting

As per IFRS 8 - 'Operating Segments', operating segments are reported in a manner consistent with the internal reporting used by the chief operating decision maker. The chief executive officer of the management company has been identified as the chief operating decision maker, who is responsible for allocating resources and assessing performance of the operating segments.

The Chief Executive Officer is responsible for the Modaraba's entire product portfolio and considers the business to have a single operating segment. The Modaraba's asset allocation decisions are based on a single integrated investment strategy and the Modaraba's performance is evaluated on an overall basis.

	<u>Note</u>	<u>2019 Rupees</u>	<u>2018 Rupees</u>
5. TANGIBLE FIXED ASSETS			
Leased assets	5.1	363,711,083	225,737,910
Assets in own use	5.2	3,338,201	2,489,560
		<u>367,049,284</u>	<u>228,227,470</u>



Description	COST				DEPRECIATION			IMPAIRMENT		NET BOOK VALUE		
	As at	Additions	Transfer	As at	As at	Charge	Transfer	As at	Reversal	As at	As at	Depreciation
	1 July 2018			30 June 2019	1 July 2018	for the year		30 June 2019	for the year	30 June 2019	30 June 2019	Rate
-----Rupees-----												
Plant and machinery	641,915,470	2,343,000	(2,029,500)	642,228,970	505,531,112	9,763,465	(1,834,373)	513,460,204	28,593,102	(9,000,000)	-	20,593,102
												As per term
Vehicle	220,786,051	194,220,797	(20,390,785)	394,616,063	110,518,929	42,581,925	(2,416,715)	150,684,139	1,104,397	-	-	1,104,397
												As per term
Cessna aircraft	13,552,604	-	-	13,552,604	13,552,604	-	-	13,552,604	-	-	-	As per term
												As per term
Consumer products	20,608,226	14,021,402	(10,526,153)	24,103,475	10,824,297	10,044,845	(9,473,559)	11,395,583	-	-	-	12,707,892
												As per term
	896,862,351	210,585,199	(32,946,438)	1,074,501,112	640,426,942	62,390,235	(13,724,647)	689,092,530	30,697,499	(9,000,000)	-	363,711,083

Description	COST				DEPRECIATION			IMPAIRMENT		NET BOOK VALUE		
	As at	Additions	Transfer	As at	As at	Charge	Transfer	As at	Reversal	As at	As at	Depreciation
	1 July 2017			30 June 2018	1 July 2017	for the year		30 June 2018	for the year	30 June 2018	30 June 2018	Rate
-----Rupees-----												
Plant and machinery	748,140,470	52,835,000	(159,060,000)	641,915,470	643,006,041	1,760,789	(139,235,718)	505,531,112	30,604,048	(622,006)	(388,940)	29,593,102
												As per term
Vehicle	204,006,260	477,877,911	(31,008,000)	220,786,051	109,236,485	25,741,253	(24,458,809)	110,518,929	1,104,397	-	-	1,104,397
												As per term
Cessna aircraft	13,552,604	-	-	13,552,604	13,552,604	-	-	13,552,604	-	-	-	As per term
												As per term
Consumer products	16,687,789	10,295,000	(6,374,563)	20,608,226	6,025,696	10,039,119	(5,240,518)	10,824,297	-	-	-	9,783,929
												As per term
	982,387,123	110,917,791	(196,442,563)	896,862,351	771,820,826	37,541,162	(168,935,045)	640,426,942	31,708,445	(622,006)	(388,940)	225,737,910

- 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.
- 5.1.2** The Gross Carrying amount (cost) of fully depreciated assets that are still in use amounts to Rs. 634,195,971 (30 June 2018 : Rs. 633,608,701).
- 5.1.3** Impairment is reversed on the basis of recovery made from classified party and in accordance with Prudential regulations issued by Securities and Exchange Commission of Pakistan.

5.2 Assets in own use

Description	COST			DEPRECIATION		NET BOOK VALUE	
	As at 1 July 2018	Additions	Disposal	As at 30 June 2019	Charge for the year	As at 30 June 2019	Depreciation Rate
-----Rupees-----							
Office equipment	2,449,802	271,408	(135,300)	2,585,910	311,850	1,862,471	15% & 30%
Furniture and fixtures	1,976,956	-	-	1,976,956	213,569	1,127,236	15%
Vehicles	801,900	1,372,500	-	2,174,400	245,631	409,358	20%
	5,228,658	1,643,908	(135,300)	6,737,266	771,050	3,399,065	
						3,338,201	

Description	COST			DEPRECIATION		NET BOOK VALUE	
	as at 1 July 2017	Additions	Disposal/ Adjustment	As at 30 June 2018	Charge for the year	As at 30 June 2018	Depreciation Rate
-----Rupees-----							
Office equipment	3,519,497	80,880	(1,150,575)	2,449,802	434,072	1,661,704	15% & 30%
Furniture and fixtures	1,782,590	194,366	-	1,976,956	215,834	913,667	15%
Vehicles	1,624,088	732,000	(1,554,188)	801,900	129,145	163,727	20%
	6,926,175	1,007,246	(2,704,763)	5,228,658	779,051	2,739,098	
						2,489,560	

5.2.1 The Gross Carrying amount (cost) of fully depreciated assets that are still in use Rs. 1,459,609 (30 June 2018 : Rs. 1,119,609).



	<u>Note</u>	<u>2019 Rupees</u>	<u>2018 Rupees</u>
6 Intangible assets			
Computer software	6.1	-	-
		<u>-</u>	<u>-</u>
6.1 Computer software			
Cost		1,295,000	1,295,000
Amortization		(1,295,000)	(1,295,000)
		<u>-</u>	<u>-</u>

7 Investment in subsidiary

As a result of Stock Exchange (Corporatization, Demutualization and Integration) Act 2012, the Modaraba acquired Trading Rights Entitlement Certificate (TREC) and the subsidiary has been setup to undertake brokerage business and thereby utilize the TREC. The Modaraba obtained permission from SECP vide letter dated October 21, 2016 to form a wholly owned subsidiary to undertake brokerage business and the subsidiary was incorporated on November 29, 2016. During the period, total investment in Subsidiary remains at Rs. 76,500,000 (2018: Rs. 76,500,000).

	<u>Note</u>	<u>2019 Rupees</u>	<u>2018 Rupees</u>
8 Long term musharikah investment - secured			
Long term musharikah investment	8.1	866,449,630	905,484,057
Less: Current portion of long term musharikah investment	13	(483,692,615)	(463,186,995)
		<u>382,757,015</u>	<u>442,297,062</u>

- 8.1** The profit charged on these facilities ranged from 8.55% to 19.41% per annum (2018: 8.55% to 18.27% per annum). These facilities are secured by way of personal guarantees and mortgage of properties.

	<u>Note</u>	<u>2019</u> <u>Rupees</u>	<u>2018</u> <u>Rupees</u>
9 Long term morabaha investment - secured			
Long term morabaha investment	9.1	20,036,259	26,545,141
Add: Unearned morabaha income	9.2	2,232,204	4,649,209
		22,268,463	31,194,350
Less: Current portion of long term morabaha investment	13	(11,799,993)	(11,979,993)
Less: Current portion of unearned morabaha income	13	(1,415,344)	(1,704,532)
		9,053,126	17,509,825

9.1 These are secured against mortgage of properties, hypothecation and pledge of stocks, personal guarantees and demand promissory notes. The rate of profit on morabaha finances ranges from 8.50% to 23% per annum (2018: 8% to 15%).

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

10 Long term deposits

Represents non interest bearing security deposit paid to LESCO and Central Depository Company.

	<u>Note</u>	<u>2019</u> <u>Rupees</u>	<u>2018</u> <u>Rupees</u>
11 Deferred tax			
	11.1	64,398,663	61,834,231

11.1 This represents deferred tax asset created against brought forward losses and depreciation & amortization expense available for use in future. The management is confident that sufficient taxable profits will be available to set off these losses. Further, the management does not intend to avail exemption under clause 100 of Part 1 of Second Schedule to the Income Tax Ordinance 2001.

The aggregate deferred tax asset available to the Modaraba for set off against future taxable profits as at 30 June 2019 amounted to Rs. 104.87 million (30 June 2018: Rs. 92.80 million). Of these, deferred tax asset aggregating Rs. 64.40 million (30 June 2018: Rs 61.83 million) have been recognized in the financial statements.



Expiry of alternate corporate tax is as follows:

<u>Tax year</u>	<u>Nature</u>	<u>2019 Rupees</u>	<u>2018 Rupees</u>
2024	Alternate corporate tax	9,816,975	9,816,975
2025	Alternate corporate tax	16,739,766	16,739,766
2026	Alternate corporate tax	3,489,927	3,489,927
2027	Alternate corporate tax	4,016,478	4,016,478
2028	Alternate corporate tax	4,711,236	4,711,236
2029	Alternate corporate tax	1,701,045	-
		<u>40,475,427</u>	<u>38,774,382</u>

	<u>Note</u>	<u>2019 Rupees</u>	<u>2018 Rupees</u>
12 Short term morabaha investment-secured			
Short term morabaha Investment	12.1	525,782,308	488,114,013
Add: Unearned morabaha income	12.2	4,575,612	468,835
		530,357,920	488,582,848
Less: Provision for doubtful morabaha Investment		(235,561,379)	(235,561,379)
		<u>294,796,541</u>	<u>253,021,469</u>

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 12.53% to 24.50% per annum (2018: 9.50% to 22.99% per annum).

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

	<u>Note</u>	<u>2019 Rupees</u>	<u>2018 Rupees</u>
13 Current maturity of long term investment			
Current portion of long term musharika investment	8	483,692,615	463,186,995
Less: Provision against musharika investment	13.1	(8,709,526)	(8,762,351)
		474,983,089	454,424,644
Current portion of long term morabaha investment	9	11,799,993	11,979,993
Add: Unearned morabaha income	9	1,415,344	1,704,532
Less: Provision against morabaha investment	13.2	(8,800,000)	(8,800,000)
		4,415,337	4,884,525
		<u>479,398,426</u>	<u>459,309,169</u>

	<u>Note</u>	<u>2019</u> <u>Rupees</u>	<u>2018</u> <u>Rupees</u>
13.1 Impairment loss on musharikhah investment			
Opening balance		8,762,351	8,709,526
Additions during the year			
Specific provision		-	52,825
General provision		-	-
		-	52,825
Reversed during the year		(52,825)	-
Closing balance		8,709,526	8,762,351
13.2 Provision for doubtful morabaha investment			
Opening balance		8,800,000	8,800,000
Charge during the year		-	-
Closing balance		8,800,000	8,800,000
14 Ijarah rental receivables			
Ijarah rental receivable		456,145,744	455,135,169
Less: Provision against ijarah rental receivable	14.1	(155,303,248)	(159,480,340)
Less: Ijarah receivables written off		(679,630)	-
		300,162,866	295,654,829
14.1 Provision against ijarah rental receivable			
Opening balance		159,480,340	188,064,088
Additions during the year		27,654	1,010,946
Reversals during the year		(4,204,746)	(29,594,694)
Closing balance		155,303,248	159,480,340
14.2 Future Ijarah rentals receivable			

Aggregate amount of future ijarah rentals receivable on the basis of agreements executed up to 30 June 2019 are as follows:

	<u>Note</u>	<u>2019</u> <u>Rupees</u>	<u>2018</u> <u>Rupees</u>
Up to one year		107,479,972	52,625,692
Above one year and up to five year		189,812,614	94,451,362
		297,292,586	147,077,054



	<u>Note</u>	<u>2019</u> <u>Rupees</u>	<u>2018</u> <u>Rupees</u>
15 Advances, deposits, prepayments and other receivables			
Profit receivable			
- Morabaha investment	15.1	7,483,463	201,331
- Musharikah investment	15.2	19,666,546	23,347,430
		27,150,009	23,548,761
Prepayments		4,318,376	5,421,564
Advances		2,229,584	15,369,840
Non-banking assets		18,775,000	7,400,000
Other receivables		66,761,445	63,056,513
		119,234,414	114,796,677
Less: Provision for non performing assets	15.3	(11,128,292)	(7,810,204)
		108,106,122	106,986,473
15.1 Morabaha profit receivable			
Morabaha profit receivable		33,618,060	26,335,928
Less: Income transferred to suspense		(26,134,597)	(26,134,597)
		7,483,463	201,331
15.2 Musharikah profit receivable			
Musharikah profit receivable		36,518,275	26,873,047
Less: Income transferred to suspense	15.2.1	(16,851,729)	(11,677,261)
		19,666,546	15,195,786
15.2.1 Income transferred to suspense			
Opening balance		11,677,261	11,292,303
Addition during the year	27.3	6,467,843	384,958
Reversal of Suspension during the year	27.3	(1,293,375)	-
Closing balance		16,851,729	11,677,261

	<u>Note</u>	<u>2019</u> <u>Rupees</u>	<u>2018</u> <u>Rupees</u>
15.3 Provision for non performing assets			
Opening balance		7,810,204	7,810,204
Additions during the year		3,318,088	-
Reversed during the year		-	-
		3,318,088	-
Closing balance		11,128,292	7,810,204

16 Cash and bank balances

Cash at banks			
- Current accounts	16.1	18,612,220	25,358,790
- Deposit accounts	16.2&16.3	24,000,000	20,455,069
- Savings accounts	16.2&16.3	393,411	524,515
- Current account with State Bank of Pakistan	16.4	15,249	69,711
		43,020,880	46,408,085
Cash in hand		3,998	760,927
		43,024,878	47,169,012

16.1 The balance of Rs. 17.98 million (2018: Rs.7.41 million) is maintained with The Bank of Punjab (the holding company of the Modaraba's Management Company).

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

16.3 The rate of profit on deposit and saving accounts ranges between 4.25% to 13.13% per annum (2018: 2.50% to 5.25% per annum).

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



		<u>Note</u>	<u>2019</u> Rupees	<u>2018</u> Rupees
17 Certificate capital				
Authorized certificate capital				
50,000,000 modaraba certificates of Rs.10 each			<u>500,000,000</u>	<u>500,000,000</u>
17.1				
Issued, subscribed and paid-up certificate capital				
<u>2019</u>	<u>2018</u>			
----- (Number of Certificates) -----				
20,000,000	20,000,000	Certificates of Rs.10/- fully paid on cash	200,000,000	200,000,000
14,020,000	14,020,000	Certificates of Rs.10/- issued as bonus Certificates	140,200,000	140,200,000
<u>34,020,000</u>	<u>34,020,000</u>		<u>340,200,000</u>	<u>340,200,000</u>

17.1 As at 30 June 2019, The Punjab Modaraba Services (Private) Limited (the management company) held 13,320,694 (2018: 13,320,694) certificates of Rs. 10 each.

		<u>Note</u>	<u>2019</u> Rupees	<u>2018</u> Rupees
18 Reserves				
Capital reserve				
Statutory reserve		18.1	216,692,528	215,447,495
Revenue reserves				
Accumulated loss			(364,283,405)	(352,253,538)
			<u>(147,590,877)</u>	<u>(136,806,043)</u>

18.1 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.

	<u>Note</u>	<u>2019 Rupees</u>	<u>2018 Rupees</u>
19 Long Term Security deposits			
Long term security deposits against Ijarah		140,602,505	112,531,322
Less: Current maturity of security deposits	22	(89,148,775)	(91,501,375)
		<u>51,453,730</u>	<u>21,029,947</u>
20 Deferred morabaha income			
Deferred morabaha income	9 & 12	6,807,816	5,118,043
Less: Current maturity of deferred morabaha income		(6,030,956)	(2,173,366)
		<u>776,860</u>	<u>2,944,677</u>
21 Long term musharikhah finance secured			
Opening balance		1,193,495,035	1,101,205,546
Additions during the year		1,176,941,616	879,623,304
Less: Paid during the year		(1,146,815,082)	(787,333,815)
		<u>30,126,534</u>	<u>92,289,489</u>
	21.1	<u>1,223,621,569</u>	<u>1,193,495,035</u>
21.1 The Modaraba has availed musharikhah finance facilities from The Bank of Punjab having approved limits of Rs. 1,585 million (2018: Rs. 1,405 million) maturing latest by 31 October 2019. These facilities are secured by way of first pari passu charge over present and future fixed assets of Modaraba for amount of Rs. 860 million, first pari passu charge over present and future current assets of Modaraba for an amount of Rs. 1,040 million and ranking charge over present and future current assets for an amount of Rs. 860 million. The estimated share of profit payable on musharikhah facilities is 3 month KIBOR per annum (2018: 3 month KIBOR per annum).			
	<u>Note</u>	<u>2019 Rupees</u>	<u>2018 Rupees</u>
22 Current maturity of non current liabilities			
Current maturity of long term security deposits	22.1	89,148,775	91,501,375
Current maturity of deferred morabaha income	20	6,030,956	2,173,366
		<u>95,179,731</u>	<u>93,674,741</u>
22.1 This includes security deposit amounting to Rs. 82.70 million (2018: Rs.82.70 million) against those ijarah where the customers have defaulted payment of rentals and the Modaraba has filed suits for recovery.			



	<u>Note</u>	<u>2019</u> <u>Rupees</u>	<u>2018</u> <u>Rupees</u>
23 Redeemable capital - participatory and unsecured			
Opening balance		400,000,000	400,000,000
Add: Issued during the year		51,018,493	-
Add: Re- issued during the year		400,000,000	400,000,000
Less: Redeemed during the year		(405,500,000)	(400,000,000)
		45,518,493	-
Closing balance	23.1	445,518,493	400,000,000

23.1 The Certificates of Musarika of Rs. 400 Million have been reissued to Bank of Punjab with a maturity of 3 months. The share of profit payable ranges from 6.50% to 12.75% per annum (2018: 6.25% to 7.00%).

	<u>Note</u>	<u>2019</u> <u>Rupees</u>	<u>2018</u> <u>Rupees</u>
24 Profit payable			
Musharikah finance		34,609,950	18,323,102
Redeemable capital		6,161,700	3,215,070
		40,771,650	21,538,172

25 Trade and other payables

Accrued expenses	25.1	2,421,217	1,093,788
Tax deducted at source		806,214	816,650
Advances against ijarah / morabaha / musharikah		51,713,709	23,393,783
Management fee payable		-	3,079,239
Other payables		6,173,704	11,093,116
		61,114,844	39,476,576

25.1 This Includes amount in respect of gratuity payable to employees amounting to Rs. 2 million (2018: 0.91 million).

26 Contingencies and commitments

26.1 Contingencies

- 26.1.1** The assessing officer, while finalizing assessments for the years 1997-98 and 1998-99, made add backs out of profit and loss account. The Modaraba had filed an appeal before the Commissioner of Income Tax (Appeals) (CIT-(A)), who has rejected the appeals. The Modaraba has filed an appeal, against the order of CIT-(A), before the honorable Income Tax Appellate Tribunal, which has been decided in favor of Modaraba, however Income Tax Department has filed appeal before honorable Lahore High Court. Modaraba management company expects a favorable outcome of the case.
- 26.1.2** Additional Commissioner Inland Revenue (ACIR) issued order under section 122 (5A) of the Income Tax Ordinance, 2001, (the Ordinance) for tax year 2003 while rejecting the exemption claimed from tax under Clause 100 of Part I of Second Schedule to the Ordinance and made additions on account of provision for bad debts, which resulted in a tax liability of Rs. 27.410 million. 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 million. 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 was decided in favor of the Modaraba. Subsequent to year end the Income Tax Department has filed reference in High Court against decision of Appellate Tribunal Inland Revenue which is pending for adjudication. Modaraba management company expects a favorable outcome of the case.
- 26.1.3** Additional Commissioner Inland Revenue (ACIR) issued order under section 122 (5A) of the Income Tax Ordinance, 2001, (the Ordinance) for tax year 2005 while rejecting the exemption claimed from tax under Clause 100 of Part I of Second Schedule to the Ordinance in an arbitrary manner and assessing the taxable income at Rs. 49.85 million and tax liability at Rs. 17.67 million. The Modaraba filed a rectification application under section 221 of the Ordinance for reducing the tax rate from 35% to 25%. Further, the Modaraba has filed an appeal before the CIR (Appeals) for tax year 2005 against this order. In this regard, after hearing of the appeal, the CIR (Appeals) by accepting the claim of exemption has issued a favorable order to the Modaraba while deleting the tax liability of Rs. 17.67 million.
- The income tax department has filed an appeal before Appellate Tribunal Inland Revenue against the order of CIR (Appeals) which was decided in favor of the Modaraba. Subsequent to year end the Income Tax Department has filed reference in High Court against decision of Appellate Tribunal Inland Revenue which is pending for adjudication. Modaraba management company expects a favorable outcome of the case.
- 26.1.4 Legal suits against Modaraba**
- Suit for rendition of account Rs. 22.145 million filed by a defaulter against the Modaraba. The suit is pending in Honorable Banking Court. The management is of the view that case has no merit and would be disposed off in favor of the Modaraba.



26.2 Commitments

26.2.1 Musharikhah commitments approved but not disbursed as on balance sheet date amount to Rs.10.85 million (2018: Rs.41.38 million).

	<u>Note</u>	<u>2019 Rupees</u>	<u>2018 Rupees</u>
27 Operating income			
27.1 Income from lease financing			
Ijarah income		104,961,205	55,128,477
Add: Reversal of rentals suspended	14.1	349,000	9,307,798
Less: Depreciation on ijarah Assets		(62,390,235)	(37,541,161)
		42,919,970	26,895,114
27.2 Income from morabaha financing			
Morabaha investment		7,459,176	4,799,112
27.3 Income from diminishing musharaka financing			
Musharikhah investment		122,751,076	95,690,463
Add: Reversals of rentals suspended	15.2.1	1,293,375	-
Less: Rentals suspended	15.2.1	(6,467,843)	(384,958)
		117,575,608	95,305,505
28 Gain on disposal of assets			
Gain on disposal of non banking assets		1,329,500	150,000
Gain on disposal of owned assets		42,283	1,150,500
Gain on disposal of Ijarah assets		199,827	362,997
		1,571,610	1,663,497
29 Other income			
Profit on bank deposits		2,078,482	1,253,015
Processing fee		2,917,336	1,362,418
Cheque return charges		795,500	7,106
Gain on settlement of musharikhah		6,748,470	99,995
Gain on settlement of morabaha		13,244	-
Miscellaneous income		5,349,870	8,026,813
		17,902,902	10,749,347

	<u>Note</u>	<u>2019</u> <u>Rupees</u>	<u>2018</u> <u>Rupees</u>
30 Operating expenses			
Salaries and benefits	30.1	27,657,494	21,855,516
Traveling and conveyance		236,985	99,130
Depreciation - owned asset	5.2	771,050	779,051
Legal and professional		831,382	518,000
Printing and stationery		679,384	1,162,414
Insurance		767,528	490,832
Fee and subscription		1,950,075	2,001,275
Auditor's remuneration	30.2	585,000	580,000
Repair and maintenance		619,485	689,787
Vehicle running and maintenance		141,319	1,952,818
Power and utilities		901,278	941,470
Entertainment expenses		544,006	480,394
Advertisement		104,925	73,399
Telephone and postage		419,166	488,610
Corporate expenses		834,669	301,625
Rent, rates and taxes		-	115,639
Selling and marketing expenses		1,366,007	1,491,366
Miscellaneous expenses		792,274	1,329,325
		39,202,027	35,350,651

30.1 Salaries and other benefits include Rs. 0.788 million (2018: Rs. 0.688 million) on account of provident fund contribution and Rs. 1.09 million (2018 : Rs 0.91 milloin) in respect of gratuity payable to employees.

	<u>Note</u>	<u>2019</u> <u>Rupees</u>	<u>2018</u> <u>Rupees</u>
30.2 Auditors' remuneration			
Audit fee		300,000	300,000
Half yearly review and others		175,000	175,000
Out of pocket expenses		110,000	105,000
		585,000	580,000

31 Finance cost

Financial charges on musharikhah	112,848,077	67,869,537
Financial charges on redeemable capital	37,317,866	25,478,515
Bank charges	257,437	155,551
	150,423,380	93,503,603

32 Management fee

Management fee is payable to Punjab Modaraba Services (Private) Limited. During the current year since the management has decided not to pay out the dividend to certificate holder from the current year net annual profit therefore, as per SECP circular the management can not pay the management fee to management company. During the pervious year, management paid out management fee at 10% of profit before tax.



33 Taxation

	2019 Rupees	2018 Rupees
Current Tax		
- Current year	3,027,324	4,724,491
Deferred		
- Relating to origination and reversal of temporary differences	(2,564,432)	(5,765,404)
	462,892	(1,040,913)

34 Earning per certificate

34.1 Basic

Basic earnings per certificate are calculated by dividing the net profit for the year by the weighted average number of certificates outstanding during the year as follows:

	2019 Rupees	2018 Rupees
Profit for the year	6,225,166	28,754,066
Weighted average number of ordinary certificates	34,020,000	34,020,000
Earning per certificate	0.18	0.85

34.2 Diluted

No figure for diluted earnings per certificate has been presented as the Modaraba has not issued any instruments which would have an impact on earnings per certificate when exercised.

35 Transactions with related parties

The related parties and associated undertakings comprise of The Bank of Punjab, Punjab Modaraba Services (Private) Limited and Punjab Capital Securities (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:

35.1 Balances outstanding at the end of year

	2019 Rupees	2018 Rupees
35.1.1 The Bank of Punjab (Holding company of Modaraba's Management Company)		
Musharikhah finances	1,223,621,569	1,193,495,035
Profit payable on musharikhah finances	34,609,950	18,323,102
Certificates of musharikhah	400,000,000	400,000,000
Profit payable on certificates of musharikhah	5,936,301	3,215,070



	<u>2019</u> Rupees	<u>2018</u> Rupees
35.1.2 Punjab Modaraba Services (Private) Limited (Management Company)		
Management fee	-	3,079,239
35.1.3 Punjab Capital Securities (Pvt.) Ltd. (Subsidiary Company)		
Investment in shares	76,500,000	76,500,000
35.2 Transactions during the period		
35.2.1 The Bank of Punjab (Holding company of Modaraba's Management Company)		
Bank charges	257,437	155,551
Profit charged on finances	112,848,077	67,869,537
Profit charged on certificates of Musharikah	36,917,809	25,478,515
35.2.2 Punjab Modaraba Services (Private) Limited (Management Company)		
Management fee paid	-	3,079,239



36 Remuneration of officers and executives

	2 0 1 9		
	Officers	Other employees	Total
	Rupees	Rupees	Rupees
Remuneration	14,801,292	345,402	15,146,694
House rent allowance	4,928,678	138,162	5,066,840
Utility allowance	2,252,865	34,542	2,287,407
Medical allowance	1,024,673	34,542	1,059,215
Provident fund contribution	771,418	16,428	787,846
Gratuity Fund	1,087,344	-	1,087,344
Expenses reimbursed	2,222,148	-	2,222,148
	27,088,418	569,076	27,657,494
Number of employees at the year end	29	2	31
Average number of employees during the year	29	2	31

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

	2 0 1 8		
	Officers	Other employees	Total
	Rupees	Rupees	Rupees
Remuneration	12,888,063	393,498	13,281,561
House rent allowance	4,531,078	98,072	4,629,150
Medical allowance	1,132,759	24,520	1,157,279
Utility allowance	1,132,759	24,520	1,157,279
Provident Fund contribution	688,821	-	688,821
Gratuity fund	913,758	-	913,758
Expenses reimbursed	1,944,880	-	1,944,880
	23,232,118	540,610	23,772,728
Number of employees at the year end	27	4	31
Average number of employees	26	4	30

37 Financial instruments

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

- Credit risk
- Liquidity risk
- Market risk

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

37.1 Credit risk

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

		2019	2018
		Rupees	Rupees
Bank balances	16	43,020,880	46,408,085
Musharikah investment	8	857,740,104	896,721,706
Long term morabaha investment	9	13,468,463	22,394,350
Short term morabaha investment	12	294,796,541	253,021,469
Ijarah rental receivable	14	300,162,866	295,654,829
Advances, deposits, prepayments and other receivables	15	103,787,746	101,564,909
Long term deposits		203,444	692,900
		1,613,180,044	1,616,458,248

37.1.1 Bank balances

The Modaraba kept its surplus funds with banks having good credit rating. Currently the surplus funds are kept with banks having medium to long term rating from AAA to AA+ and short term rating from A1+ to A1. Credit risk rating of the banks are as follows:

Banks	Short Term	Long Term	Agency
The Bank of Punjab	A1+	AA	PACRA
Bank Alfalah Limited	A1+	AA+	PACRA
Al Baraka Bank (Pakistan) Limited	A1	A	PACRA
National Bank of Pakistan	A1+	AAA	PACRA
Meezan Bank Limited	A1+	AA+	JCR-VIS
Bank Islami Pakistan Limited	A1+	AA+	PACRA
NRSP Microfinance Bank Limited	A1	A+	PACRA

37.1.2 Description of Collateral held

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

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

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



37.1.3 Aging Analysis of Morabaha receivable

<u>Past due</u>	2019			
	Total	Non-classified	Classified	Suspension
	-----Rupees-----			
On demand	-	-	-	-
Less than 6 months	7,483,463	7,483,463	-	-
6 to 12 months - OAEM	-	-	-	-
1 to 2 years - Substandard	-	-	-	-
2 to 3 years - Doubtful	-	-	-	-
More than 3 years - Loss	26,134,597	-	26,134,597	26,134,597
	33,618,060	7,483,463	26,134,597	26,134,597

<u>Past due</u>	2018			
	Total	Non-classified	Classified	Suspension
	-----Rupees-----			
On demand	-	-	-	-
Less than 6 months	201,331	201,331	-	-
6 to 12 months - OAEM	-	-	-	-
1 to 2 years - Substandard	-	-	-	-
2 to 3 years - Doubtful	-	-	-	-
More than 3 years - Loss	26,134,597	-	26,134,597	26,134,597
	26,335,928	201,331	26,134,597	26,134,597

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

37.1.4 Aging Analysis of Morabaha investment

Past due	2019			
	Total	Non-classified	Classified	Provision
	-----Rupees-----			
On demand	-	-	-	-
Less than 6 months	53,465,795	53,465,795	-	-
6 to 12 months - OAEM	4,500,000	4,500,000	-	-
1 to 2 years - Substandard	9,708,481	9,708,481	-	-
2 to 3 years - Doubtful	-	-	-	-
More than 3 years - Loss	478,144,291	125,535,128	352,609,163	244,361,380
	545,818,567	193,209,404	352,609,163	244,361,380

Past due	2018			
	Total	Non-classified	Classified	Provision
	-----Rupees-----			
On demand	33,663,185	33,663,184	-	-
Less than 6 months	8,500,000	8,500,000	-	-
6 to 12 months - OAEM	-	-	-	-
1 to 2 years - Substandard	-	-	-	-
2 to 3 years - Doubtful	-	-	-	-
More than 3 years - Loss	477,614,013	125,004,850	352,609,163	244,361,379
	519,777,198	167,168,034	352,609,163	244,361,379

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.



37.1.5 Aging Analysis of Ijarah receivable

Past due	2019			
	Total	Non-classified	Classified	Suspension
	-----Rupees-----			
On demand	-	-	-	-
Less than 6 months	10,188,291	10,188,291	-	-
6 to 12 months - OAEM	6,293,500	6,293,500	-	-
1 to 2 years - Substandard	560,302	560,302	-	-
2 to 3 years - Doubtful	33,794,937	33,794,937	-	-
More than 3 years - Loss	404,629,084	21,102,292	383,526,792	155,303,248
	455,466,114	71,939,322	383,526,792	155,303,248

Past due	2018			
	Total	Non-classified	Classified	Suspension
	-----Rupees-----			
On demand	-	-	-	-
Less than 6 months	11,524,560	11,524,560	-	-
6 to 12 months - OAEM	-	-	-	-
1 to 2 years - Substandard	28,533,518	28,533,518	-	-
2 to 3 years - Doubtful	-	-	-	-
More than 3 years - Loss	255,596,750	96,116,410	159,480,340	159,480,340
	295,654,828	136,174,488	159,480,340	159,480,340

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.

37.1.6 Aging Analysis of Musharikah receivable

Past due	2019			
	Total	Non-classified	Classified	Suspension
	-----Rupees-----			
On demand	-	-	-	-
Less than 6 months	17,578,913	17,578,913	-	-
6 to 12 months - OAEM	5,588,145	319,041	5,269,104	5,269,104
1 to 2 years - Substandard	2,688,114	475,894	2,212,220	2,212,220
2 to 3 years - Doubtful	831,632	831,632	-	-
More than 3 years - Loss	9,831,471	461,066	9,370,405	9,370,405
	36,518,275	19,666,546	16,851,729	16,851,729

Past due	2018			
	Total	Non-classified	Classified	Suspension
	-----Rupees-----			
On demand	-	-	-	-
Less than 6 months	11,409,881	11,409,881	-	-
6 to 12 months - OAEM	3,090,166	3,090,166	-	-
1 to 2 years - Substandard	597,120	377,246	219,874	219,874
2 to 3 years - Doubtful	4,152,508	-	4,152,508	4,336,470
More than 3 years - Loss	7,623,372	-	7,623,372	7,120,917
	26,873,047	14,877,293	11,995,754	11,677,261

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



37.1.7 Aging Analysis of Musharikah investment

Past due	2019			
	Total	Non-classified	Classified	Provision
	-----Rupees-----			
On demand	769,103,248	769,103,248	-	-
Less than 6 months	27,955,906	27,955,906	-	-
6 to 12 months - OAEM	7,898,866	7,898,866	-	-
1 to 2 years - Substandard	9,020,454	9,020,454	-	-
2 to 3 years - Doubtful	-	-	-	-
More than 3 years - Loss	52,471,156	-	52,471,156	8,709,526
	866,449,630	813,978,474	52,471,156	8,709,526
Past due	2018			
	Total	Non-classified	Classified	Provision
	-----Rupees-----			
On demand	835,088,338	835,088,338	-	-
Less than 6 months	8,583,486	8,583,486	-	-
6 to 12 months - OAEM	8,721,632	8,721,632	-	-
1 to 2 years - Substandard	511,218	511,218	-	-
2 to 3 years - Doubtful	29,569,672	29,569,672	-	-
More than 3 years - Loss	23,009,711	-	23,009,711	8,762,351
	905,484,057	882,474,346	23,009,711	8,762,351

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

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

Break down of credit risk exposure by class of business as at 30 June 2019 is as follows:

	2019				
	Assets	Morabaha	Musharikah	Total	% age
	Ijarah	investment	investment		
	-----Rupees-----				
Bank and NBFi's	-	-	6,280,537	6,280,537	0.41%
Textile Spinning and Composite	34,623,160	84,629,810	4,935,074	124,188,044	8.15%
Sugar and Allied	-	18,559,437	-	18,559,437	1.22%
Electric Goods	3,032,650	72,764,405	71,990	75,869,045	4.98%
Chemical and Pharmaceuticals	750,007	2,504,850	25,880,632	29,135,489	1.91%
Paper and Board	100,000	-	-	100,000	0.01%
Food and Allied	6,902,057	-	39,431,052	4,633,109	3.04%
Individuals	46,621,706	51,547,463	105,790,340	203,959,509	13.39%
Jute	-	-	-	-	0.00%
Oil and Gas	100,000	-	56,938,266	57,038,266	3.74%
Miscellaneous	49,300,360	48,778,686	63,549,861	161,628,907	10.61%
Aviation and transport	169,159,708	-	531,745,349	700,905,057	46.01%
Engineering, Steel & Construction	53,121,435	29,480,353	8,229,332	90,831,120	5.96%
Cement	-	-	8,604,192	8,604,192	0.56%
	363,711,083	308,265,004	851,456,625	1,523,432,712	100%
	2018				
	Assets	Morabaha	Musharikah	Total	% age
	Ijarah	investment	investment		
	-----Rupees-----				
Bank and NBFi's	-	-	14,685,703	14,685,703	1.05%
Textile Spinning and Composite	25,603,521	83,902,612	-	109,506,133	7.83%
Sugar and Allied	-	18,559,437	18,841,875	37,401,312	2.68%
Electric Goods	4,170,329	65,708,000	-	69,878,329	5.00%
Chemical and Pharmaceuticals	-	3,504,850	41,599,383	45,104,233	3.23%
Paper and Board	100,000	-	-	100,000	0.01%
Food and Allied	922,850	-	-	922,850	0.07%
Individuals	150,348,391	51,393,419	287,159,750	488,901,560	34.97%
Jute	-	-	-	-	0.00%
Oil and Gas	100,000	-	39,587,133	39,687,133	2.84%
Miscellaneous	44,492,819	22,867,147	89,139,180	156,499,146	11.20%
Aviation and transport	-	-	379,547,628	379,547,628	27.15%
Engineering, Steel & Construction	-	29,480,353	26,161,055	55,641,408	3.98%
Cement	-	-	-	-	0.00%
	225,737,910	275,415,818	896,721,707	1,397,875,435	100%



37.2 Liquidity risk

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

	2019					
	Carrying Amount	Contractual cash flows	6 months or less	6 to 12 months	1 year to 2 years	2 years to 5 years
Financial liabilities	----- Rupees -----					
Redeemable capital	445,518,493	458,511,370	458,511,370	-	-	-
Security deposits against Ijarah	140,602,505	140,602,505	88,619,575	529,200	738,200	55,715,530
Musharikhah finance	1,223,621,569	1,258,231,519	463,683,658	665,064,247	129,483,614	-
Unclaimed profit	17,557,378	17,557,378	17,557,378	-	-	-
Trade and other payable	60,308,630	60,308,630	60,308,630	-	-	-
Profit payable	40,771,650	40,771,650	40,771,650	-	-	-
	1,928,380,226	1,975,983,053	1,129,452,261	665,593,447	130,221,814	50,715,530
	2018					
	Carrying Amount	Contractual cash flows	6 months or less	6 to 12 months	1 year to 2 years	2 years to 5 years
Financial liabilities	----- Rupees -----					
Redeemable capital	400,000,000	403,519,178	403,519,178	-	-	-
Security deposits against Ijarah	112,531,322	112,531,322	91,139,125	662,250	1,267,400	3,170,000
Musharikhah finance	1,193,495,035	1,297,427,199	39,107,399	38,469,778	77,577,177	1,142,272,844
Unclaimed profit	16,361,577	16,361,577	16,361,577	-	-	-
Trade and other payable	39,476,576	39,476,576	39,476,576	-	-	-
Profit payable	21,538,172	21,538,172	21,538,173	-	-	-
	1,783,402,682	1,890,854,024	611,142,028	39,132,028	78,844,577	1,145,442,844

37.2.1 The contractual cash flows relating to the above financial liabilities have been determined on the basis of mark-up rates effective as at year end (and includes both principal and profit payable thereon). The rates of mark-up have been disclosed in notes 17, 18 and 20 to these financial statements.

37.3 Market risk

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

37.3.1 Profit rate risk

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

	<u>2019</u>	<u>2018</u>	<u>2019</u>	<u>2018</u>
	Effective profit rate		Carrying amount	
	(Percentage)		(Rupees)	
Financial assets				
Musharikah investment	8.55 - 19.41	8.55 - 18.27	857,740,104	896,721,707
Morabaha investment	8.50 - 23.00	8.00 - 15.00	301,457,188	270,297,775
Cash and bank balances	4.25 - 13.13	3.75 - 5.50	24,393,411	20,979,584
			1,183,590,703	1,187,999,066
Financial liabilities				
Redeemable Capital	6.50 - 12.75	6.50 - 7.00	445,518,493	400,000,000
Musharikah finances	6.92 - 10.99	6.14 - 6.50	1,223,621,569	1,193,495,035
			1,669,140,062	1,593,495,035

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 2019

	Profit and loss 100 bps	
	Increase	Decrease
As at 30 June 2019		
Cash flow sensitivity-variable rate financial assets	11,835,908	(11,835,908)
Cash flow sensitivity-variable rate financial liabilities	(16,691,400)	16,691,401
Net effect	(7,623,119)	7,623,120
	Profit and loss 100 bps	
	Increase	Decrease
As at 30 June 2018		
Cash flow sensitivity-variable rate financial assets	9,400,957	(9,400,956)
Cash flow sensitivity-variable rate financial liabilities	(15,934,951)	15,934,950
Net effect	(6,533,994)	6,533,994

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



37.3.2 Currency risk

As at 30 June 2019, there is no foreign exchange exposure on Morabaha's balance sheet.

37.4 Operational risk

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

- The Modaraba's objective is to manage operational risk so as to balance limiting of financial losses and damage to its reputation with achieving its objective of generating returns for certificate holders.
- The primary responsibility for the development and implementation of controls over operational risk rests with the Board of Directors of the management Company. This responsibility encompasses the controls in the following areas:
 - requirements for appropriate segregation of duties between various functions, roles and responsibilities;
 - requirements for the reconciliation and monitoring of transactions;
 - compliance with regulatory and other legal requirements;
 - documentation of controls and procedures;
 - requirements for the periodic assessment of operational risks faced, and the adequacy of controls and procedures to address the risks identified;
 - ethical and business standards;
 - risk mitigation, including insurance where it is effective.

37.5 Fair value of financial instruments

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

37.6 Capital risk management

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

37.7 Reconciliation of liabilities arising from financing activities

	Balance as on 01 July 2018	Availed / Announced	Repaid / Redeemed	Balance as at 30 June 2019
Long term musharikhah finance	1,193,495,035	1,176,941,616	(1,146,815,082)	1,223,621,569
Dividend Payable	16,361,577	17,010,000	(15,814,199)	17,557,378
Redeemable capital	400,000,000	445,518,493	(400,000,000)	445,518,493
	1,609,856,612	1,639,470,109	(1,562,629,281)	1,686,697,440

38 Cash flow from operating activities

	2019 Rupees 6,688,058	2018 Rupees 27,713,153
Profit for the period		
Adjustments for:		
Depreciation of ijarah assets	62,390,235	37,541,161
Depreciation of assets in own use	771,050	779,051
Gain on disposal of Ijarah assets	(199,827)	(362,997)
Gain on disposal of owned assets	(42,283)	(1,150,500)
Gain on disposal of non-banking assets	(1,329,500)	(150,000)
Provision against other receivable	3,318,088	-
Reversal for impairment of ijarah assets	(9,000,000)	(20,286,896)
(Reversal) / Provision for musharikhah investment	(52,825)	52,825
Financial charges on musharikhah finances	112,848,077	67,869,537
Financial charges on redeemable capital	37,317,866	25,634,066
	206,020,881	109,926,247
Operating profit before working capital changes	212,708,939	137,639,400
Working capital changes		
(Increase)/decrease in operating assets:		
Morabaha investment	(35,017,002)	4,516,140
Purchase of assets under ijarah arrangements	(210,585,199)	(110,917,791)
Proceeds from transfer of ijarah assets	19,421,618	26,859,569
Ijarah Rental Receivable - net	(4,508,037)	13,398,878
Advances, deposits, prepayments and other receivables	(3,108,238)	(21,144,691)
	(233,307,402)	(87,287,895)
Increase/(decrease) in operating liabilities:		
Security deposits - net	31,928,773	(6,577,550)
Trade and other payables	21,638,268	15,323,597
	53,567,041	8,746,047
Net changes in operating assets and operating liabilities	(179,740,361)	(78,541,848)
Cash generated from operations	32,968,578	59,097,550



39 Provident fund

Investments out of provident fund have been made in accordance with the provisions of the section 218 of the Companies Act, 2017 and the rules formulated for this purpose.

40 Corresponding figures

Corresponding figures have been rearranged or reclassified wherever necessary for the purpose of comparison and better presentation. However, no significant reclassifications have been made during the year except as given below:

Description	Form	To	2018 Rupees
Advance paid for software	Intangibles	Advances, deposits payments	900,00
Ammar textile morabaha investment	Long term morabaha investment	Current maturity of Investment	8800000
Depreciation against ijarah assets(40.1)	Depreciation of Ijarah assets	Advances, deposits payments	900,00
		Income from ijarah rentals	37,541,161
Non-banking assets	Other receivables	Non-banking assets	7,400,000

40.1 The amount has been reclassified as per guidance issued by NBFI & Modaraba association of Pakistan dated 06 march 2019 to align the presentation of Ijara Income in financial statements of modaraba with the presentation adopted by Islamic Banks.

41 Date of authorization for issue

The unconsolidated financial statements of Modaraba were approved by the Directors of Modaraba Management Company and authorized for issue on 08 November 2019.

Chief Executive

Punjab Modaraba Services
(Private) Limited

Director

Punjab Modaraba Services
(Private) Limited

Director

Punjab Modaraba Services
(Private) Limited

Director

Punjab Modaraba Services
(Private) Limited



Consolidated Financial Statements

as at June 30, 2019





Auditors' Report to the Certificate Holders

We have audited the annexed consolidated balance sheet of First Punjab Modaraba and its subsidiary (the Group) as at 30 June 2019 and the related consolidated profit and loss account, consolidated statement of comprehensive income, consolidated cash flow statement and consolidated statement of changes in equity together with the notes forming part thereof (hereinafter referred to as the consolidated 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 consolidated 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 consolidated financial statements are free of any material misstatement. An audit includes examining on a test basis, evidence supporting the amounts and disclosures in the consolidated 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 and its subsidiary as required by the Modaraba Companies and Modaraba (Floatation and Control) Ordinance, 1980 (XXXI of 1980), and Modaraba Companies and Modaraba Rules, 1981;
- (b) In our opinion:
 - (i) the consolidated balance sheet and consolidated 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 4.1, 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 unconsolidated balance sheet, unconsolidated profit and loss account, unconsolidated statement of comprehensive income, unconsolidated cash flow statement and unconsolidated 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 2019 and of the profit, its comprehensive income its 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 company and deposited in the Central Zakat Fund established under section 7 of that Ordinance.

The consolidated financial statements for the year ended 30 June 2018 were audited by another firm of chartered accountants. The audit report dated 08 October 2018 expressed an unmodified opinion.

EY Ford Rhodes
Chartered Accountants
Audit Engagement Partner: Farooq Hameed
Lahore
13 November, 2019



Consolidated Balance Sheet

As at 30 June 2019

ASSETS

Non current assets

	Note	2019 Rupees	2018 Rupees
Tangible fixed assets	5		
- Ijarah assets	5.1	363,711,083	225,737,910
- Assets in own use	5.2	4,803,650	4,287,719
Intangible assets	6	6,765,726	6,500,000
Long term investment	7	19,155,066	10,308,698
Long term musharikhah investment - secured	8	382,757,015	442,297,062
Long term morabaha investment - secured	9	9,053,126	17,509,825
Long term deposits	10	2,281,853	2,771,309
Deferred tax asset	11	64,398,663	61,834,231
		852,926,182	771,246,754

Current assets

Short term morabaha investment - secured	12	294,796,541	253,021,468
Current maturity of long term investment	13	479,398,426	459,309,170
Ijarah rental receivable	14	300,162,866	295,654,829
Trade Receivable	15	6,535,096	9,531,173
Advances, deposits, prepayments and other receivables	16	118,634,000	115,677,277
Tax refund due from government		5,871,699	4,137,232
Cash and bank balances	17	77,720,149	78,128,116
		1,283,118,777	1,215,459,265
		2,136,044,959	1,986,706,019

TOTAL ASSETS

EQUITY AND LIABILITIES

Operating (loss) / profit before provision

Authorized certificate capital 50,000,000 (30 June 2018: 50,000,000) modaraba certificates of Rs. 10 each		500,000,000	500,000,000
Issued, subscribed and paid-up certificate capital 34,020,000 (30 June 2018: 34,020,000) certificates of Rs. 10 each	18	340,200,000	340,200,000
Statutory reserves	19	216,692,528	211,960,411
Fair value reserve	19	8,846,368	
Revenue reserves	19	(379,965,427)	(365,244,416)
		185,773,469	186,915,995

Non current liabilities

Long term Security deposits	20	51,453,730	21,029,947
Deferred morabaha income	21	776,860	2,944,677
Long term musharikhah finance secured	22	1,223,621,569	1,193,495,035
		1,275,852,159	1,217,469,659

Current liabilities

Current maturity of non current liabilities	23	95,179,731	93,674,741
Redeemable capital - participatory and unsecured	24	445,518,493	400,000,000
Profit payable	25	40,771,650	21,538,172
Trade and other payables	26	74,174,754	49,745,181
Provision for taxation		1,217,325	1,000,694
Unclaimed profit		17,557,378	16,361,577
		674,419,331	582,320,365

TOTAL EQUITY AND LIABILITIES

Contingencies and commitments

27

2,136,044,959

1,986,706,019

The attached notes 1 to 43 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

Director

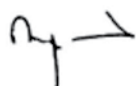
Punjab Modaraba Services
(Private) Limited

Consolidated Profit and Loss Account

For the Year Ended 30 June 2019

	Note	2019 Rupees	2018 Rupees
Income			
Income from ijarah rentals	28.1	42,919,970	26,895,114
Income from morabaha financing	28.2	7,459,176	4,799,112
Income from diminishing musharaka financing	28.3	117,576,608	95,305,505
Revenue from contract with customers	29	9,753,404	3,573,195
Gain on disposal of fixed assets	30	1,571,610	1,663,497
Other income	31	22,099,287	12,067,708
		201,380,055	144,304,131
Expenses			
Administrative expenses	32	52,178,334	44,007,436
Ijarah receivables written off	14	679,630	-
Finance cost	33	150,432,133	93,510,393
		203,290,097	137,517,829
Operating (loss) / profit before provision		(1,910,042)	6,786,302
Reversal for impairment of ijarah assets		9,000,000	1,010,946
Impairment of TREC		-	(2,500,000)
Reversal for provision against ijarah rentals		3,828,092	19,275,950
Provision against other receivable		(3,318,088)	-
Reversal / (Provision) for musharika investment	13.1	52,825	(52,825)
		9,562,829	17,734,071
Operating profit after provision and impairment		7,652,787	24,520,373
Modaraba Company's management fee	34	-	(3,079,239)
		7,652,787	21,441,134
Taxation	35	(631,681)	985,043
Profit for the period		7,021,106	22,426,177
Earnings per certificate - basic and diluted	36	0.21	0.66

The attached notes 1 to 43 form an integral part of these unconsolidated financial statements.



Chief Executive
Punjab Modaraba Services
(Private) Limited



Director
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 2019

	<u>2019</u> <u>Rupees</u>	<u>2018</u> <u>Rupees</u>
Income for the year	7,021,106	22,426,177
Other Comprehensive that will not be reclassified to profit or loss in subsequent period:	-	-
Gain on equity instrument designated at fair value through other comprehensive income	837,362	-
Total comprehensive income for the year	<u>7,858,468</u>	<u>22,426,177</u>

The attached notes 1 to 43 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

Director

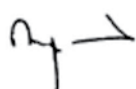
Punjab Modaraba Services
(Private) Limited

Consolidated Cash Flow Statement

For the Year Ended 30 June 2019

	<u>Note</u>	<u>2019</u> <u>Rupees</u>	<u>2018</u> <u>Rupees</u>
Cash flow from operating activities			
Cash generated from operations	40	37,835,683	46,156,104
Profit paid on redeemable capital		(34,371,236)	(25,219,861)
Profit paid on musharikhah finances		(96,561,229)	(66,334,321)
Taxes paid		(4,713,948)	(4,940,822)
		<u>(135,646,413)</u>	<u>(96,495,004)</u>
Net cash used in operating activities		(97,810,727)	(50,338,900)
Cash flow from investing activities			
Investment in musharikhah-net		39,034,428	(7,700,303)
Proceeds from disposal of fixed assets		66,500	1,150,500
Dividend Income		421,988	
Intangible Assets Purchased		(265,725)	-
Purchase of fixed assets in own use	5.2	<u>(1,685,258)</u>	<u>(1,078,186)</u>
Net cash generated from / (used in) investing activities		37,571,932	(7,627,989)
Cash flow from financing activities			
Musharikhah finances-net	22	30,126,534	92,289,489
Redeemable capital-net	24	45,518,493	-
Profit distributed among the certificate holders		(15,814,199)	(15,901,909)
Net cash generated from financing activities		<u>59,830,828</u>	<u>76,387,579</u>
Net (decrease) / increase in cash and cash equivalents		(407,967)	18,420,690
Cash and cash equivalents at the beginning of the year		78,128,116	59,707,426
Cash and cash equivalents at the end of the year	17	<u><u>77,720,146</u></u>	<u><u>78,128,116</u></u>

The attached notes 1 to 43 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



Director
Punjab Modaraba Services
(Private) Limited



Consolidated Statement of Changes in Equity

For the Year Ended 30 June 2019

	Certificate Capital	Capital Reserve Fair Value reserve	Statutory reserve	Revenue Reserve Accumulated loss	Total
	-----Rupees-----				
Balance as at 01 July 2017	340,200,000	-	207,475,176	(366,175,358)	181,499,818
Profit for the year	-	-	-	22,426,177	22,426,177
Other comprehensive income for the year	-	-	-	-	-
Total comprehensive income for the year	-	-	-	22,426,177	22,426,177
Transfer to statutory reserves	-	-	4,485,235	(4,485,235)	-
Profit distribution for the year ended 30 June 2017 at Rs. 0.5 per certificate	-	-	-	(17,010,000)	(17,010,000)
Balance as at 30 June 2018	340,200,000	-	211,960,411	(365,244,416)	186,915,995
Effect of application of change in accounting policy resulting from adoption of IFRS 9	-	8,009,006	-	-	8,009,006
Balance as on 1 July 2018 - restated	340,200,000	8,009,006	211,960,411	(365,244,416)	194,925,001
Balance as on 1 July 2018	340,200,000	8,009,006	211,960,411	(365,244,416)	195,225,501
Profit for the year	-	-	-	7,021,106	7,021,106
Other comprehensive income for the year	-	837,362	-	-	837,362
Total comprehensive income for the year	-	837,362	-	7,021,106	7,858,468
Transfer to statutory reserves	-	-	1,245,033	(1,245,033)	-
Adjustment of Statutory Reserve	-	-	3,487,084	(3,487,084)	-
Profit distribution for the year ended 30 June 2018 at Rs. 0.5 per certificate	-	-	-	(17,010,000)	(17,010,000)
Balance as at 30 June 2019	340,200,000	8,846,368	216,692,528	(379,965,427)	185,773,469

The attached notes 1 to 43 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

Director

Punjab Modaraba Services
(Private) Limited



Notes to the Financial Statements

For the year ended June 30, 2019

1. The Group and its Operations

1.1 The "Group" consists of:

Parent

First Punjab Modaraba

Subsidiary Company	Percentage of holding	
	2019	2018
Punjab Capital Securities (Private) Limited	100%	100%

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 3rd floor, National Tower, Egerton Road, Lahore. The Modaraba commenced its operations on 23 December 1992. The Modaraba is listed on Pakistan Stock Exchange.

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

Punjab Capital Securities (Private) Limited

The Punjab Capital Securities (Private) Limited ("the Company") is registered under the repealed Companies Ordinance, 1984 (which is replaced by Companies Act 2017) as a company limited by shares on the 29th day of November 2016. The Company is mainly engaged in business of brokerage services, portfolio management and consultancy services. The registered office of the Company is situated at Room No 319, 3rd Floor, Lahore stock exchange (LSE) Building, Lahore.

2. Basis of Preparations

2.1 Statement of compliance

These financial statements have been prepared in accordance with the accounting and reporting standards as applicable in Pakistan. Such standards as applicable in Pakistan comprises of:

- International Financial Reporting Standards (IFRS Standards) issued by International Accounting Standards Board (IASB) as notified under Companies Act, 2017;
- Provisions of and directives issued under the Companies Act, 2017; and
- The requirements of Modaraba Companies and Modarabas (Flotation and Control) Ordinance, 1980, Modaraba Companies and Modaraba Rules, 1981 and Prudential Regulations for Modarabas (hereinafter referred to as the relevant laws).



Where provisions and directives issued under Companies Act, 2017 and the relevant laws differ from IFRS Standards, the provisions and directives issued under Companies Act, 2017 and the relevant laws have been followed.

The SECP has issued directive (vide SRO 431 (I) / 2007 dated May 22, 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 Lease Financing transactions as defined by the said standard. The Modaraba has adopted the said standard.

2.2 Basis of measurement

These consolidated financial statements have been prepared under the historical cost convention except for certain financial assets and liabilities which are stated at their fair value or amortized cost as applicable.

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.

2.4 Basis of Consolidation

The Group Financial Statements include the Financial Statements of the Modaraba and its subsidiary.

Subsidiary are fully consolidated from the date on which control is transferred to the Modaraba. They are deconsolidated from the date that control ceases. The financial statements of subsidiary have been consolidated on line by line basis. All significant inter-company transactions, balances, income and expenses on transactions between group companies are eliminated. Profits and losses resulting from inter-company transactions that are recognized in assets are also eliminated.

The Modaraba applies the acquisition method to account for business combinations. The consideration transferred for the acquisition of a subsidiary is the fair values of the assets transferred, the liabilities incurred to the former owners of the acquiree and the equity interests issued by the Group. The consideration transferred includes the fair value of any asset or liability resulting from a contingent consideration arrangement. Identifiable assets acquired and liabilities and contingent liabilities assumed in a business combination are measured initially at their fair values at the acquisition date. The Modaraba recognizes any non-controlling interest in the acquiree on an acquisition- by-acquisition basis, at the non-controlling interest's proportionate share of the recognized amounts of acquiree's identifiable net assets. The Financial Statements of the Modaraba and its subsidiary are prepared upto the same reporting date using consistent accounting policies.

Acquisition-related costs are expensed as incurred. If the business combination is achieved in stages, the acquisition date fair value of the acquirer's previously held equity interest in the acquiree is remeasured to fair value at the acquisition date through income statement.

Any contingent consideration to be transferred by the Modaraba is recognised at fair value at the acquisition date. Subsequent changes to the fair value of the contingent

consideration that is deemed to be an asset or liability is recognized either in profit or loss or as a change to other comprehensive income. Contingent consideration that is classified as equity is not remeasured, and its subsequent settlement is accounted for within equity.

Goodwill, if any, is initially measured as the excess of the aggregate of the consideration transferred and the fair value of non-controlling interest over the net identifiable assets acquired and liabilities assumed. If this consideration is lower than the fair value of the net assets of the subsidiary acquired, the difference is recognized in income statement. After initial recognition, is measured at carrying value i.e. cost at the date of acquisition less any accumulated impairment.

Transactions with non-controlling interests that do not result in loss of control are accounted for as equity transactions – that is, as transactions with the owners in their capacity as owners. The difference between fair value of any consideration paid and the relevant share acquired of the carrying value of net assets of the subsidiary is recorded in equity. Gains or losses on disposals to non-controlling interests are also recorded in equity.

When the Modaraba ceases to have control any retained interest in the entity is re-measured to its fair value at the date when control is lost, with the change in carrying amount recognized in profit or loss. The fair value is the initial carrying amount for the purposes of subsequently accounting for the retained interest as an associate, joint venture or financial asset. In addition, any amounts previously recognized in other comprehensive income in respect of that entity are accounted for as if the Modaraba had directly disposed of the related assets or liabilities. This may mean that amounts previously recognized in other comprehensive income are reclassified to profit or loss.

Non-controlling interest

The Group applies a policy of treating transactions with non- controlling interests as transaction with parties external to the Group. Disposals of non-controlling interests results in gain and losses for the Group that are recorded in the profit and loss account.

2.5 Significant accounting estimates and judgments

The preparation of financial statements in conformity with the approved accounting standards requires the management to make estimates, judgments and assumptions that affect the reported amounts of assets and liabilities, income and expenses. It also requires the management to exercise judgment in application of the Modaraba's accounting policies. The estimates, judgment and associated assumptions are based on the management's experience and various other factors that are believed to be reasonable under the circumstances. These estimates and assumptions are reviewed on an on-going basis.

Revisions to accounting estimates are recognized in the period in which the estimate is revised if the revision affects only that period, or in the period of revision and future periods if the revision affects both the current and future periods. The areas where various assumptions and estimates are significant to the Modaraba's financial statement or where judgment was exercised in the application of accounting policies are as follows:

2.5.1 Depreciation/Amortization

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



2.5.2 Provision against non-performing loans and advances

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

2.5.3 Income taxes

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

2.5.4 Provision against non performing financing (Suspense income)

The Modaraba reviews its overdue ijarah rentals, morabaha receivable and musharikah receivable 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.

3. New accounting standards / amendments and IFRS interpretations that are effective for the year ended 30 June 2019

The Modaraba has adopted the following accounting standard and the amendments and interpretation of IFRSs which became effective for the current year:

IFRS 9 – Financial Instruments

IFRS 15 – Revenue from contracts with customers (Amendments)

IFRS 2 – Share-based Payments – Classification and Measurement of Share-based Payments Transactions (Amendments)

IFRS 4 – Insurance Contracts – Applying IFRS 9 Financial Instruments with IFRS 4 Insurance Contracts (Amendments)

IAS 40 – Investment Property: Transfers of Investment Property (Amendments)

IAS 12 - Income Taxes- Income Tax consequences of payment on financial instruments classified as equity

IAS 28 - Investment in Associates and Joint Ventures- Clarification that measuring investees at fair value through profit or loss is an investment by investment choice

IAS 23 - Borrowing Cost eligible for capitalization

IFRS 1 - Joint Arrangements –previously held interests in Joint operations

IFRS 3 - Previously held Interests in joint operations

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

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

The following standards, 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:

	Effective date annual periods beginning on or after:
IFRS 16 - Leases	01 Jan 2019
IFRIC 23 - Uncertainty over Income Tax Treatments	01 Jan 2019
IFRS 9 - Prepayment Features with Negative Compensation – (Amendments)	01 Jan 2019
IAS 28 - Long-term Interests in Associates and Joint Ventures – (Amendments)	01 Jan 2018
IAS 19 - Plan Amendment, Curtailment or Settlement – (Amendments)	01 Jan 2018
IFRS 3 - Business Combinations - Previously held Interests in a joint operation – (Amendments)	01 Jan 2019
IFRS 11 - Joint Arrangements - Previously held Interests in a joint operation	01 Jan 2019
IAS 12 - Income Taxes - Income tax consequences of payments on financial instruments classified as equity	01 Jan 2019
IAS 23 - Borrowing Costs - Borrowing costs eligible for capitalization	01 Jan 2019
IAS 1 - Presentation of Financial Statements – (Amendments)	01 Jan 2020
IAS 8 - Accounting Policies, Changes in Accounting Estimates and Errors – (Amendments)	01 Jan 2020

The above standards and amendments are not expected to have any material impact on the Modaraba's financial statements in the period of initial application. Other than IFRS 16 'Leases' for which the Modaraba is currently evaluating the potential impact on its financial statements.

In addition to the above standards and amendments, improvements to various accounting standards have also been issued by the IASB in December 2017. Such improvements are



generally effective for annual reporting period beginning on or after January 01, 2019. The Modaraba expects that such improvements to the standards will not have any material impact on the Modaraba'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.

Standards	Effective date (annual periods beginning on or after)
IFRS 1 – First time adoption of International Financial Reporting Standards	January 01, 2009
IFRS 14 – Regulatory Deferral Accounts	January 01, 2016
IFRS 17 – Insurance Contracts	January 01, 2022

4. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

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

4.1 Change in accounting policy

IFRS 15 – Revenue from contracts with customers

"IFRS 15 supersedes IAS 11 Construction Contracts, IAS 18 Revenue and related interpretations and it applies, with limited exceptions, to all revenue arising from contracts with its customers. IFRS 15 establishes a five-step model to account for revenue arising from contracts with customers and requires that revenue be recognized at an amount that reflects the consideration to which an entity expects to be entitled in exchange for transferring goods or services to a customer.

IFRS 15 requires entities to exercise judgement, taking into consideration all of the relevant facts and circumstances when applying each step of the model to contracts with their customers. The standard also specifies the accounting for the incremental costs of obtaining a contract and the costs directly related to fulfilling a contract. In addition, the standard requires extensive disclosures.

The adoption of IFRS 15 does not have a material impact on the Group consolidated financial statements.

IFRS 9 - 'Financial Instruments'

IFRS 9 Financial Instruments replaces IAS 39 Financial Instruments: Recognition and Measurement for annual periods beginning on or after 1 July 2018, bringing together all three aspects of the accounting for financial instruments: classification and measurement; impairment; and hedge accounting.

The Group applied IFRS 9 prospectively, with an initial application date of 1 July 2018. The

Company has not restated the comparative information, which continues to be reported under IAS 39. Differences (if any) arising from the adoption of IFRS 9 have been recognized directly in retained earnings and other components of equity.

(a) Classification and measurement

Under IFRS 9, debt instruments are subsequently measured at fair value through profit or loss, amortized cost, or fair value through OCI. The classification is based on two criteria: the Company's business model for managing the assets; and whether the instruments' contractual cash flows represent 'solely payments of principal and interest' on the principal amount outstanding.

The assessment of the Modaraba's business model was made as of the date of initial application, 1 July 2018. The assessment of whether contractual cash flows on debt instruments are solely comprised of principal and interest was made based on the facts and circumstances as at the initial recognition of the assets.

The Group has not designated any financial liabilities as at fair value through profit or loss. There are no changes in classification and measurement of the Group financial liabilities.

Upon the adoption of IFRS 9, the Group has made the following reclassifications as at 1 July 2018:

IAS 39 measurement category	IFRS 9 measurement category	
	Fair Value through OCI	Amortized Cost
Rupees	Rupees	Rupees
Long term investments	10,308,698	18,317,704

Equity investments in shares of LSE Financial Services Limited, previously classified as AFS financial assets are now classified and measured as Equity instruments designated at fair value through OCI. The Group elected to classify irrevocably its equity investment in shares of LSE Financial Services Limited under this category as it intends to hold this investment for the foreseeable future with no recycling of cumulative gains and losses upon derecognition. There were no impairment losses recognised in profit or loss for this investment in prior periods.

The effect of above election as at 1 July 2018 is given below:

	Carrying amount as stated	Restatement	IFRS 9 Carrying amount
	Rupees	Rupees	Rupees
Fair value reserve	-	8,009,006	8,009,006
IAS 39 measurement category	10,308,698	8,009,006	18,317,704



Set out below, are the amounts by which each financial statement line item is affected as at and for the year ended June 30, 2019 as a result of the adoption of IFRS 19;

	IFRS 9 Rupees	Previous IFRS Rupees	Increase / (decrease) Rupees
Other comprehensive income	837,362	-	837,362
Fair value reserve	8,846,368	-	8,846,368
Long term investment	19,155,066	10,308,698	8,846,368

(b) Impairment

In relation to the impairment of financial assets, IFRS 9 requires an expected credit loss model, as opposed to an incurred credit loss model under IAS 39. The expected credit loss model requires an entity to account for expected credit losses and changes in those expected credit losses at each reporting date to reflect changes in credit risk since initial recognition. In other words, it is no longer necessary for a credit event to have occurred before credit losses are recognized.

However, NBFIs & Modaraba Association of Pakistan, based on the clarification of the SECP, have informed all its members that the provisioning criteria will remain those as framed under Modaraba Ordinance, 1980 and Rules & Regulations framed therein. Accordingly, the Modaraba has maintained provision against financing assets in accordance with relevant laws applicable to Modaraba.

Furthermore, the management has made an assessment of impairment under expected credit loss model of IFRS 9 for financial assets other than financing assets i.e. balances with banks and other financial assets, and concluded that impact is not material to the financial statements.

Securities and Exchange Commission of Pakistan (SECP) through its S.R.O No. 985 (1) / 2019 dated 2nd September 2019, in partial modification of its previous S.R.O 229 (1) / 2019 dated February 14, 2019 notified that, in respect of companies holding financial assets due from Government of Pakistan, the requirement contained in 'IFRS-9 (Financial Instruments) with respect to application of Expected credit lossess method' shall not be applicable till 30 June 2021, provided that the company follow relevant requirement of IAS-39 'Financial instruments: Recognition and Measurement', in respect of above referred financial assets during the exemption period. Consequently, these financial statements do not include the impact of ECL method in respect of 'Tax refunds due from government'.

Hedge accounting

As at year end, the Company does not have hedge relationships. Accordingly, IFRS 9 will not have an impact on Company's financial statements.

4.2 Tangible fixed assets

Assets in own use

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

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

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

Asset's residual values and useful lives are reviewed and adjusted. If appropriate at each reporting date. An asset's carrying amount is written down immediately to its recoverable amount if the asset's carrying amount is greater than its estimated recoverable amount.

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

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

Intangible Assets

Intangible assets having a finite useful life are stated at cost less accumulated amortisation and accumulated impairment losses, if any. Subsequent costs are included in the asset's carrying amounts or recognised as separate assets, as appropriate, only where it is probable that the future economic benefits associated with the assets will flow to the Modaraba and the cost of the items can be measured reliably. The useful lives and amortisation method are reviewed and adjusted, as appropriate, at each reporting date. Amortisation is charged from the month the asset is available for use while in the case of assets disposed of, it is charged till the month preceding the month of disposal.

Intangible assets having an indefinite useful life are stated at cost less accumulated impairment losses, if any.



Gain or loss on disposal of intangible assets, if any. Is taken to the profit and loss account in the period in which these arise.

Ijarah Assets

Ijarah assets are stated at cost less accumulated depreciation and accumulated impairment losses, if any. Depreciation is charged to profit and loss account applying the straight line method whereby the cost of an asset less salvage value is written off over the period of facility, which is considered to be the estimated useful life of the asset. 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. In respect of additions and disposals during the year, depreciation is charged proportionately from the date of delivery of assets to the date of its maturity / termination.

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

4.3 Impairment (Including provision for potential ijarah losses and write offs)

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

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

4.4 Investment in Subsidiary

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

4.5 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.

4.6 Morabaha Investments

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

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

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

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

4.7 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.

4.8 Financial instruments

4.8.1 Financial assets

Financial assets - initial recognition

The Group has adopted IFRS 9 Financial Instruments with effect from 1 July 2018. Accordingly, financial assets are classified, at initial recognition, and subsequently measured at amortized cost, fair value through other comprehensive income (OCI), and fair value through profit or loss.

The classification of financial assets at initial recognition depends on the financial asset's contractual cash flow characteristics and the Company's business model for managing them. With the exception of trade debts and bank balance that do not contain a significant financing component or for which the Company has applied the practical expedient, the Company initially measures a financial asset at its fair value plus, in the case of a financial asset not at fair value through profit or loss, transaction costs. Trade debts that do not contain a significant financing component or for which the Company has applied the practical expedient are measured at the transaction price determined under IFRS 15.

In order for a financial asset to be classified and measured at amortized cost or fair value through OCI, it needs to give rise to cash flows that are 'solely payments of principal and interest (SPPI)' on the principal amount outstanding.

This assessment is referred to as the SPPI test and is performed at an instrument level.

The Group business model for managing financial assets refers to how it manages its financial assets in order to generate cash flows. The business model determines whether cash flows will result from collecting contractual cash flows, selling the financial assets, or both.

Purchases or sales of financial assets that require delivery of assets within a time frame established by regulation or convention in the market place (regular way trades) are recognized on the trade date, i.e., the date that the Group commits to purchase or sell the asset. There are no changes in classification and movement of the financial asset except log term investment.

Financial assets - subsequent measurement

For purposes of subsequent measurement, financial assets are classified in four categories:

- a) Financial assets at fair value through profit or loss
- b) Financial assets at amortized cost (debt instruments)
- c) Financial assets designated at fair value through OCI with no recycling of cumulative gains and losses upon derecognition (equity instruments)
- d) Financial assets at fair value through OCI with recycling of cumulative gains and losses (debt instruments)

Financial assets at fair value through profit or loss

Financial assets at fair value through profit or loss include financial assets held for trading, financial assets designated upon initial recognition at fair value through profit or loss, or financial assets mandatorily required to be measured at fair value. Financial assets are classified as held for trading if they are acquired for the purpose of selling or repurchasing in the near term.

Derivatives, including separated embedded derivatives, are also classified as held for trading unless they are designated as effective hedging instruments. Financial assets with cash flows that are not solely payments of principal and interest are classified and measured at fair value through profit or loss, irrespective of the business model. Notwithstanding the criteria for debt instruments to be classified at amortized cost or at fair value through OCI, as described above, debt instruments may be designated at fair value through profit or loss on initial recognition if doing so eliminates, or significantly reduces, an accounting mismatch.

Financial assets at fair value through profit or loss are carried in the statement of financial position at fair value with net changes in fair value recognized in the statement of profit or loss.

Financial assets at amortized cost (debt instruments)

This category is the most relevant to the Modaraba. The Modaraba measures financial assets at amortized cost if both of the following conditions are met:

- a) The financial asset is held within a business model with the objective to hold financial assets in order to collect contractual cash flows; and
- b) The contractual terms of the financial asset give rise on specified dates to cash flows that are solely payments of principal and interest on the principal amount outstanding

Financial assets at amortized cost are subsequently measured using the effective interest (EIR) method and are subject to impairment. Gains and losses are recognized in profit or loss when the asset is derecognized, modified or impaired.

There are no significant changes on adoption of IFRS 9 as the current methodology adequately reflects the requirement of new standard.

Financial assets designated at fair value through OCI with no recycling of cumulative gains and losses upon derecognition (equity instruments)

Upon initial recognition, the Group can elect to classify irrevocably its equity investments as equity instruments designated at fair value through OCI when they meet the definition of equity under IAS 32 Financial Instruments: Presentation and are not held for trading. The classification is determined on an instrument-by-instrument basis.

Gains and losses on these financial assets are never recycled to profit or loss. Dividends are recognized as other income in the statement of profit or loss when the right of payment has been established, except when the Group benefits from such proceeds as a recovery of part of the cost of the financial asset, in which case, such gains are recorded in OCI. Equity instruments designated at fair value through OCI are not subject to impairment assessment.

The Group does not have equity instruments recorded at fair value through OCI with no recycling of cumulative gains and losses upon derecognition.

Financial assets at fair value through OCI with recycling of cumulative gains and losses (debt instruments)

The Group measures debt instruments at fair value through OCI if both of the following conditions are met:

- a) The financial asset is held within a business model with the objective of both holding to collect contractual cash flows and selling; and
- b) The contractual terms of the financial asset give rise on specified dates to cash flows that are solely payments of principal and interest on the principal amount outstanding.

For debt instruments at fair value through OCI, interest income, foreign exchange revaluation and impairment losses or reversals are recognized in the statement of profit or loss and computed in the same manner as for financial assets measured at amortized cost. The remaining fair value changes are recognized in OCI. Upon derecognition, the cumulative fair value change recognized in OCI is recycled to profit or loss.

The Group does not have debt instruments recorded at fair value through OCI with recycling of cumulative gains and losses.

Financial assets - Derecognition

A financial asset (or, where applicable a part of a financial asset or part of a Group of similar financial assets) is primarily derecognized when:

- a) The rights to receive cash flows from the asset have expired; or
- b) The group has transferred its rights to receive cash flows from the asset or has assumed an obligation to pay the received cash flows in full without material delay to a third party under a 'pass-through' arrangement; and either (a) the Company has transferred substantially all the risks and rewards of the asset, or (b) the Company has neither transferred nor retained substantially all the risks and rewards of the asset, but has transferred control of the asset.

When the group has transferred its rights to receive cash flows from an asset or has entered into a pass-through arrangement, it evaluates if, and to what extent, it has retained the risks and rewards of ownership. When it has neither transferred nor retained substantially all the risks and rewards of the asset nor transferred control of the asset, the asset is recognized to the extent of the Company's continuing involvement in the asset. In that case, the Company also recognizes an associated liability. The transferred asset and the associated liability are measured on a basis that reflects the rights and obligations that the Company has retained.

Continuing involvement that takes the form of a guarantee over the transferred asset, is measured at the lower of the original carrying amount of the asset and the maximum amount of consideration that the Company could be required to repay.

Financial assets - Impairment

The Group recognizes an allowance for expected credit losses ("ECL") for all debt instruments not held at fair value through profit or loss. ECLs are based on the difference between the contractual cash flows due in accordance with the contract and all the cash flows that the Group expects to receive. The shortfall is then discounted at an approximation to the asset's original effective interest rate.

ECLs are recognized in two stages. For credit exposures for which there has not been a significant increase in credit risk since initial recognition, ECLs are provided for credit losses that result from default events that are possible within the next 12-months (a 12-month ECL). For those credit exposures for which there has been a significant increase in credit risk since initial recognition, a loss allowance is required for credit losses expected over the remaining life of the exposure, irrespective of the timing of the default (a lifetime ECL).

The Group considers a financial asset in default when contractual payments are 60 days past due. However, in certain cases, the Group may also consider a financial asset to be in default when internal or external information indicates that the Group is unlikely to receive the outstanding contractual amounts in full before taking into account any credit enhancements held by the Group. A financial asset is written off when there is no reasonable expectation of recovering the contractual cash flows.

For bank balances, the Group applies a simplified approach in calculating ECLs based on lifetime expected credit losses. The Group reviews internal and external information available for each bank balance to assess expected credit loss and the likelihood to receive the outstanding contractual amount. The expected credit losses are recognized in the statement of profit or loss.

Upon adoption of IFRS 9, the Group has no material impact on amounts in the statement of financial position as the current methodology adequately reflects requirements of the new standards.

4.8.2 Financial liabilities

Financial liabilities - initial recognition

Financial liabilities are classified, at initial recognition, as financial liabilities at fair value through profit or loss, loans and borrowings, payables, or as derivatives designated as hedging instruments in an effective hedge, as appropriate.

All financial liabilities are recognized initially at fair value and, in the case of loans and borrowings and payables, net of directly attributable transaction costs.

The Group financial liabilities include deferred morabaha income, redeemable capital, trade and other payables, unclaimed profit, profit payable and long term musharikhah finance.

Financial liabilities - subsequent measurement

Loans and borrowings

After initial recognition, interest-bearing loans and borrowings are subsequently measured at amortized cost using the EIR method. Gains and losses are recognized in profit or loss when the liabilities are derecognized as well as through the EIR amortization process.

Amortized cost is calculated by taking into account any discount or premium on acquisition and fees or costs that are an integral part of the EIR. The EIR amortization is included as finance costs in the statement of comprehensive income.

This category applies to long term loans, short term borrowings utilized under mark-up arrangements, creditors, liabilities against assets subject to finance lease, accrued and other liabilities.

Financial liabilities - derecognition

A financial liability is derecognized when the obligation under the liability is discharged or cancelled or expires.

When an existing financial liability is replaced by another from the same lender on substantially different terms, or the terms of an existing liability are substantially modified, such an exchange or modification is treated as a derecognition of the original liability and the recognition of a new liability, and the difference in the respective carrying amounts is recognized in the statement of profit or loss.

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.

4.9 Finance arrangements including Certificates of Musharikhah

These are carried on the balance sheet at principal amount.

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

Profit on Musharikhah 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.



4.10 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.

4.11 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.

Defined benefit plan

The Modaraba operates an un-funded gratuity scheme for its eligible employees completing prescribed period of service in accordance with service rules of the Modaraba. Provision is made for gratuity in accordance with the requirements laid down by IAS 19. The actuarial gains and losses are recognized in other comprehensive income when they occur. Amounts recorded in profit and loss are limited to current and past service costs, gains or losses on settlements and net interest income (expense). All other changes in the net defined benefit asset (liability) are recognized in other comprehensive income with no subsequent recycling to profit and loss.

4.12 Revenue recognition

Ijarah rentals

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

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

Morabaha transaction

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

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

Profit on bank deposit

Return on bank deposits are recognized on accrual basis, using effective interest 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 on equity instruments is recognized when the right to receive the same is established.

Commission income

Commission income is recognized on accrual basis.

Revenue from contract with customers

Brokerage income is recognized on satisfaction of performance obligation over time i.e on trade date basis.

4.13 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.

4.14 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.

4.15 Taxation

Current

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

Deferred

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

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



4.16 Earnings per certificate

Earnings per certificate is calculated by dividing the profit after taxation for the year by weighted average number of certificates outstanding during the year. Diluted earnings per certificate is determined by adjusting the profit or loss attributable to ordinary certificate holders by taking into account the conversion of any diluted potential ordinary certificate.

	<u>Note</u>	<u>2019 Rupees</u>	<u>2018 Rupees</u>
5. TANGIBLE FIXED ASSETS			
Ijarah assets	5.1	363,711,083	225,737,910
Assets in own use	5.2	4,803,649	4,287,718
		<u>368,514,732</u>	<u>230,025,628</u>

Description	COST			DEPRECIATION			IMPAIRMENT		NET BOOK VALUE				
	As at 1 July 2018	Additions	Transfer	As at 30 June 2019	Charge for the year	Transfer	As at 30 June 2019	As at 1 July 2018	Reversal for the year	Transfer	As at 30 June 2019	Depreciation Rate	
-----Rupees-----													
Plant and machinery	641,915,470	2,343,000	(2,029,500)	642,228,970	505,531,112	9,763,465	(1,834,373)	513,460,204	29,593,102	(9,000,000)	-	20,593,102	As per term
Vehicle	220,786,051	194,220,797	(20,390,785)	394,616,063	110,518,929	42,581,925	(2,416,715)	150,684,139	1,104,397	-	-	1,104,397	As per term
Cessna aircraft	13,552,604	-	-	13,552,604	13,552,604	-	-	13,552,604	-	-	-	-	As per term
Consumer products	20,608,226	14,021,402	(10,526,153)	24,103,475	10,824,297	10,044,845	(9,473,559)	11,395,583	-	-	-	-	As per term
	896,862,351	210,585,199	(32,946,438)	1,074,501,112	640,426,942	62,390,235	(13,724,647)	689,092,530	30,697,499	(9,000,000)	-	21,697,499	
													363,711,083

Description	COST			DEPRECIATION			IMPAIRMENT		NET BOOK VALUE					
	As at 1 July 2017	As at 30 June 2018	As at 1 July 2017	Charge for the year	Transfer	As at 30 June 2018	As at 1 July 2017	Reversal for the year	Transfer	As at 30 June 2018	Depreciation Rate			
											%			
-----Rupees-----														
Plant and machinery	748,140,470	52,835,000	(159,060,000)	641,915,470	643,006,041	1,760,789	(139,235,718)	505,531,112	30,604,048	(622,006)	(388,940)	29,593,102	106,791,256	As per term
Vehicle	204,006,260	47,787,791	(31,008,000)	220,786,051	109,236,485	25,741,253	(24,458,809)	110,518,929	1,104,397	-	-	1,104,397	109,162,725	As per term
Cessna aircraft	13,552,604	-	-	13,552,604	13,552,604	-	-	13,552,604	-	-	-	-	-	As per term
Consumer products	16,687,789	10,295,000	(6,374,563)	20,608,226	6,025,696	10,039,119	(5,240,518)	10,824,297	-	-	-	-	9,783,929	As per term
	982,587,123	10,917,791	(196,443,563)	896,862,351	771,820,826	37,541,162	(168,935,045)	640,426,942	31,708,445	(622,006)	(388,940)	30,697,499	225,737,910	

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.

5.1.2 The Gross Carrying amount (cost) of fully depreciated assets that are still in use amounts to Rs. 634,195,971 (30 June 2018 : Rs. 633,608,701).

5.1.3 Prudential regulations issued by Securities and Exchange Commission of Pakistan.

5.2 Assets in own use

Description	COST			DEPRECIATION		NET BOOK VALUE	
	As at 1 July 2018	Additions	Disposal	As at 1 July 2018	Charge for the year	As at 30 June 2019	Depreciation Rate
-----Rupees-----							
Office equipment	3,156,804	285,258	(135,300)	1,823,958	393,908	2,106,783	15% & 30%
Furniture and fixtures	2,698,441	27,500	-	1,061,259	301,716	1,362,975	15%
Vehicles	801,900	1,372,500	-	163,744	245,631	409,375	20%
Computer Equipments	1,175,180	-	-	495,646	203,855	699,501	20%
	7,832,325	1,685,258	(135,300)	3,544,607	1,145,110	4,578,634	
						4,803,650	

Description	COST			DEPRECIATION		NET BOOK VALUE	
	as at 1 July 2017	Additions	Disposal/ Adjustment	As at 1 July 2017	Charge for the year	As at 30 June 2018	Depreciation Rate
-----Rupees-----							
Office equipment	4,214,409	92,970	(1,150,575)	2,439,012	535,521	1,823,958	15% & 30%
Furniture and fixtures	2,450,225	248,216	-	751,374	309,885	1,061,259	15%
Vehicles	1,624,088	732,000	(1,554,188)	1,588,770	129,162	1,63,743	20%
Computer Equipments	1,170,180	5,000	-	204,782	290,864	495,646	20%
	9,458,902	1,078,186	(2,704,763)	4,983,938	1,265,432	3,544,606	
						4,287,719	

5.2.1 The Gross Carrying amount (cost) of fully depreciated assets that are still in use Rs. 1,459,609 (30 June 2018 : Rs. 1,119,609).

	<u>Note</u>	<u>2019</u> <u>Rupees</u>	<u>2018</u> <u>Rupees</u>
6 Intangible assets			
LSE room	6.1	4,265,726	4,000,000
Trading right entitlement certificate (TREC)	6.2	2,500,000	2,500,000
Computer Software	6.3	-	-
		6,765,726	6,500,000

6.1 LSE room

Cost		4,000,000	4,000,000
Addition/deletion during the year	6.1.1	265,726	-
(Reversal) / recognition of revaluation surplus		-	-
		4,265,726	4,000,000

This represents cost of right to use room given by LSE Financial Services Limited with indefinite useful life. These are considered to be indefinite as there is no foreseeable limit on the period during which an entity expects to consume the future economic benefits. The right to use the room was purchased on 24 April 2017 amounting to Rs.4,374,500.

6.1.1 This represents charges in respect of transfer of right to use LSE room in the name of the Company.

	<u>Note</u>	<u>2019</u> <u>Rupees</u>	<u>2018</u> <u>Rupees</u>
6.2 Trading right entitlement certificate (TREC)			
Carrying value		2,500,000	5,000,000
Impairment in value of TREC		-	(2,500,000)
		2,500,000	2,500,000
		5,000,000	5,000,000

This represents the trading right entitlement certificate which is given by Pakistan Stock Exchange in order to carry out trading. In previous year, SECP has reduced the notional value of transferable TRE Certificate from Rs.5 million to Rs.2.5 million for the purpose of Base Minimum Capital (BMC) through its notification PSX/N-7178 dated 10 November 2017. According, the Company has charged an impairment of Rs. 2.5 million on TREC in the year ended 30 June 2018.

Further, the TREC is under lien in favor of PSX to meet the requirement of Base Minimum Capital (BMC) of the Risk Management Regulation of PSX Rule Book.

	<u>2019</u> <u>Rupees</u>	<u>2018</u> <u>Rupees</u>
6.3 Computer Software		
Cost	1,295,000	1,295,000
Amortization	(1,295,000)	(1,295,000)
	-	-
Rate of amortization	20%	20%



	<u>Note</u>	<u>2019</u> <u>Rupees</u>	<u>2018</u> <u>Rupees</u>
7 LONG TERM INVESTMENT			
843,975 (June 2018 : 843,975) Shares of LSE Financial Services Limited	7.1	10,308,698	10,308,698
Effect of application of IFRS 9		8,009,006	-
Other comprehensive income		837,362	-
		19,155,066	10,308,698

7.1 In absence of active market for shares of LSE Financial Services Limited, it is measured using net asset value of Rs. 22.70, which approximates the fair value of shares of LSE Financial Services Limited as majority assets held by LSE Financial Services Limited are carried at revaluation/fair value model.

7.2 LSE Financial Services Limited shares are under lien in favor of PSX to meet the requirement of Base Minimum Capital (BMC) of the Risk Management Regulation of PSX Rule Book.

	<u>Note</u>	<u>2019</u> <u>Rupees</u>	<u>2018</u> <u>Rupees</u>
8 Long term musharikah investment - secured			
Long term musharikah investment	8.1	866,449,630	905,484,057
Less: Current portion of long term musharikah investment	13	(483,692,615)	(463,186,995)
		382,757,015	442,297,062

8.1 The profit charged on these facilities ranged from 8.55% to 19.41% per annum (2018: 8.55% to 18.27% per annum). These facilities are secured by way of personal guarantees and mortgage of properties.

	<u>Note</u>	<u>2019</u> <u>Rupees</u>	<u>2018</u> <u>Rupees</u>
9 Long term morabaha investment - secured			
Long term morabaha investment	9.1	20,036,259	26,545,141
Add: Unearned morabaha income	9.2	2,232,204	4,649,209
		22,268,463	31,194,350
Less: Current portion of long term morabaha investment	13	(11,799,993)	(11,979,993)
Less: Current portion of unearned morabaha income	13	(1,415,344)	(1,704,532)
		9,053,126	17,509,825

9.1 These are secured against mortgage of properties, hypothecation and pledge of stocks, personal guarantees and demand promissory notes. The rate of profit on morabaha finances ranges from 8.50% to 23% per annum (2018: 8% to 15%).

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

	<u>Note</u>	<u>2019 Rupees</u>	<u>2018 Rupees</u>
10 LONG TERM SECURITY DEPOSITS			
National clearing company of Pakistan limited (NCCPL)		1,400,000	1,400,000
Central depository company		192,500	192,500
Pakistan stock exchange (PSX)		576,909	576,909
Others		112,444	601,900
		<u>2,281,853</u>	<u>2,771,309</u>

	<u>Note</u>	<u>2019 Rupees</u>	<u>2018 Rupees</u>
11 Deferred tax			
First Punjab Modaraba	11.1	<u>64,398,663</u>	<u>61,834,231</u>

- 11.1** This represents deferred tax asset created against brought forward losses and depreciation & amortization expense available for use in future. The management is confident that sufficient taxable profits will be available to set off these losses. Further, the management does not intend to avail exemption under clause 100 of Part 1 of Second Schedule to the Income Tax Ordinance 2001.

The aggregate deferred tax asset available to the Modaraba for set off against future taxable profits as at 30 June 2019 amounted to Rs. 108.82 million (30 June 2018: Rs. 96.71 million). Of these, deferred tax asset aggregating Rs. 66.22 million (30 June 2018: Rs 62.18 million) have been recognized in the financial statements. Due to uncertainty with regard to availability of future taxable profits for utilization of deferred tax assets, the management has not recognized deferred tax assets amounting to Rs. 42.60 million (2018: Rs. 42.36 million) for the year.

Expiry of alternate corporate tax, business and depreciation losses are as follows:

<u>Tax year</u>	<u>Nature</u>	<u>2019 Rupees</u>	<u>2018 Rupees</u>
2024	Alternate corporate tax	9,816,975	9,816,975
2025	Alternate corporate tax	16,739,766	16,739,766
2026	Alternate corporate tax	3,489,927	3,489,927
2027	Alternate corporate tax	4,016,478	4,016,478
2028	Alternate corporate tax	4,711,236	4,711,236
2029	Alternate corporate tax	1,701,045	-
		<u>40,475,427</u>	<u>38,774,382</u>



<u>Tax year</u>	<u>Nature</u>	<u>2019</u> <u>Rupees</u>	<u>2018</u> <u>Rupees</u>
2023	Business loss	5,781,136	5,781,136
2024	Business loss	7,275,839	7,275,839
2025	Business loss	76,505	-
		13,133,480	13,056,975
No Expiry	Depreciation and amortization loss	573,435	1,068,213
2025	Minimum tax	55,870	55,870
2026	Minimum tax	168,789	-
		224,659	55,870
	<u>Note</u>	<u>2019</u> <u>Rupees</u>	<u>2018</u> <u>Rupees</u>

12 Short term morabaha investment-secured

Short term morabaha Investment	12.1	525,782,308	488,114,013
Add: Unearned morabaha income	12.2	4,575,612	468,835
		530,357,920	488,582,848
Less: Provision for doubtful morabaha Investment		(235,561,379)	(235,561,379)
		294,796,541	253,021,469

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 12.53% to 24.50% per annum (2018: 9.50% to 22.99% per annum).

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

	<u>Note</u>	<u>2019</u> <u>Rupees</u>	<u>2018</u> <u>Rupees</u>
13 Current maturity of long term investment			
Current portion of long term musharika investment	8	483,692,615	463,186,996
Less: Provision against musharika investment	13.1	(8,709,526)	(8,762,351)
		474,983,089	454,424,645
Current portion of long term morabaha investment	9	11,799,993	11,979,993
Add: Unearned morabaha income	9	1,415,344	1,704,532
		-	-
Less: Provision against morabaha investment	13.2	-	-
Less: Provision against morabaha investment	13.2	(8,800,000)	(8,800,000)
		4,415,337	4,884,525
		479,398,426	459,309,170

	<u>Note</u>	<u>2019</u> <u>Rupees</u>	<u>2018</u> <u>Rupees</u>
13.1 Impairment loss on musharikah investment			
Opening balance		8,762,351	8,709,526
Additions during the year			
Specific provision		-	52,825
General provision		-	-
		-	52,825
Reversed during the year		(52,825)	-
Closing balance		8,709,526	8,762,351
13.2 Provision for doubtful morabaha investment			
Opening balance		8,800,000	8,800,000
Charge during the year		-	-
Closing balance		8,800,000	8,800,000
14 Ijarah rental receivables			
Ijarah rental receivable		456,145,744	455,135,169
Less: Provision against ijarah rental receivable	14.1	(155,303,248)	(159,480,340)
Less: Ijarah receivables written off		(679,630)	-
		300,162,866	295,654,829
14.1 Provision against ijarah rental receivable			
Opening balance		159,480,340	188,064,088
Additions during the year		27,654	1,010,946
Transfers during the year		-	-
Reversals during the year		(4,204,746)	(29,594,694)
Closing balance		155,303,248	159,480,340
14.2 Future Ijarah rentals receivable			
Aggregate amount of future ijarah rentals receivable on the basis of agreements executed up to 30 June 2019 are as follows:			
Up to one year		107,479,972	52,625,692
Above one year and up to five year		189,812,614	94,451,362
		297,292,586	147,077,054



	<u>Note</u>	<u>2019</u> <u>Rupees</u>	<u>2018</u> <u>Rupees</u>
15 TRADE RECEIVABLES			
Receivable against margin financing		3,208,388	6,161,402
Receivable from NCCPL		2,978,311	3,128,974
Other receivables	15.1	348,397	240,798
		6,535,096	9,531,173

15.1 Aging Analysis

Aging Analysis		111,788	86,849
Above 5 days		236,609	153,949
		348,397	240,798
Receivables above 5 days net-off collateral (after applying haircut)		88,986	142,478

15.1.1 As per clarifications issued by PSX in its notice PSX/N-6741 this information is required as additional disclosure and does not provide accounting treatment hence no provision was recorded.

16 Advances, deposits, prepayments and other receivables

Profit receivable			
- Morabaha investment	16.1	7,483,463	201,331
- Musharikah investment	16.2	19,666,546	23,347,430
		27,150,009	23,548,760
Prepayments		4,319,626	5,424,992
Advances		2,229,584	14,469,840
Advances to Suppliers		119,585	430,310
Advances to Employeeer	16.4	116,914	137,500
Security Deposit	16.5	9,900,000	7,960,120
Non-banking assets		18,775,000	7,400,000
Accrued Mark up		390,129	159,447
Other receivables		66,761,445	63,956,513
		129,762,292	123,487,481
Less: Provision for non performing assets	16.3	(11,128,292)	(7,810,204)
		118,634,000	115,677,274

16.1 Morabaha profit receivable

Morabaha profit receivable		33,618,060	26,335,928
Less: Income transferred to suspense		(26,134,597)	(26,134,597)
		7,483,463	201,331

	<u>Note</u>	<u>2019</u> <u>Rupees</u>	<u>2018</u> <u>Rupees</u>
16.2 Musharikah profit receivable			
Musharikah profit receivable		36,518,275	35,024,991
Less: Income transferred to suspense	16.2.1	(16,851,729)	(11,677,261)
		19,666,546	23,347,730
16.2.1 Income transferred to suspense			
Opening balance		11,677,261	11,292,303
Addition during the year	28.3	6,467,843	384,958
Reversal of suspension during the year	28.3	(1,293,375)	-
Closing balance		16,851,729	11,677,261
16.3 Provision for non performing assets			
Opening balance		7,810,204	7,810,204
Additions during the year	16.2.1	3,318,088	-
Reversals during the year		-	-
		3,318,088	-
Closing balance		11,128,292	7,810,204

16.4 This includes advances to employees on account of expenses.

16.5 This represents deposits with the Pakistan Stock Exchange Limited against regular trade and future trade exposure.



	<u>Note</u>	<u>2019</u> <u>Rupees</u>	<u>2018</u> <u>Rupees</u>
17 Cash and bank balances			
Cash at banks			
- Current accounts	17.1	30,201,397	36,637,537
- Deposit accounts	17.2&17.3	24,000,000	24,000,000
- Savings accounts	16.2&16.3	23,497,920	16,659,941
- Current account with State Bank of Pakistan	17.4	15,249	69,711
		77,714,566	77,367,189
Cash in hand		5,583	760,927
		77,720,149	78,128,116

17.1 The balance of Rs. 17.98 million (2018: Rs.7.41 million) is maintained with The Bank of Punjab (the holding company of the Modaraba's Management Company).

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

17.3 The rate of profit on deposit and saving accounts ranges between 4.25% to 13.13% per annum (2018: 2.50% to 5.25% per annum).

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

	<u>Note</u>	<u>2019</u> <u>Rupees</u>	<u>2018</u> <u>Rupees</u>
18 Issued, suscribed and paid up capital			
<u>2019</u>			
<u>2018</u>			
------(Number of Certificates)-----			
20,000,000		200,000,000	200,000,000
20,000,000			
14,020,000		140,200,000	140,200,000
14,020,000			
34,020,000		340,200,000	340,200,000
34,020,000			

1.1 As at 30 June 2019, The Punjab Modaraba Services (Private) Limited (the management company) held 13,320,694 (2018: 13,320,694) certificates of Rs. 10 each.

	<u>Note</u>	<u>2019</u> <u>Rupees</u>	<u>2018</u> <u>Rupees</u>
19 Reserves			
Capital reserve			
Statutory reserve	19.1	216,692,528	216,692,528
Revaluation surplus		-	-
Fair value reserve		8,846,368	-
		225,538,896	211,960,411
Revenue reserves			
Accumulated loss		(379,965,427)	(365,244,416)
		(154,426,531)	(153,284,005)

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

	<u>Note</u>	<u>2019</u> <u>Rupees</u>	<u>2018</u> <u>Rupees</u>
20 Long term security deposits			
Long term security deposits against Ijarah		140,602,505	112,531,322
Less: Current maturity of security deposits	23	(89,148,775)	(91,501,375)
		51,453,730	21,029,947
21 Deferred morabaha income			
Deferred morabaha income	9 & 12	6,807,816	5,118,043
Less: Current maturity of deferred morabaha income		(6,030,956)	(2,173,366)
		776,860	2,944,677
22 Long term musharikhah finance secured			
Opening balance		1,193,495,035	1,101,205,546
Additions during the year		1,176,941,616	879,623,304
Less: Paid during the year		(1,146,815,082)	(787,333,815)
		30,126,534	92,289,489
	22.1	1,223,621,569	1,193,495,035

22.1 The Modaraba has availed musharikhah finance facilities from The Bank of Punjab having approved limits of Rs. 1,585 million (2018: Rs. 1,405 million) maturing latest by 31 October 2019. These facilities are secured by way of first pari passu charge over present and future fixed assets of Modaraba for amount of Rs. 860 million, first pari passu charge over present and future current assets of Modaraba for an amount of Rs. 1,040 million and ranking charge over present and future current assets for an amount of Rs. 860 million. The estimated share of profit payable on musharikhah facilities is 3 month KIBOR per annum (2018: 3 month KIBOR per annum).



	<u>Note</u>	<u>2019</u> <u>Rupees</u>	<u>2018</u> <u>Rupees</u>
23 Current maturity of non current liabilities			
Current maturity of long term security deposits	23.1	89,148,775	91,501,375
Current maturity of deferred morabaha income	21	6,030,956	2,173,366
		95,179,731	93,674,741

23.1 This includes security deposit amounting to Rs. 82.70 million (2018: Rs.82.70 million) against those ijarah where the customers have defaulted payment of rentals and the Modaraba has filed suits for recovery.

	<u>Note</u>	<u>2019</u> <u>Rupees</u>	<u>2018</u> <u>Rupees</u>
24 Redeemable capital - participatory and unsecured			
Opening balance		400,000,000	400,000,000
Add: Issued during the year		51,018,493	-
Add: Re- issued during the year		400,000,000	400,000,000
Less: Redeemed during the year		(405,500,000)	(400,000,000)
		45,518,493	-
Closing balance	24.1	445,518,493	400,000,000

24.1 The Certificates of Musharaka have been issued with a maturity of upto 9 months. The share of profit payable ranges from 6.50% to 12.75% per annum (2018: 6.25% to 7.00%).

	<u>Note</u>	<u>2019</u> <u>Rupees</u>	<u>2018</u> <u>Rupees</u>
25 Profit payable			
Musharikah finance		34,609,950	18,323,102
Redeemable capital		6,161,700	3,215,070
		40,771,650	21,538,172

26 Trade and other payables

Accrued expenses	26.1	2,421,217	1,093,788
Trade Payable		11,518,564	9,392,002
Tax deducted at source		806,214	816,650
Advances against ijarah / morabaha / musharikah		51,713,709	23,393,783
Management fee payable		-	3,079,239
Other payables		7,715,050	11,969,719
		74,174,754	49,745,181

26.1 This Includes amount in respect of gratuity payable to employees amounting to Rs. 2 million (2018: 0.91 million).

27 Contingencies and commitments

27.1 Contingencies

27.1.1 The assessing officer, while finalizing assessments for the years 1997-98 and 1998-99, made add backs out of profit and loss account. The Modaraba had filed an appeal before the Commissioner of Income Tax (Appeals) (CIT-(A)), who has rejected the appeals. The Modaraba has filed an appeal, against the order of CIT-(A), before the honorable Income Tax Appellate Tribunal, which has been decided in favor of Modaraba, however Income Tax Department has filed appeal before honorable Lahore High Court. Modaraba management company expects a favorable outcome of the case.

27.1.2 Additional Commissioner Inland Revenue (ACIR) issued order under section 122 (5A) of the Income Tax Ordinance, 2001, (the Ordinance) for tax year 2003 while rejecting the exemption claimed from tax under Clause 100 of Part I of Second Schedule to the Ordinance and made additions on account of provision for bad debts, which resulted in a tax liability of Rs. 27.410 million. 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 million. 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 was decided in favor of the Modaraba. Subsequent to year end the Income Tax Department has filed reference in High Court against decision of Appellate Tribunal Inland Revenue which is pending for adjudication. Modaraba management company expects a favorable outcome of the case.

27.1.3 Additional Commissioner Inland Revenue (ACIR) issued order under section 122 (5A) of the Income Tax Ordinance, 2001, (the Ordinance) for tax year 2005 while rejecting the exemption claimed from tax under Clause 100 of Part I of Second Schedule to the Ordinance in an arbitrary manner and assessing the taxable income at Rs. 49.85 million and tax liability at Rs. 17.67 million. The Modaraba filed a rectification application under section 221 of the Ordinance for reducing the tax rate from 35% to 25%. Further, the Modaraba has filed an appeal before the CIR (Appeals) for tax year 2005 against this order. In this regard, after hearing of the appeal, the CIR (Appeals) by accepting the claim of exemption has issued a favorable order to the Modaraba while deleting the tax liability of Rs. 17.67 million.

The income tax department has filed an appeal before Appellate Tribunal Inland Revenue against the order of CIR (Appeals) which was decided in favor of the Modaraba. Subsequent to year end the Income Tax Department has filed reference in High Court against decision of Appellate Tribunal Inland Revenue which is pending for adjudication. Modaraba management company expects a favorable outcome of the case.

27.1.4 Legal suits against Modaraba

Suit for rendition of account Rs. 22.145 million filed by a defaulter against the Modaraba. The suit is pending in Honorable Banking Court. The management is of the view that case has no merit and would be disposed off in favor of the Modaraba.



27.2 Commitments

26.2.1 Musharikah commitments approved but not disbursed as on balance sheet date amount to Rs.10.85 million (2018: Rs.41.38 million).

	<u>Note</u>	<u>2019 Rupees</u>	<u>2018 Rupees</u>
28 Operating income			
28.1 Income from lease financing			
Ijarah income		104,961,205	55,128,477
Add: Reversal of rentals suspended	14.1	349,000	9,307,798
Less: Depreciation on ijarah Assets		(62,390,235)	(37,541,161)
		42,919,970	26,895,114
28.2 Income from morabaha financing			
Morabaha investment		7,459,176	4,799,112
28.3 Income from diminishing musharaka financing			
Musharikah investment		122,751,076	95,690,463
Add: Reversals of rentals suspended	16.2.1	1,293,375	-
Less: Rentals suspended	16.2.1	(6,467,843)	(384,958)
		117,576,608	95,305,505
29 REVENUE FROM CONTRACT WITH CUSTOMERS			
Gross brokerage income		11,319,329	4,139,067
Federal excise duty		(1,565,925)	(565,872)
	29.1	9,753,404	3,573,195
29.1 Gross brokerage income			
Retail clients		11,209,014	3,674,521
Institutional clients		110,315	464,546
		11,319,329	4,139,067
30 Gain on disposal of assets			
Gain on disposal of non banking assets		1,329,500	150,000
Gain on disposal of owned assets		42,283	1,150,500
Gain on disposal of Ijarah assets		199,827	362,997
		1,571,610	1,663,497

	<u>Note</u>	<u>2019</u> <u>Rupees</u>	<u>2018</u> <u>Rupees</u>
31 Other income			
Profit on bank deposits		2,478,099	1,643,800
Margin Finance Income		2,245,492	322,651
Margin Trading Income		7,768	54,263
Return on exposure deposit with PSX		1,096,808	128,674
Dividend Income		421,988	421,988
Processing fee		2,917,336	1,362,418
Cheque return charges		795,500	7,106
Gain on settlement of musharikhah		6,748,470	99,995
Gain on settlement of morabaha		13,244	-
Miscellaneous income		5,374,582	8,026,813
		22,099,287	12,067,708
32 Operating expenses			
Salaries and benefits	32.1	37,381,605	29,615,686
Traveling and conveyance		263,915	310,244
Depreciation - owned asset	5.2	1,145,110	1,265,432
Legal and professional		1,261,111	1,296,471
Printing and stationery		679,384	1,296,471
Insurance		890,949	575,311
PSX, Clearing house and CDC Charges		627,712	164,305
Fee and subscription		2,307,830	1,526,750
Auditor's remuneration	32.2	796,500	722,000
Repair and maintenance		797,450	840,814
Vehicle running and maintenance		141,319	223,134
Power and utilities		1,282,820	1,252,017
Entertainment expenses		648,518	547,717
Advertisement		104,925	73,399
Commission paid to traders		326,568	342,655
Impairment of TREC		-	2,500,000
Telephone and postage		515,505	488,610
Corporate expenses		834,669	860,255
Rent, rates and taxes		13,027	128,051
Selling and marketing expenses		1,366,007	1,491,366
Miscellaneous expenses		793,410	388,654
		52,178,334	46,507,436

32.1 Salaries and other benefits include Rs. 0.788 million (2018: Rs. 0.688 million) on account of provident fund contribution and Rs.1.09 million (2018: Rs. 0.91 million) in respect of gratuity payable to employees.

	<u>Note</u>	<u>2019</u> <u>Rupees</u>	<u>2018</u> <u>Rupees</u>
32.2 Auditors' remuneration			
Audit fee		500,000	442,000
Half yearly review and others		175,000	175,000
Out of pocket expenses		121,500	105,000
		796,500	722,000



	Note	2019 Rupees	2018 Rupees
33 Finance cost			
Financial charges on musharikhah		112,848,077	67,869,537
Financial charges on redeemable capital		37,317,866	25,478,515
Bank charges		266,187	155,551
FED charges		3	1,664
		150,432,133	93,510,393

34 Management fee

Management fee is payable to Punjab Modaraba Services (Private) Limited. During the current year since the management has decided not to pay out the dividend to certificate holder from the current year net annual profit therefore, as per SECP circular the management can not pay the management fee to management company. During the pervious year, management paid out management fee at 10% of profit before tax.

	2019 Rupees	2018 Rupees
35 Taxation		
Current Tax		
- Current year	3,196,113	4,780,361
Deferred		
- Relating to origination and reversal of temporary differences	(2,564,432)	(5,765,404)
	631,681	(985,043)

36 Earning per certificate

36.1 Basic

Basic earnings per certificate are calculated by dividing the net profit for the year by the weighted average number of certificates outstanding during the year as follows:

	2019 Rupees	2018 Rupees
Profit for the year	7,021,106	22,426,177
Weighted average number of ordinary certificates	34,020,000	34,020,000
Earning per certificate	0.21	0.66

36.2 Diluted

No figure for diluted earnings per certificate has been presented as the Modaraba has not issued any instruments which would have an impact on earnings per certificate when exercised.

37 Transactions with related parties

The related parties and associated undertakings comprise of The Bank of Punjab, Punjab Modaraba Services (Private) Limited and Punjab Capital Securities (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:

37.1 Balances outstanding at the end of year

	2019 Rupees	2018 Rupees
37.1.1 The Bank of Punjab (Holding company of Modaraba's Management Company)		
Musharikah finances	1,223,621,569	1,193,495,035
Profit payable on musharikah finances	34,609,950	18,323,102
Certificates of musharikah	400,000,000	400,000,000
Profit payable on certificates of musharikah	5,936,301	3,215,070

37.1.2 Punjab Modaraba Services (Private) Limited (Management Company)

Management fee	-	3,079,239
----------------	---	-----------

37.2 Transactions during the period

37.2.1 The Bank of Punjab (Holding company of Modaraba's Management Company)

Bank charges	266,187	155,551
Profit charged on finances	112,848,077	67,869,537
Profit charged on certificates of Musharikah	36,917,809	25,478,515
Brokerage income earned	110,415	374,808

37.2.2 Punjab Modaraba Services (Private) Limited (Management Company)

Management fee paid	-	3,079,239
---------------------	---	-----------



38 Remuneration of officers and executives

	2 0 1 9			
	Chief Executives	Executives	Other employees	Total
	Rupees	Rupees	Rupees	Rupees
Remuneration	2,400,000	17,692,542	345,402	20,437,944
House rent allowance	468,370	4,963,678	138,162	5,570,210
Medical allowance	240,000	2,252,865	34,542	2,527,407
Utility allowance	240,000	1,024,673	34,542	1,299,215
Provident fund contribution	124,956	905,543	16,428	1,046,927
Gratuity fund	-	1,087,344	-	1,087,344
Expenses reimbursed	-	2,222,148	-	2,222,148
	3,473,326	30,148,793	569,076	34,191,195

Number of employees at the year end **1** **33** **2** **35**

Average number of employees during the year **1** **33** **2** **35**

38.1 The Chief Financial Officer has been provided a vehicle on Ijarah.

	2 0 1 8			
	Chief Executives	Executives	Other employees	Total
		Rupees	Rupees	Rupees
Remuneration	2,400,000	12,704,083	393,498	15,497,581
House rent allowance	408,203	4,122,875	98,072	4,629,150
Medical allowance	240,000	1,780,968	24,520	2,045,488
Utility allowance	240,000	892,759	24,520	1,157,279
Provident fund contribution	124,956	688,815	-	813,771
Gratuity fund	-	913,758	-	913,758
Expenses reimbursed	-	1,944,880	-	1,944,880
	3,413,159	23,048,138	540,610	27,001,907

Number of employees at the year end **1** **29** **4** **33**

Average number of employees during the year **1** **30** **4** **34**

39 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.

39.1 Credit risk

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

	Note	2019 Rupees	2018 Rupees
Bank balances	17	77,714,566	77,367,189
Musharikah investment	8	857,740,104	896,721,707
Long term morabaha investment	9	13,468,463	22,394,350
Short term morabaha investment	12	294,796,541	253,021,468
Ijarah rental receivable	14	300,162,866	295,654,829
Advances, deposits, prepayments and other receivables	16	114,314,374	101,561,481
Trade receivables	15	6,535,096	9,531,173
Long term deposits	10	2,281,853	692,900
		<u>1,667,013,863</u>	<u>1,656,945,097</u>

39.1.1 Bank balances

The Group 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 AA+ and short term rating from A1+ to A1. Credit risk rating of the banks are as follows:

Banks	Short Term	Long Term	Agency
The Bank of Punjab	A1+	AA	PACRA
Bank Alfalah Limited	A1+	AA+	PACRA
Bank AL Habib Ltd.	A1+	AA+	PACRA
MCB Bank Ltd	A1+	AA+	PACRA
Al Baraka Bank (Pakistan) Limited	A1	A	PACRA
National Bank of Pakistan	A1+	AAA	PACRA
Meezan Bank Limited	A1+	AA+	JCR-VIS
Bank Islami Pakistan Limited	A1+	AA+	PACRA
NRSP Microfinance Bank Limited	A1	A+	PACRA



39.1.2 Description of Collateral held

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

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

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

39.1.3 Aging Analysis of Morabaha receivable

Past due	2019			
	Total	Non-classified	Classified	Suspension
	-----Rupees-----			
On demand	-	-	-	-
Less than 6 months	7,483,463	7,483,463	-	-
6 to 12 months - OAEM	-	-	-	-
1 to 2 years - Substandard	-	-	-	-
2 to 3 years - Doubtful	-	-	-	-
More than 3 years - Loss	26,134,597	-	26,134,597	26,134,597
	33,618,060	7,483,463	26,134,597	26,134,597

Past due	2018			
	Total	Non-classified	Classified	Suspension
	-----Rupees-----			
On demand	-	-	-	-
Less than 6 months	201,331	201,331	-	-
6 to 12 months - OAEM	-	-	-	-
1 to 2 years - Substandard	-	-	-	-
2 to 3 years - Doubtful	-	-	-	-
More than 3 years - Loss	26,134,597	-	26,134,597	26,134,597
	26,335,928	201,331	26,134,597	26,134,597

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.



39.1.4 Aging Analysis of Morabaha investment

Past due	2019			
	Total	Non-classified	Classified	Provision
	-----Rupees-----			
On demand	-	-	-	-
Less than 6 months	53,465,795	53,465,795	-	-
6 to 12 months - OAEM	4,500,000	4,500,000	-	-
1 to 2 years - Substandard	9,708,481	9,708,481	-	-
2 to 3 years - Doubtful	-	-	-	-
More than 3 years - Loss	478,144,291	125,535,128	352,609,163	244,361,380
	545,818,567	193,209,404	352,609,163	244,361,380

Past due	2018			
	Total	Non-classified	Classified	Provision
	-----Rupees-----			
On demand	33,663,185	33,663,184	-	-
Less than 6 months	8,500,000	8,500,000	-	-
6 to 12 months - OAEM	-	-	-	-
1 to 2 years - Substandard	-	-	-	-
2 to 3 years - Doubtful	-	-	-	-
More than 3 years - Loss	477,614,013	125,004,850	352,609,163	244,361,379
	519,777,198	167,168,034	352,609,163	244,361,379

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.

39.1.5 Aging Analysis of Ijarah receivable

Past due	2019			
	Total	Non-classified	Classified	Suspension
	-----Rupees-----			
On demand	-	-	-	-
Less than 6 months	10,188,291	10,188,291	-	-
6 to 12 months - OAEM	6,293,500	6,293,500	-	-
1 to 2 years - Substandard	560,302	560,302	-	-
2 to 3 years - Doubtful	33,794,937	33,794,937	-	-
More than 3 years - Loss	404,629,084	21,102,292	383,526,792	155,303,248
	455,466,114	71,939,322	383,526,792	155,303,248

Past due	2018			
	Total	Non-classified	Classified	Suspension
	-----Rupees-----			
On demand	-	-	-	-
Less than 6 months	11,524,560	11,524,560	-	-
6 to 12 months - OAEM	-	-	-	-
1 to 2 years - Substandard	28,533,518	28,533,518	-	-
2 to 3 years - Doubtful	-	-	-	-
More than 3 years - Loss	255,596,750	96,116,410	159,480,340	159,480,340
	295,654,828	136,174,488	159,480,340	159,480,340

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.



39.1.6 Aging Analysis of Musharikah receivable

Past due	2019			
	Total	Non-classified	Classified	Suspension
	-----Rupees-----			
On demand	-	-	-	-
Less than 6 months	17,578,913	17,578,913	-	-
6 to 12 months - OAEM	5,588,145	319,041	5,269,104	5,269,104
1 to 2 years - Substandard	2,688,114	475,894	2,212,220	2,212,220
2 to 3 years - Doubtful	831,632	831,632	-	-
More than 3 years - Loss	9,831,471	461,066	9,370,405	9,370,405
	36,518,275	19,666,546	16,851,729	16,851,729

Past due	2018			
	Total	Non-classified	Classified	Suspension
	-----Rupees-----			
On demand	-	-	-	-
Less than 6 months	11,409,881	11,409,881	-	-
6 to 12 months - OAEM	3,090,166	3,090,166	-	-
1 to 2 years - Substandard	597,120	377,246	219,874	219,874
2 to 3 years - Doubtful	4,152,508	-	4,152,508	4,336,470
More than 3 years - Loss	7,623,372	-	7,623,372	7,120,917
	26,873,047	14,877,293	11,995,754	11,677,261

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.

39.1.7 Aging Analysis of Musharikah investment

Past due	2019			
	Total	Non-classified	Classified	Provision
	-----Rupees-----			
On demand	769,103,248	769,103,248	-	-
Less than 6 months	27,955,906	27,955,906	-	-
6 to 12 months - OAEM	7,898,866	7,898,866	-	-
1 to 2 years - Substandard	9,020,454	9,020,454	-	-
2 to 3 years - Doubtful	-	-	-	-
More than 3 years - Loss	52,471,156	-	52,471,156	8,709,526
	866,449,630	813,978,474	52,471,156	8,709,526

Past due	2018			
	Total	Non-classified	Classified	Provision
	-----Rupees-----			
On demand	835,088,338	835,088,338	-	-
Less than 6 months	8,583,486	8,583,486	-	-
6 to 12 months - OAEM	8,721,632	8,721,632	-	-
1 to 2 years - Substandard	511,218	511,218	-	-
2 to 3 years - Doubtful	29,569,672	29,569,672	-	-
More than 3 years - Loss	23,009,711	-	23,009,711	8,762,351
	905,484,057	882,474,346	23,009,711	8,762,351

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

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

Break down of credit risk exposure by class of business as at 30 June 2019 is as follows:



2019					
	Assets Ijarah	Morabaha investment	Musharikah investment	Total	% age
	-----Rupees-----				
Bank and NBFIs	-	-	6,280,537	6,280,537	0.41%
Textile Spinning and Composite	34,623,160	84,629,810	4,935,074	124,188,044	8.15%
Sugar and Allied	-	18,559,437	-	18,559,437	1.22%
Electric Goods	3,032,650	72,764,405	71,990	75,869,045	4.98%
Chemical and Pharmaceuticals	750,007	2,504,850	25,880,632	29,135,489	1.91%
Paper and Board	100,000	-	-	100,000	0.01%
Food and Allied	6,902,057	-	39,431,052	4,633,109	3.04%
Individuals	46,621,706	51,547,463	105,790,340	203,959,509	13.39%
Jute	-	-	-	-	0.00%
Oil and Gas	100,000	-	56,938,266	57,038,266	3.74%
Miscellaneous	49,300,360	48,778,686	63,549,861	161,628,907	10.61%
Aviation and transport	169,159,708	-	531,745,349	700,905,057	46.01%
Engineering, Steel & Construction	53,121,435	29,480,353	8,229,332	90,831,120	5.96%
Cement	-	-	8,604,192	8,604,192	0.56%
	363,711,083	308,265,004	851,456,625	1,523,432,712	100%
2018					
	Assets Ijarah	Morabaha investment	Musharikah investment	Total	% age
	-----Rupees-----				
Bank and NBFIs	-	-	14,685,703	14,685,703	1.05%
Textile Spinning and Composite	25,603,521	83,902,612	-	109,506,133	7.83%
Sugar and Allied	-	18,559,437	18,841,875	37,401,312	2.68%
Electric Goods	4,170,329	65,708,000	-	69,878,329	5.00%
Chemical and Pharmaceuticals	-	3,504,850	41,599,383	45,104,233	3.23%
Paper and Board	100,000	-	-	100,000	0.01%
Food and Allied	922,850	-	-	922,850	0.07%
Individuals	150,348,391	51,393,419	287,159,750	488,901,560	34.97%
Jute	-	-	-	-	0.00%
Oil and Gas	100,000	-	39,587,133	39,687,133	2.84%
Miscellaneous	44,492,819	22,867,147	89,139,180	156,499,146	11.20%
Aviation and transport	-	-	379,547,628	379,547,628	27.15%
Engineering, Steel & Construction	-	29,480,353	26,161,055	55,641,408	3.98%
Cement	-	-	-	-	0.00%
	225,737,910	275,415,818	896,721,707	1,397,875,435	100%

39.2 Liquidity risk

Liquidity risk is the risk that the Group will encounter difficulty in meeting its financial obligations as they fall due. Liquidity risk arises because of the possibility that the Group 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 Group'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 Group's reputation. The following are the contractual maturities of financial liabilities, including profit payments:

	2019					
	Carrying Amount	Contractual cash flows	6 months or less	6 to 12 months	1 year to 2 years	2 years to 5 years
Financial liabilities	----- Rupees -----					
Redeemable capital	445,518,493	458,511,370	458,511,370	-	-	-
Security deposits against Ijarah	140,602,505	140,602,505	88,619,575	529,200	738,200	50,715,530
Musharikah finance	1,223,621,569	1,258,231,519	463,683,658	665,064,247	129,483,614	-
Unclaimed profit	17,557,378	17,557,378	17,557,378	-	-	-
Trade and other payables	73,368,540	73,368,540	73,368,540	-	-	-
Profit payable	40,771,650	40,771,650	40,771,650	-	-	-
	1,941,440,136	1,989,042,963	1,142,512,171	665,593,447	130,221,814	50,715,530
	2018					
	Carrying Amount	Contractual cash flows	6 months or less	6 to 12 months	1 year to 2 years	2 years to 5 years
Financial liabilities	----- Rupees -----					
Redeemable capital	400,000,000	403,519,178	403,519,178	-	-	-
Security deposits against Ijarah	112,531,322	112,531,322	91,139,125	662,250	1,267,400	3,170,000
Musharikah finance	1,193,495,035	1,297,427,199	39,107,399	38,469,778	77,577,177	1,142,272,844
Unclaimed profit	16,361,577	16,361,577	16,361,577	-	-	-
Trade and other payable	39,476,576	39,476,576	39,476,576	-	-	-
Profit payable	21,538,172	21,538,172	21,538,173	-	-	-
	1,783,402,682	1,890,854,024	611,142,028	39,132,028	78,844,577	1,145,442,844

39.2.1 The contractual cash flows relating to the above financial liabilities have been determined on the basis of mark-up rates effective as at year end (and includes both principal and profit payable thereon). The rates of mark-up have been disclosed in notes 17, 18 and 20 to these financial statements.



39.3 Market risk

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

39.3.1 Profit rate risk

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

	<u>2019</u>	<u>2018</u>	<u>2019</u>	<u>2018</u>
	<u>Effective profit rate</u>		<u>Carrying amount</u>	
	<u>(Percentage)</u>		<u>(Rupees)</u>	
Financial assets				
Musharikah investment	8.55 - 19.41	8.55 - 18.27	857,740,104	896,721,707
Morabaha investment	8.50 - 23.00	8.00 - 15.00	301,457,188	270,297,775
Cash and bank balances	4.25 - 13.13	3.75 - 5.50	47,497,920	20,979,584
			<u>1,206,695,212</u>	<u>1,187,999,066</u>
Financial liabilities				
Redeemable Capital	6.50 - 12.75	6.50 - 7.00	445,518,493	400,000,000
Musharikah finances	6.92 - 10.99	6.14 - 6.50	1,223,621,569	1,193,495,035
			<u>1,669,140,062</u>	<u>1,593,495,035</u>

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 2019

	<u>Profit and loss 100 bps</u>	
	<u>Increase</u>	<u>Decrease</u>
As at 30 June 2019		
Cash flow sensitivity-variable rate financial assets	12,066,952	(12,066,952)
Cash flow sensitivity-variable rate financial liabilities	(16,691,402)	16,691,401
Net effect	<u>(4,624,449)</u>	<u>4,624,448</u>
	<u>Profit and loss 100 bps</u>	
	<u>Increase</u>	<u>Decrease</u>
As at 30 June 2018		
Cash flow sensitivity-variable rate financial assets	1,212,967	1,208,865
Cash flow sensitivity-variable rate financial liabilities	(2,071,544)	(2,530,431)
Net effect	<u>(858,577)</u>	<u>(1,321,566)</u>

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

39.3.2 Currency risk

As at 30 June 2019, there is no foreign exchange exposure on Group's balance sheet.

39.4 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 Group's operations either internally within the Group or externally at the Groups'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 Group's activities.

- The Group'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.

39.5 Fair value of financial instruments

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

39.6 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 Group defines as net operation income divided by total capital employed. The Board of Directors also monitors the level of dividend payouts to certificate holders.



39.7 Reconciliation of liabilities arising from financing activities

	Balance as on 01 July 2018	Availed / Announced	Repaid / Redeemed	Balance as at 30 June 2019
Long term musharikah finance	1,193,495,035	1,176,941,616	(1,146,815,082)	1,223,621,569
Dividend Payable	16,361,577	17,010,000	(15,814,199)	17,557,378
Redeemable capital	400,000,000	445,518,493	(400,000,000)	445,518,493
	1,609,856,612	1,639,470,109	(1,562,629,281)	1,686,697,440

40 Cash flow from operating activities

	2019 Rupees	2018 Rupees
Profit for the period	7,652,787	21,441,134
Adjustments for:		
Depreciation of ijarah assets	62,390,235	37,541,161
Depreciation of assets in own use	1,145,110	1,265,432
Gain on disposal of Ijarah assets	(199,827)	(362,997)
Gain on disposal of owned assets	(42,283)	(1,150,500)
Impairment of TREC	-	2,500,000
Dividend Income	(421,988)	-
Gain on disposal of non-banking assets	(1,329,500)	(150,000)
Provision against other receivable	3,318,088	-
Reversal for impairment of ijarah assets	(9,000,000)	(20,286,896)
(Reversal) / Provision for musharikah investment	(52,825)	52,825
Financial charges on musharikah finances	112,848,077	67,869,537
Financial charges on redeemable capital	37,317,866	25,640,856
	205,972,953	112,919,418
Operating profit before working capital changes	213,625,740	134,360,551
Working capital changes		
(Increase)/decrease in operating assets:		
Morabaha investment	(35,017,003)	4,516,140
Purchase of assets under ijarah arrangements	(210,585,199)	(110,917,791)
Proceeds from transfer of ijarah assets	19,421,618	26,859,569
Ijarah Rental Receivable - net	(4,508,037)	13,398,878
Long term deposits	489,456	(1,776,909)
Trade receivable	2,996,077	(9,531,173)
Advances, deposits, prepayments and other receivables	(4,945,311)	(29,405,187)
	(232,148,399)	(106,856,473)
Increase/(decrease) in operating liabilities:		
Security deposits - net	31,928,773	(6,577,550)
Trade and other payables	24,429,572	25,229,575
	56,358,345	18,652,025
Net changes in operating assets and operating liabilities	(175,790,054)	(88,204,448)
Cash generated from operations	37,835,686	46,156,104

41 Provident fund

Investments out of provident fund have been made in accordance with the provisions of the section 218 of the Companies Act, 2017 and the rules formulated for this purpose.

42 Corresponding figures

Corresponding figures have been rearranged or reclassified wherever necessary for the purpose of comparison and better presentation. However, no significant reclassifications have been made during the year except as given below:

Description	Form	To	2018 Rupees
Advance paid for software	Intangibles	Advances, deposits payments	900,00
Ammar textile morabaha investment	Long term morabaha investment	Current maturity of Investment	8800000
Depreciation against ijarah assets(40.1)	Depreciation of Ijarah assets	Advances, deposits payments	900,00
		Income from ijarah rentals	37,541,161
Non-banking assets	Other receivables	Non-banking assets	7,400,000

42.1 The amount has been reclassified as per guidance issued by NBF1 & Group association of Pakistan dated 06 march 2019 to align the presentation of Ijara Income in financial statements of Group with the presentation adopted by Islamic Banks.

43 Date of authorization for issue

The unconsolidated financial statements of Group were approved by the Directors of Group Management Company and authorized for issue on 08 November 2019 .





First Punjab Modaraba

Managed by:

Punjab Modaraba Services (Pvt) Ltd.

(A wholly owned subsidiary of The Bank of Punjab)

📍 Office No.100, 3rd Floor, National Tower,
28-Egerton Road, Lahore.

☎ (+92-42) 36365191-93 Fax: (+92-42) 36365195

🌐 www.punjabmodaraba.com.pk