



First IBL Modaraba

Annual Report  
2020

# First IBL ModarabaAnnual Report

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## Corporate Information

Modaraba Management Company

IBL Modaraba Management (Pvt.) Limited

Board of Directors

Arslan Khan Khakwani	Chairman/ Director
Ibrahim Hassan Murad	Director
Naveed Amin	Director
Shiraz Butt	Director

Chief Executive

Shiraz Butt

Company Secretary

Hassan Fareed

Chief Financial Officer

Zeeshan Ahmed

Internal Auditor

Husnain Shafqat

Audit Committee

Naveed Amin	Chairman
Arslan Khan Khakwani	Member
Ibrahim Hassan Murad	Member

Sharia'ah Advisor

Dr. Salman Ahmed Khan

Legal Advisor

M/s. Holscott International [Legal Services]

Auditors to Modaraba

M/s. RSM Avais Hayder Liaquat Nauman & Co.  
Chartered Accountants

Bankers

Habib Bank Limited – Islamic Banking  
Meezan Bank Limited  
MCB Islamic Bank Limited

Registrar

Corp Tec Associates (Pvt.) Limited  
503 E, Johar Town, Lahore.

Registered Office

Office No. 513, 5<sup>th</sup> Floor, Alhafeez Business  
Center, 89-b-III, Gulberg 3, Lahore

Principal Office

Office No. 513, 5<sup>th</sup> Floor, Alhafeez Business  
Center, 89-b-III, Gulberg 3, Lahore.



## MISSION STATEMENT

Our mission is to strive for continued excellence in providing quality services to the business community as a whole, with the ultimate goal to increase the value of certificate holders.

## VISION STATEMENT

Our vision is to establish First IBL Modaraba as the benchmark reference for all Islamic Financial Institutions for the provision of financial services in line with increasing needs of our esteemed customers and to become the premier financial service organization that provides the highest level of quality service while remaining innovative and responsive to ever-changing customer demands.

## CORPORATE STRATEGY

We, First IBL Modaraba, being a multi purposes Modaraba and an Islamic financial institution, are engaged in various Shari'ah compliant products, namely; financing through Ijarah, Murabahah and Musharakah arrangements and investments in Shari'ah compliant securities.

In order to maintain diversified business activities in different sectors of economy, we do not only focus them for Corporate and SMEs Sectors but we also facilitate proprietorship and partnership firms and the individuals in their businesses, which play an effective and important role in the markets.

Keeping in light the present micro and macro economic scenarios in the country, we maintain and apply cautious and well maintained risk management policies in extending the new business rather we target the selective/ quality clientele so as to minimize the risk of default in the repayments.

## **Notice of Annual Review Meeting**

Notice is hereby given to the certificate holders of First IBL Modaraba (FIBLM) that 20th Annual Review Meeting [ARM] of certificate holders will be held on Tuesday, October 27, 2020 at 03:00 p.m. at principal office of First IBL Modaraba, Room No. 514, 5th Floor, Al-Hafeez Business Centre, 89-B-III, Gulberg-III, Lahore to review the performance of First IBL Modaraba for the year ended June 30, 2020.

The persons entitled to attend the meeting will be those certificate holders whose names are entered in the register of certificate holders seven (7) days before ARM dated i.e. October 27, 2020.

The Management of the FBLM has approved final Cash Dividend for the financial year ended June 30, 2020 at the rate of Re.0.13 i.e. 1.30% per Modaraba Certificate.

The certificate transfer books of FIBLM will remain close from October 21, 2020 to October 27, 2020 (both days inclusive).

Company Secretary  
October 5, 2020

## Chairman's Review Report

Dear Valued Certificate Holders,

السلام عليكم ورحمة الله وبركاته

I'm delighted to be reporting on another year of achievement for FIBLM, thanks to the dedicated contributions of my fellow Board Members and our team.

We are committed towards fulfilling our mission of becoming the leading Modaraba in Pakistan. In acknowledgment of the confidence and trust shown by our esteemed certificate holders, your Modaraba has been making an effort to distribute dividends regularly.

In COVID-19 situation, competitive, challenging and uncertain economic scenario, Modaraba remained unaffected and another successful financial year is concluded by the management and maintain the confidence of its certificate holders on them by reporting net profit after tax of Rs. 4.002 million.

For the financial year ended June 30, 2020, the Board's overall performance and effectiveness has been assessed as satisfactory. The overall assessment is based on an evaluation of integral components, including visions, mission and values; engagement in strategic planning, formulation of policies, monitoring the organization's business activities; monitor financial resource management, effective fiscal oversight and efficiency in carrying out the Board's business.

On governance side, board meets frequently enough to adequately discharge its responsibilities. The non-executive and independent director(s) are equally involved in important decisions. Performance of members of your Board remained excellent throughout the year and their collective contributions and efforts allowed FIBLM to not only achieve its targets but also maintain its excellent market reputation, coordination with all the regulator(s), fulfilling the National Cause while providing consistent returns to the shareholders.

Once again I express my sincere appreciation to my fellow Board Members for their time, energy and dedication during the past year and for the insights and expertise they each bring to overseeing FIBLM's activities. And as Board Members we are fortunate indeed to have such a skilled and committed staff. I warmly acknowledge and thank not only our team members for their contributions towards FIBLM – because it really is an inspiring team working energetically and co-operatively towards the goals of FIBLM but also to the certificate holders for the Trust & Confidence on us all.

**S/D**

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Arslan Khan Khakwani  
Chairman

Place: Lahore

Dated: September 28, 2020



## Directors' Report

The Board of Directors of M/s. IBL Modaraba Management (Private) Limited [IBLMM], the Management Company of First IBL Modaraba [FIBLM], is pleased to present to the certificate holders the Audited Financials Statement of First IBL Modaraba for the year ended June 30, 2020 along with Auditors' Report thereon.

### Financial Results:

Summarized results for the year under report are as under:

	June 2020	June 2019
	Rs In "000"	
Operating income	26,457	26,271
Other income	866	10,403
Expenses	22,876	31,443
Management fee- 10%	444	523
Net profit after Tax	4,002	4,708

### Review of operations:

By the grace of Almighty, in competitive, challenging and uncertain economic scenario, another successful financial year is concluded by the management of First IBL Modaraba and maintain the confidence of its certificate holders on them by reporting net profit after tax of Rs. 4.002 million.

Segment wise contribution of Modaraba's operating income was as follows:

Income Segment	Contribution
Ijarah	28.83%
Musharikah	34.33%
Income from investment property	27.43%
Profit on deposits	6.24%
Other Income	3.17%

Despite of COVID-19 and its aftershocks, market instability, competition with commercial banks, leasing companies, other giant financial institutions,; the modaraba managed to maintain its progress.

The analysis of operating income as compared with the preceding period is as follows:

Income Segment	FY 2020	FY 2019
	Rs. in "000"	
Ijarah	7,877	9,552
Musharikah	9,380	8,465
Murabaha	0	14,734
Investment property	7,496	7,495
Profit on deposits	1,704	743.53
<b>Income from operations</b>	<b>26,457</b>	<b>26,270</b>



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The analysis of operating expenses as compared with the preceding period is as follows:

Expenses	FY 2020	FY 2019
	Rs. in "000"	
Operating expenses	15,960	17,818
Other operating expenses	506	830
	<b>16,466</b>	<b>18,648</b>

COVID-19 situation in the country had effected financial performance of most of institution's you're your Modaraba managed to report net profit of Rs.4.00 million which is without reversal of provision as compared to net profit of Rs.4.708 million which included reversal of provision of Rs.8.631.

During the period under review the management had complied all regulatory requirements as specified by code of corporate governance.

## **Attendance of board meetings:**

During the financial year 2019-20 the attendance of board meeting was as follows:

Sr #	Name of director	No of meetings	No. of meetings attended	Leave of absence
1	Mr. Naveed Amin	04	04	0
2	Mr. Arslan Khan Khakwani	04	04	0
3	Mr. Ibrahim Hassan Murad	04	04	0
4	Mr. Shiraz Butt	04	04	0

## **Composition of board of directors:**

During FY 2017-18 the numbers of directors were as follows:

Number of director	Male	Female	Total
Number of directors	04	0	04

The composition of board of directors' during FY 2018-19 was as follows:

Sr #	Name of director	Type
1	Mr. Arslan Khan Khakwani	Non-Executive
2	Mr. Naveed Amin	Independent
3	Mr. Ibrahim Hassan Murad	Executive
4	Mr. Shiraz Butt	Executive

## **Operating data for six years:**

The operating data of modaraba for six (06) years is annexed to this report.

## **Pattern of certificate holding:**

The detailed pattern of certificate holding as at June 30, 2020 as required under the Code is annexed to this report.

There has been no trading in the shares of the modaraba by any of its Directors, CEO, CFO, Company Secretary or their spouses and minor children unless specified in the financial statements.

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## **Stock Market Review:**

Despite Covid-related challenges, the Pakistan Stock Exchange Limited (PSX) managed to close the fiscal year 2019-20 in the green, registering a gain of 1.5%. Although the growth in FY20 has been nominal, it is significant given the fact that the exchange had closed in the red for the previous two years (FY18 and FY19).

The benchmark KSE-100 Index had touched a high of 43,468.22 in January, 2020. However, following news of the first confirmed Covid-19 case in Pakistan in February 2020, the index gradually dropped to 27,046.71 by March, 2020 – the duration in which lockdowns had started to be imposed. Interestingly, as per Capital Stake, the index had the “strongest return when compared with global indices like Nasdaq, DAX, FTSE 100, SSEC, Sensex30, FTSE MIB, and CAC 40.

However, during the Covid period, the PSX was not able to sustain itself as strongly as its counterparts and experienced the strongest decline in this period. The pre-Covid period was from July 1, 2019, until January 31, 2020, considering most countries went into lockdown in February.

Profitability declined by 7.2% YoY in 9MFY20, mainly on the back of Covid lockdowns from March till June. The slowdown in economic activity can be seen through the drastic slump in the PSX performance.

The turnaround witnessed in April following the announcement of government fiscal stimulus, and the gradual opening of the economy, however, provided some respite to the index, helping it close the year in the green. But this upward trend suggests that the upcoming year may prove to be a strong one for the PSX if the stimulus remains.

The KSE-100 Index was the third-best performing market in the region, after China and Taiwan, with returns of 0.1% and 14%, respectively. Pakistan generated a negative return of -3.3% in FY20 compared to Asia-Pac (ex-Pakistan) average of -11.0%.

## **Pakistan Economic Review:**

Pakistan was on path towards stabilization until the pandemic hit and hence, any assessment of the economic performance should be made with respect to both pre- and post-Covid-19 basis.

The pre-pandemic situation was marked by extraordinary improvement on the external front, driven by a 70.8% plunge in the current account deficit to \$3.3 billion during July-April FY20. “It was mainly due to a 29.5% contraction in trade deficit and 5.5% increase in workers’ remittances.”

This was accompanied by a surge in foreign direct investment of 137.3% to \$2.1bn in July-March, which attributes to the improvement in the ease of doing business index by 28 places.

Similarly, improvements witnessed on the fiscal side, where the government even posted a primary surplus in 9MFY20, and year-on-year growth in tax collection.

However, in the post-pandemic situation, the economy has taken a hit with GDP in FY20 expected to shrink by -0.38%. This is led by agriculture contributing an increase of 0.5 percentage points while the industrial and services sector are projected to drag the overall growth figure by 0.52pps and 0.36pps.

While agriculture has largely been immune from the effects of coronavirus. 72% of Pakistan’s non-agriculture workforce is engaged in the informal sector, with no social security or insurance cover. The estimated size of informal employment in non-agriculture sector is around 27 million, with only food, pharmaceuticals, and few services functional, these employees were worst affected.



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To help stave off the effect of the pandemic, the government launched an aggressive policy response including a Rs1.24tr stimulus package. This included Rs200 billion earmarked for daily wage workers and employees who have lost their jobs. A registration portal was developed to screen laid off workers and employees. In addition, Rs12,000 were distributed to around 12m families all over Pakistan through the Ehsaas Emergency Cash Programme.”

This was coupled with easing on the monetary front that included the key interest rate cut by 525 basis points to 8pc as well as the multiple refinancing schemes to help businesses stay afloat.

The State Bank of Pakistan (SBP) introduced a soft loan scheme at four percent for persons appeared on Active Taxpayers List (ATL) for payment of salaries and wages to their employees during financial challenges of lockdown.

## **Future Outlook:**

Keeping in view the market demand FIBLM management is working to enter into other income generating segments which enhance the profitability of Modaraba as well as satisfying the market needs.

Major focus of the management will be on enhancement of certificate capital of Modaraba for which the management is in close co-ordination with various national and international stakeholders.

## **Auditors:**

The present auditors M/s. RSM Avasi Hyder Liaquat Nauman & Co Chartered Accountant, have retired and they are not eligible for reappointment as their name has been removed from the list of panel of auditors for Modarabas. The management has approved the appointment of M/s. Horwarth Hussain Chaudhry & Co Chartered Accountants as external auditors of the Modaraba for the year ending June 30, 2021. Their appointment has been confirmed by the Board, subject to approval by the Registrar, Modaraba Companies and Modarabas.

## **Acknowledgement:**

The Board remains thankful to Securities & Exchange Commission of Pakistan, Registrar Modaraba, State Bank of Pakistan, and NBFIA & Modaraba Association of Pakistan for providing us their usual support and guidance.

The Board appreciates and pays gratitude to the certificate holders and customers for entrusting their confidence on us and we assure them to maintain adequate internal controls, providing personalized services and also an ideal environment of good corporate governance in all areas of the activities.

Finally, the Board appreciates the dedication and hard work put in by the management and all staff members of First IBL Modaraba.

For & On behalf of the Board



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**Shiraz Butt**  
Chief Executive

Date: September 28, 2020

## ڈائریکٹرز کی رپورٹ

میسرز آئی بی ایل مضاربہ مینجمنٹ (پرائیویٹ) لمیٹڈ (آئی بی ایل ایم ایم)، جو فرسٹ آئی بی ایل مضاربہ (ایف آئی بی ایل ایم) کی مینجمنٹ کمپنی ہے، کے بورڈ آف ڈائریکٹرز، کی طرف سے 30 جون 2020 کو اختتام پذیر ہونے والے سال کی تصدیق شدہ (آڈیٹڈ) مالیاتی دستاویزات (اسٹیٹمنٹس) بمع آڈیٹر کی رپورٹ کو پیش کرتے ہوئے خوشی محسوس کرتا ہے۔

## مالیاتی نتائج:

بیان کردہ سال کے دوران مالیاتی نتائج کا خلاصہ درج ذیل ہے:

جون 2019	جون 2020	
26,271	26,457	آپریٹنگ آمدن
1,046	866	دیگر آمدن
1,046	22,876	اخراجات
4.783	444	مینجمنٹ فیس (10 فیصد)
43.043	4,002	خالص منافع بعد از ٹیکس

## آپریشن کا جائزہ:

اللہ کے فضل و کرم سے مسابقتی، چیلنج، اور غیر موزوں معاشی حالات میں بھی فرسٹ آئی بی ایل مضاربہ کی انتظامیہ نے ایک اور سال کا اختتام کیا اور اپنے سرٹیفیکیٹ ہولڈرز کے بھروسے کو قائم رکھتے ہوئے خالص منافع بعد از ٹیکس 4.002 ملین روپے دیکھایا۔ زیادہ آمدنی پیدا کرنے والے طبقات کی تفصیلات درج ذیل ہیں:

حصہ	آمدنی کے طبقات
28.33%	اجارہ
34.33%	مشارکہ
27.43%	مراجہ
6.24%	جائیداد میں سرمایہ کاری
3.17%	ڈپازٹ پر منافع



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کووڈ 19، اسکے اثرات، کمرشل بینک، لیزنگ کمپنیز اور بڑے مالیاتی اداروں کے ساتھ مقابلے، غیر موزوں سیاسی صورتحال اور شاک مارکیٹ میں گراوٹ کے باوجود مضاربہ نے اپنی کارکردگی کو برقرار رکھا۔  
موجودہ اور گذشتہ سال کی آپریٹنگ آمدنی کا تقابلی تجزیہ درج ذیل ہے:

آمدنی	مالی سال 2020	مالی سال 2019
اجارہ	7,877	9,552
مشارکہ	9,380	8,465
مراہجہ	-	14,734
جائیداد میں سرمایہ کاری	7,496	7,495
ڈپازٹ پر منافع	1,704	743.53
آپریٹنگ آمدنی	26,457	26,270

آپریٹنگ اخراجات کے جائزے کی تفصیل درج ذیل ہے:

اخراجات کے طبقات	مالی سال 2019	مالی سال 2018
آپریٹنگ اخراجات	15,960	17,818
دیگر آپریٹنگ اخراجات	506	830
ٹوٹل	16,466	18,648

ملک میں کووڈ 19 کی صورتحال نے زیادہ تر مالی اداروں کو متاثر کیا لیکن آپکے مضاربہ نے 4 ملین روپے کا خالص منافع دیکھایا جو کہ غیر مصدقہ پورٹفولیو سے وصولی کے بغیر ہے۔ اسکے مقابلے میں پچھلے سال کا منافع 4,708 ملین روپے تھا جس میں 8,631 ملین روپے کی غیر مصدقہ پورٹفولیو سے وصولی شامل تھی۔

دوران رپوننگ پیریڈ مینجمنٹ نے کوڈ آف کارپوریٹ گورننس کے تمام اصولوں کی تعمیل کر لی ہے۔

## بورڈ کے اجلاس (میٹنگ) میں حاضری:

نمبر شمار	ڈائریکٹر کا نام	اجلاس کی تعداد	شرکت	غیر حاضری
1	جناب نوید امین صاحب	04	04	0
2	جناب ارسلان خان خاگوانی صاحب	04	04	0
3	جناب ابراہیم حسن مراد صاحب	04	04	0
4	شیراز بٹ	04	04	0

## بورڈ آف ڈائریکٹرز کی ساخت:

مالی سال 2019-20 میں بورڈ آف ڈائریکٹرز کی تعداد درج ذیل تھی۔

ڈائریکٹر کی تعداد	مرد	خواتین
ڈائریکٹر کی تعداد	04	0

مالی سال 2019-20 میں بورڈ آف ڈائریکٹرز کی ساخت درج ذیل تھی۔

نمبر شمار	ڈائریکٹر کا نام	قسم
1	جناب ارسلان خان خاگوانی صاحب	غیر ایگزیکٹو
2	جناب نوید امین صاحب	آزاد
3	جناب ابراہیم حسن مراد صاحب	ایگزیکٹو
4	جناب شیراز بٹ	ایگزیکٹو

## چھ سالوں کا آپریٹنگ ڈیٹا (اعداد و شمار):

مضاربہ کے گزشتہ 6 سالوں کا آپریٹنگ اعداد و شمار اس رپورٹ کے ساتھ منسلک ہیں۔

## سرٹیفکیٹ رکھنے کا رجحان:

کارپوریٹ گورننس کے ضابطہ کے مطابق سرٹیفکیٹ رکھے جانے کا رجحان کی تفصیل اس رپورٹ کے ساتھ منسلک ہے۔

مضاربہ کے سرٹیفکیٹس/شیرز میں کسی ڈائریکٹر، ای او، سی ایف او، کمپنی سیکریٹری یا ان کے شریک حیات یا نابالغ بچوں کی طرف سے کوئی خرید و فروخت نہیں ہوئی تاوقتیکہ اس کو مالیاتی دستاویزات میں ظاہر نہ کیا گیا ہو۔

## سٹاک مارکیٹ کا جائزہ:

کووڈ 19 سے متعلقہ چیلنج کے باوجود کراچی سٹاک ایکسچینج 1.5% کے اضافے پر بند ہوئی۔ اگرچہ مالی سال 2020 میں نمونے نام رہی پر یہ اہم ہے کہ ایکسچینج گزشتہ دو سالوں سے کمی پر بند ہو رہی تھی (مالی سال 2018 اور 2019)۔ جنوری 2020 میں KSE-100 انڈیکس نے 43,468.22 پوائنٹس کو چھوا۔ تاہم فروری 2020 میں کووڈ کے پہلے کیس کے بعد مارچ میں انڈیکس 27,046.71 پوائنٹس تک گر گیا۔ اور اس دوران لاک ڈاؤن بھی شروع ہو گیا۔ حیران کن طور پر کیپٹل سٹیک کے مطابق عالمی ادارے جیسا کہ Nsdaq, DAX,

FTSE 100, SSEC, Sensex 30, FTSE mib, and CAC 40 کے مقابلے میں اچھے رہے۔ تاہم کووڈ 19 کے دوران پی ایس ایکس اپنے ہم منصبوں کی طرح خود کی کارکردگی کو برقرار نہ رکھ پایا اور اسے زوال کا سامنا کرنا پڑا۔ کووڈ سے قبل جو کہ 01 جولائی 2019 سے 31 جنوری 2020 تک کا تھا کے بعد زیادہ تر ممالک کو لاک ڈاؤن کا سامنا کرنا پڑا۔

مالی سال 2020 کے نویں ماہ میں سال بہ سال کی بنیاد پر 7.2 فیصد کمی ہوئی اور خاص طور پر کووڈ کے بعد مارچ سے جون کے درمیان۔ معاشی سرکردگی میں سست روی پی ایس ایکس میں گراؤٹ کے ذریعے دیکھی جاسکتی ہے۔

اپریل میں یہ بدل سرکاری محرکات کے اعلان کے بعد یہ واضح کرتا ہے کہ معاشی حلات بہتر ہوں گے۔ تاہم انڈکس کو مالی سال کے آخر پر بند ہونے کے لئے مہلت درکار ہے۔ لیکن آئیو اے سال پی ایس ایکس کے لئے بہترین ہوگا بشرط کہ یہ محرکات برقرار رہے۔

تائیوان اور چائینہ کے بعد پی ایس ایکس 0.1 فیصد اور 14 فیصد کے ساتھ خطے میں تیسری بہترین مارکیٹ رہی ہے۔ مالی سال 2020 میں ایشیاء پیک کے مقابلے میں پاکستان نے منفی ریٹرن 3.3 میصد دیکھا یا جو کہ اوسط 11- فیصد تھا۔

## اقتصادی جائزہ:

کووڈ 19 سے پہلے پاکستان استحکام کی راہ پر گامزن تھا تاہم کارکردگی کو کووڈ 19 سے پہلے اور بعد کی صورتحال کے حساب سے جانچنا چاہیے۔

کووڈ 19 سے پہلے کی صورتحال میں غیر معمولی بہتری آئی تھی جو کہ جولائی تا اپریل 2020 کے دوران 7.80 فیصد سے کم ہو کر مالی خسارہ 3.3 بلین ڈالر رہ گیا۔ اسکی بنیادی وجہ تجارتی خسارے میں 29.5 فیصد کمی اور ترسیلات زر میں 5.5 فیصد اضافہ تھا۔



جولائی تا مارچ کے دوران غیر ملکی سرمایہ کاری میں 2.1 بلین ڈالر کا اضافہ ہوا جو کہ 137.3 فیصد تھا۔ جو انڈیکس میں بہتری کا سبب بنا۔

مالی معاملات میں بھی بہتری دیکھی گئی جب حکومت نے مالی سال کے نویں ماہ میں ابتدائی سرپلس اور سال بہ سال ٹیکس وصولی کا اعلان کیا۔

تاہم کووڈ 19 کی صورتحال کے بعد مالی سال 2020 میں جی ڈی پی متاثر ہوا اور امید کی گئی کہ یہ 0.38 فیصد کم ہوگا۔ زراعت کے شعبہ میں 0.5 فیصد کا اضافہ ہوا اور انڈسٹریل شعبہ میں 0.52 پوائنٹس اور سروس کے شعبہ میں 0.36 پوائنٹس کی بہتری کی امید کی جا رہی ہے۔

زراعت کا شعبہ کرونا وائرس سے کافی حس تک محفوظ رہا۔ پاکستان کی 72 فیصد افرادی قوت بغیر سیکیورٹی اور انشورنس کے غیر زرعی کام میں مشغول ہے۔ سب سے زیادہ متاثر ہونے والے ایک اندازے کے مطابق غیر زرعی شعبہ سے منسلک افراد کی تعداد 27 ملن ہے جو خوراک، دوا سازی اور کچھ سروس سے منسلک ہے۔

مالی سائیڈ پر شرح سود میں 525 پوائنٹس کی کمی ہوئی جو کہ 8 فیصد بنتی ہے کے ساتھ کاروبار کی تیزی میں لانے کے لیے بہت سی ری فنانس سکیمیں شامل ہیں نے بھی آسانی پیدا کی۔

سٹیٹ بینک آف پاکستان نے لاک ڈاؤن کے دوران فعال ٹیکس دہندہ کے لیے ملازموں کو تنخواہ دینے کے لیے 4 فیصد کی آسان شرط پر قرض بھی جاری کیا۔

## مستقبل کا منظر نامہ:

مارکیٹ کے موجودہ حالات کو دیکھتے ہوئے مینجمنٹ نے کاروبار کو مستحکم کرنے، مارکیٹنگ کی حکمت عملی کو بہتر بنانے کی لیے ٹھوس اقدامات لیے ہیں تاکہ منافع کے ساتھ ساتھ اندونی انتظامات میں بھی بہتری لائی جاسکے۔

انتظامیہ کی اصل توجہ کا مرکز سٹیفیکٹیٹ کے سرمایہ میں اضافہ ہے۔ اس سلسلے میں انتظامیہ ملکیتی سرمایہ (equity) میں اضافے کے لیے مختلف قومی اور بین الاقوامی سرمایہ کاروں سے رابطہ کر رہی ہے۔ امکان ہے کہ مستقبل قریب میں مضاربہ کو ان سے مثبت رد عمل کی توقع ہے۔

## آڈیٹرز:

موجودہ آڈیٹرز میسرز اریس ایم اولیس حیدر لیاقت نومان اینڈ کو، چارٹرڈ اکاؤنٹینٹس ریٹائر ہو گئے ہیں اور وہ دوبارہ تقرری کے اہل نہیں کیونکہ ان کا



نام ایس ای سی پی کی نئی منظور شدہ لسٹ میں شامل نہیں۔

میسرز ہارور تھ حسین چوہدری اینڈ کو، چارٹرڈ اکاؤنٹینٹس نے تقرری کے لیے اپنی خدمات پیش کیں ہیں۔ بورڈ نے میسرز ہارور تھ حسین چوہدری اینڈ کو، چارٹرڈ اکاؤنٹینٹس کو بطور بیرونی آڈیٹر کے 30 جون 2021 کے اختتام تک کے لیے تقرری کی توثیق کر چکا ہے جو رجسٹرار مضاربہ، ایس ای سی پی، اسلام آباد کی منظوری سے مشروط ہے۔

## اعتراف:

بورڈ سیکورٹیز اینڈ ایکسچینج کمیشن آف پاکستان، رجسٹرار مضاربہ، بینک دولت پاکستان اور NBFی اینڈ مضاربہ ایسوی ایشن کے ان کی حمایت اور رہنمائی کرنے پر احسان مندی کا اظہار کرتا ہے۔

بورڈ، اپنے سٹیفیکٹ کنندگان اور گاہکوں کے اعتماد کرنے کو سراہتا ہے اور ان کے شکر گزار ہے انہیں اس بات کا یقین دلاتا ہے کہ ہم مناسب اندرونی نگرانی کا نظام کو برقرار رکھیں گے اور خدمات کی فراہمی میں ذاتی توجہ اور بہتر کارپوریٹ گورننس کی ادائیگی کیلئے تمام شعبوں میں مثالی ماحول کو بھی برقرار رکھے گے۔

آخر میں بورڈ فرسٹ آئی بی ایل مضاربہ کی انتظامیہ اور تمام عملے کی خلوص اور سخت محنت کو سراہتا ہے



شیراز بٹ

چیف ایگزیکٹو

مورخہ 28 ستمبر، 2020

## Six Year's Financial Summary

### BALANCE SHEET

(Rs in Million)

Year Ended June 30.	2014	2015	2016	2017	2018	2019
<b>CURRENT ASSETS</b>						
Cash and bank balances	30.35	24.58	20.70	13.91	23.50	32.05
Ijarah rental receivables	0.49	0.53	0.99	0.38	0.44	1.30
Advances, prepayments & other receivables	33.54	13.64	12.34	10.35	9.21	13.05
Short term investments	7.77	11.87	36.18	7.64	5.93	2.55
Short term musharikhah receivables						-
Current portion of musharikhah receivables	3.96	16.50	14.41	42.39	65.06	50.71
Current portion of murabaha receivables	6.65	22.21	18.34	-	0.50	-
<b>Total Current Assets</b>	<b>82.76</b>	<b>89.32</b>	<b>102.96</b>	<b>74.67</b>	<b>104.64</b>	<b>99.65</b>
<b>NON-CURRENT ASSETS</b>						
Long term murabaha receivables	21.84	-	-	-	-	-
Long term musharikhah receivables	-	-	-	29.03	1.89	20.18
Long term advances and deposits	2.71	2.71	2.71	2.71	2.62	2.62
Investment Property	92.08	87.08	82.08	77.08	72.08	67.08
Fixed assets under ijarah arrangements	22.49	31.89	35.64	42.29	40.13	36.85
Fixed assets under own use	1.74	1.28	0.78	2.57	2.85	3.35
Intangible assets	0.09	0.17	0.08	-	-	-
<b>Total Non-Current Assets</b>	<b>140.95</b>	<b>123.12</b>	<b>121.30</b>	<b>153.68</b>	<b>119.58</b>	<b>130.08</b>
<b>Total Assets</b>	<b>223.71</b>	<b>212.44</b>	<b>224.26</b>	<b>228.35</b>	<b>224.22</b>	<b>229.73</b>
<b>CURRENT LIABILITIES</b>						
Creditors, accrued & other liabilities	4.29	3.61	5.20	1.49	1.06	1.77
Short term borrowing	-	-	10.00	15.00	-	-
Musharikhah profit payable	1.43	1.43	1.43	1.43	1.43	1.43
Musharikhah finance	11.20	8.20	4.20	0.70	0.70	0.70
Current portion of non current liabilities	5.02	4.41	5.08	7.73	11.11	14.37
Provision for taxation	3.19	-	-	-	-	-
Unclaimed profit distribution	9.82	8.41	9.48	9.37	10.48	10.48
<b>Total current Liabilities</b>	<b>34.94</b>	<b>26.06</b>	<b>35.38</b>	<b>35.72</b>	<b>24.79</b>	<b>28.76</b>
<b>NON CURRENT LIABILITIES</b>						
Long term security deposits	6.57	10.25	10.05	9.76	10.16	10.01
Deferred murabaha income	2.41	-	-	-	-	-
<b>Total non current Liabilities</b>	<b>8.98</b>	<b>10.25</b>	<b>10.05</b>	<b>9.76</b>	<b>10.16</b>	<b>10.01</b>
<b>EQUITY</b>						
Issued, subscribed & paid up capital	201.88	201.88	201.88	201.88	216.88	216.88
Reserves	49.06	47.81	46.69	49.79	48.39	46.31
Revenue Reserve and Unappropriated profit	(71.14)	(73.56)	(69.73)	(68.80)	(75.98)	(72.21)
<b>Total Equity</b>	<b>179.79</b>	<b>176.12</b>	<b>178.84</b>	<b>182.87</b>	<b>189.28</b>	<b>190.97</b>
<b>Total Equity &amp; Liabilities</b>	<b>223.71</b>	<b>212.44</b>	<b>224.26</b>	<b>228.35</b>	<b>224.22</b>	<b>229.73</b>

## Six Year's Financial Summary

### PROFIT & LOSS SUMMARY

(Rs in Million)

Year Ended June 30.	2014	2015	2016	2017	2018	2019
<b>INCOME</b>						
Income from Ijarah	5.54	10.12	12.72	15.49	20.23	9.55
Profit on murabaha investments	4.19	3.66	2.25	-	0.06	0.01
profit on musharikah investments	0.56	1.65	3.61	6.34	6.71	8.47
income from investment property	7.50	7.50	7.50	7.50	7.50	7.50
Profit on deposits	0.67	0.38	1.54	1.42	0.14	0.74
Income from short term investments	0.17	3.96	6.29	0.48	-	-
<b>Sub-total</b>	<b>18.61</b>	<b>27.26</b>	<b>33.90</b>	<b>31.23</b>	<b>34.64</b>	<b>26.27</b>
<b>OTHER INCOME</b>						
Reversal of provision against non performing musharikah	11.02	4.34	9.85	10.24	0.00	8.63
Reversal of musharikah profit held in suspense account	0.00	2.64	0.00	2.98	0.00	0.00
balances written back	5.32	0.83	0.00	0.54	0.00	0.00
Other income	1.11	0.69	0.16	2.40	1.05	1.77
Sub-total	17.45	8.51	10.01	16.16	1.05	10.40
<b>Total Income</b>	<b>36.06</b>	<b>35.77</b>	<b>43.91</b>	<b>47.39</b>	<b>35.69</b>	<b>36.67</b>
<b>EXPENSES</b>						
Operating Expenses	19.36	19.49	21.49	23.97	21.19	17.82
Depreciation on assets under ijarah	5.16	8.85	10.83	11.75	13.63	12.80
Other operating expenses	1.25	1.52	0.67	0.47	0.82	0.83
<b>Total Expenses</b>	<b>25.77</b>	<b>29.85</b>	<b>32.98</b>	<b>36.19</b>	<b>35.64</b>	<b>31.44</b>
<b>Taxation</b>	-	-	-	0.09		
Profit/ (loss) before Management Fee	10.29	5.92	10.93	11.11	0.05	5.23
Management Fee	1.03	0.59	1.09	1.11	0.00	0.52
<b>Net Profit</b>	<b>9.26</b>	<b>5.33</b>	<b>9.84</b>	<b>10.00</b>	<b>0.04</b>	<b>4.70</b>



## Statement of Compliance with Code of Corporate Governance For the period ended June 30, 2020

This statement is being presented to comply with the Code of Corporate Governance as required by Rule Book of Pakistan Stock Exchange for the purpose of establishing a framework of good governance, whereby a listed company is managed in compliance with the best practices of corporate governance.

The company has applied the principles contained in the CCG in the following manner:

1. The total number of directors are as per followings:

Male	04
Female	None

2. The composition of board is as follows:

Independent Director	1
Executive Director	2
Non-Executive Directors	1

3. The directors have confirmed that none of them is serving as a director on more than seven 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 the board/shareholders as empowered by the relevant provision 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 requirements of Act and the Regulations with respect to frequency, recording and circulation minutes of the meeting of the Board.
8. The Board of directors has formal policy and transparent procedures for remuneration of directors in accordance with the Act and these Regulations.
9. The Board has not arranged Directors' training program for the directors as some of the directors has already obtained the relevant training or is exempted under the Regulations.



# First IBL Modaraba Annual Report 2020

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. Naveed Amin	Chairman
Mr. Arslan Khan Khakwani	Member
Mr. Ibrahim Hasan Murad	Member

b) **HR and Remuneration Committee:**

Mr. Ibrahim Hasan Murad	Chairman
Mr. Arslan Khan Khakwani	Member
Mr. Naveed Amin	Member

13. The Chairman of HR & R Committee is an Executive Director.

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

15. The Chairman of Board of Directors and Chief Executive are two separate persons.

16. The frequency of meetings (Quarterly/Half Yearly and Yearly) of the committees was as per following

Audit Committee	04
HR and Remuneration Committee	02

17. The board has set up an effective internal audit function and Mr. Husnain Shafqat who is considered suitably qualified and experienced for the purpose and is conversant with the policies and procedures of the company.

18. The statutory auditors of the company have confirmed that they have been given a satisfactory rating under the quality control review program of the ICAP, that they or any of the partners of the firm, their spouses and minor children do 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.

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19. The statutory auditors or the persons associated with them have not been appointed to provide other services except in accordance with the listing regulations and the auditors have confirmed that they have observed IFAC guidelines in this regard.
20. We confirm that all other material principles enshrined in the CCG have been complied.

**S/D**

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**Chairman**  
**September 28, 2020**

# First IBL Modaraba Annual Report 2020

## **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 of First IBL Modaraba Management (Private) Limited for the year ended June 30, 2020 in accordance with the requirements of regulation 40 of the Regulations.

The responsibility for compliance with the Regulations is that of the Board of Directors of the Company. Our responsibility is to review whether the Statement of Compliance reflects the status of the Company's compliance with the provisions of the Regulations 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 Company's personnel and review of various documents prepared by the 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 Board of Directors' statement on internal control covers all risks and controls or to form an opinion on the effectiveness of such internal controls, the Company's corporate governance procedures and risks.

The Regulations require the Company to place before the Audit Committee, and upon recommendation of the Audit Committee, place before the Board of Directors for their review and approval, its 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 of Directors upon recommendation of the Audit Committee. We have not carried out procedures to assess and determine the Company's process for identification of related parties and that whether the related party transactions were undertaken at arm's length price or not.

Based on our review nothing has come to our attention, which causes us to believe that the Statement of Compliance does not appropriately reflect the Company's compliance, in all material respects, with the Regulations as applicable to the Company for the year ended June 30, 2020.

**RSM AVAIS HYDER LIAQUAT NAUMAN.**  
Chartered Accountants  
(Engagement Partner: Nauman Mahmood)

**Dated September 28, 2020**



## Auditor's Report To The Certificate Holders

We have audited the annexed financial statements of *First IBL Modaraba* ,("the Modaraba") which comprises of Statement of financial position of as at June 30, 2020 and related profit and loss account, statement of other comprehensive income cash flow statement and statement of changes in equity for the year then ended and notes to the financial statements, including summary of significant accounting policies and other explanatory information 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 Modaraba Company's (IBL Modaraba Management (private) Limited) responsibility who is also responsible to establish and maintain a system of internal controls, and prepare and present these financial statements in conformity with approved accounting standards as applicable in Pakistan and the requirements of Modaraba Companies and Modaraba (floatation and control) Ordinance 1980 (XXXI of 1980), and 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 statements are free from material misstatements. An audit includes examining on test basis; evidence supporting the amounts and disclosures in financial statements. Examining on test basis; An audit also includes assessing the accounting policies and significant estimates made by the modaraba company, as well as, evaluating the overall presentation of financial statements. We believe that our audit provides a reasonable basis for our opinion and, after due verification, we report that:

- a) We were unable to verify receivable balances aggregating to Rs. 0.845 million (201 9: Rs. 5.511 million) included in "Advances, prepayments and other receivables" and any movement therein owing to non-availability of related records / information / direct confirmation.
- b) in our opinion, proper books of accounts have been kept by the Modaraba Company in respect of the Modaraba as required by the Modaraba Companies and Modaraba (Floatation and Control) Ordinance , 1980 (XXXI of 1980) and the Modaraba Companies and Modaraba Rules , 1981 ;
- c) in our opinion;
  - (i) the statement of financial position and profit and loss account together with the notes thereon have been drawn up in conformity with the Modaraba Companies and Modaraba (Floatation and Control) Ordinance , 1980 (XXXI of 1980) and the Modaraba Companies and Modaraba Rules, 1981 , and are in agreement with the books of accounts and are further in accordance with the accounting policies consistently applied ;
  - (ii) the expenditure incurred during the year was for the purpose of the Modaraba 's business; and
  - (iii) the business conduct ed, investments made and the expenditure incurred during the year were in accordance with the objects, terms and conditions of the Modaraba ;



# First IBL Modaraba Annual Report 2020

- d) in our opinion and on the best of our information and according to the explanations given to us, except for the possible effects of the matter described in preceding paragraph " a" , the statement of financial position, profit and loss account , statement of comprehensive income, cash flow statement and statement of changes in equity together with the notes forming part thereof conform with approved accounting standards as applicable in Pakistan , and , give the information required by the Modaraba Companies and Modaraba (Floatation and Control) Ordinance , 1980 (XXXI of 1980) and the Modaraba Companies and Modaraba Rules , 1981, in the manner so required and respectively give a true and fair view of modaraba's affairs as at June 30, 2020 and the profit, comprehensive loss, its cash flows and changes in equity for the year then ended and
- e) In our opinion Zakat deductible at source under Zakat and Ushr ordinance, 1980 (XVIII of 1980) was deducted by Modaraba and deposited in central Zakat Fund established under section 7 of that ordinance

**RSM AVAIS HYDER LIAQUAT NAUMAN.**

Chartered Accountants

(Engagement Partner: Nauman Mahmood)

**Dated September 28, 2020**

# First IBL Modaraba Annual Report 2020

## **SHARI'AH ADVISOR'S REPORT FOR THE YEAR ENDED June 30, 2020**

I have conducted the Shari'ah review of First IBL Modaraba managed by IBL Modaraba Management (Pvt.) Ltd. for the year ended June 30, 2020 in accordance with requirement of the Shari'a Compliance and Shari'ah Audit Mechanism for Modaraba.

I acknowledge and certify that as Sharia Advisor of the Modaraba, the financial arrangements, contracts and transactions entered into by the company with its customers, stake holders and participants are in compliance with the requirements of Sharia rules and principles.

During the review I have verified the following in compliance with Shariah mechanism:

- The transactions of Musharakah were reviewed on random selection basis.
- Declarations, description of assets, relevant purchase invoices, sequence and order of the documents and time difference between purchases and declaration where applicable were reviewed to obviate the possibility of fictitious transactions.
- Sharia Compliance Checklists (SCC) of transactions was also reviewed on random basis.
- During the year, credit approvals, customer-specific transaction process flows, text of documents and security documents were reviewed to ensure Shariah compliance while offering financing products to the customers.
- Random physical inspections and concrete measures were taken to verify the purchase evidences and invoices of financing transactions, thus further improving the quality of internal controls.
- Other related documents and procedures followed by different functional areas were found proper.
- During the year onsite training has been given to the staff.
- There is no receipt of charity during the financial year accordingly no amount was credited into charity account.

## **Conclusion**

In this context of detailed Shari'ah review carried by the undersigned for the Year ended June 30, 2020, transactions during the period executed by FIBLM were found satisfactory as required by Shari'ah Audit Mechanism.

# S/D

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**Dr. Mufti Salman Ahmad Khan**

Shari'ah Advisor

September 28, 2020

# First IBL Modaraba Annual Report 2020

## BALANCE SHEET AS AT JUNE 30, 2020

	Note	2020 Rupees	2019 Rupees
<b>ASSETS</b>			
<b>Current Assets</b>			
Bank balances	6	44,158,744	32,047,734
Ijarah rentals receivable	7	1,236,779	1,300,470
Advances, prepayments and other receivables	8	8,361,685	13,054,147
Short term investments	9	3,355,166	2,548,212
Short term musharaka receivables	10	8,000,000	-
Current portion of long term musharaka receivables	11	27,239,348	50,705,110
		92,351,722	99,655,673
<b>Non-Current Assets</b>			
Long term musharaka receivables	11	42,627,904	20,179,814
Long term advances and deposits	12	2,619,260	2,619,260
Investment property	13	62,083,606	67,083,634
Fixed assets under ijarah arrangements	14	26,969,167	36,846,759
Fixed assets under own use	15	2,407,796	3,348,799
		136,707,733	130,078,266
<b>Total Assets</b>		<u>229,059,455</u>	<u>229,733,939</u>
<b>LIABILITIES</b>			
<b>Current Liabilities</b>			
Creditors, accrued and other liabilities	16	1,373,541	1,773,892
Musharaka profit payable	17	1,430,192	1,430,192
Musharaka finances		700,000	700,000
Current portion of long term security deposits	18	18,889,980	14,372,460
Unpresented profit warrants		10,670,220	10,480,524
		33,063,932	28,757,068
<b>Non-Current Liabilities</b>			
Long term security deposits	18	3,672,000	10,011,110
<b>Total Liabilities</b>		36,735,932	38,768,178
<b>NET ASSETS</b>		<u>192,323,523</u>	<u>190,965,761</u>
<b>REPRESENTED BY:</b>			
Certificate capital	19	216,875,000	216,875,000
Reserves	20	47,930,997	46,305,510
Accumulated loss		(72,482,474)	(72,214,749)
Contingencies and commitments	21	-	-
		<u>192,323,523</u>	<u>190,965,761</u>

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

**S/D**

**Chief Executive**

**S/D**

**Director**

**S/D**

**Director**



# First IBL Modaraba Annual Report 2020

## PROFIT AND LOSS ACCOUNT FOR THE YEAR ENDED JUNE 30, 2020

	Note	2020 Rupees	2019 Rupees
<b>INCOME FROM OPERATION</b>			
Income from ijarah	22	7,877,705	9,552,173
Profit on murabaha investment		-	14,734
Profit on musharaka investments		9,380,034	8,465,229
Income from investment property		7,495,440	7,495,440
Profit on modaraba certificate, term deposit receipts and bank deposits		1,704,204	743,535
		26,457,383	26,271,111
<b>OTHER INCOME</b>			
Reversal of provision against non-performing			
Reversal of musharaka profit held in suspense account		-	8,631,297
Other income	23	866,850	1,772,506
		866,850	10,403,803
<b>TOTAL INCOME</b>		<b>27,324,233</b>	<b>36,674,914</b>
<b>EXPENSES</b>			
Operating expenses	24	(15,959,937)	(17,818,048)
Depreciation on assets under ijarah	14	(6,410,553)	(12,795,063)
Other operating expenses	25	(506,139)	(830,492)
		(22,876,629)	(31,443,603)
<b>Profit before Tax</b>		<b>4,447,604</b>	<b>5,231,311</b>
Taxation		-	-
		4,447,604	5,231,311
Modaraba Company's management fee	26	(444,760)	(523,131)
<b>Net Profit for the Year</b>		<b>4,002,844</b>	<b>4,708,180</b>
<b>Earnings per Modaraba Certificate - Basic and Diluted</b>	27	<b>0.185</b>	<b>0.217</b>

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

**S/D**

**Chief Executive**

**S/D**

**Director**

**S/D**

**Director**

# First IBL Modaraba Annual Report 2020

## STATEMENT OF COMPREHENSIVE INCOME FOR THE YEAR ENDED JUNE 30, 2020

	<b>2020</b>	<b>2019</b>
	Rupees	Rupees
<b>Net Profit for the Year</b>	4,002,844	4,708,180
Other comprehensive income		
<b>Items that may be reclassified subsequently to profit or loss</b>		
Unrealized income/(loss) on available for sale investments	824,918	(3,021,826)
<b>Items that will not be reclassified subsequently to profit or loss</b>	-	-
Other comprehensive (loss) / income for the year	824,918	(3,021,826)
<b>Total Comprehensive Income for the Year</b>	<u>4,827,762</u>	<u>1,686,354</u>

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

**S/D**

**Chief Executive**

**S/D**

**Director**

**S/D**

**Director**

# First IBL Modaraba Annual Report 2020

## CASH FLOW STATEMENT FOR THE YEAR ENDED JUNE 30, 2020

		<b>2020</b>	<b>2019</b>
	Note	Rupees	Rupees
<b>CASH FLOW FROM OPERATING ACTIVITIES</b>			
<b>Cash Generated from / (Used in) operations</b>	28	9,845,410	19,080,537
Income taxes paid		<u>225,784</u>	<u>(89,752)</u>
<b>Net Cash Genrated from / (Used in) Operating Activities</b>		10,071,194	18,990,785
<b>CASH FLOW FROM INVESTING ACTIVITIES</b>			
Purchase of fixed assets under ijarah arrangements		-	(10,956,000)
Purchase of fixed assets under own use		(27,500)	(2,093,500)
Capital work in progress		-	600,000
Proceeds from disposal of fixed assets under own use		2,200	74,422
Proceeds from disposal of assets on terminating ijarahs		171,217	1,185,000
Profit on term deposit receipts and bank deposits		<u>1,704,204</u>	<u>743,535</u>
<b>Net Cash (Used in) / Generated from Investing Activities</b>		1,850,121	(10,446,543)
<b>CASH FLOW FROM FINANCING ACTIVITIES</b>			
Dividends paid		<u>189,696</u>	<u>(283)</u>
<b>Net Cash Used in Financing Activities</b>		<u>189,696</u>	<u>(283)</u>
<b>Net Increase / (Decrease) in Cash and Cash Equivalents</b>		12,111,010	8,543,960
Cash and cash equivalents at the beginning of the year		32,047,734	23,503,774
<b>Cash and Cash Equivalents at the End of the Year</b>		<u><u>44,158,744</u></u>	<u><u>32,047,734</u></u>

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

**S/D**

**Chief Executive**

**S/D**

**Director**

**S/D**

**Director**



# First IBL Modaraba Annual Report 2020

## STATEMENT OF CHANGES IN EQUITY FOR THE YEAR ENDED JUNE 30, 2020

Particulars	Certificate Capital	Reserves			Accumulated Loss	Total Equity
		Statutory Reserve	Unrealized Gain on Revaluation of Available for Sale Investments	Total		
	Rupees					
Balance as at June 30, 2018	216,875,000	43,068,493	5,317,207	48,385,700	(75,981,293)	189,279,407
Comprehensive income for the year						
Net profit for the year	-	-	-	-	4,708,180	4,708,180
Other comprehensive income for the year	-	-	(3,021,826)	(3,021,826)	-	(3,021,826)
Total comprehensive income for the year	-	-	(3,021,826)	(3,021,826)	4,708,180	1,686,354
Transferred to statutory reserve	-	941,636	-	941,636	(941,636)	-
Balance as at June 30, 2019	216,875,000	44,010,129	2,295,381	46,305,510	(72,214,749)	190,965,761
Comprehensive income for the year						
Net profit for the year	-	-	-	-	4,002,844	4,002,844
Other comprehensive loss for the year	-	-	824,918	824,918	-	824,918
Total comprehensive income for the year	-	-	824,918	824,918	4,002,844	4,827,762
Transferred to statutory reserve	-	800,569	-	800,569	(800,569)	-
Transactions with owners						
Profit distributed for the year ended June 30, 2019	-	-	-	-	(3,470,000)	(3,470,000)
Balance as at June 30, 2020	216,875,000	44,810,698	3,120,299	47,930,997	(72,482,474)	192,323,523

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

**S/D**

**Chief Executive**

**S/D**

**Director**

**S/D**

**Director**

# First IBL Modaraba Annual Report 2020

## STATEMENT OF CHANGES IN EQUITY FOR THE YEAR ENDED JUNE 30, 2020

Particulars	Certificate Capital	Reserves			Accumulated Loss	Total Equity
		Statutory Reserve	Unrealized Gain on Revaluation of Available for Sale Investments	Total		
	Rupees					
Balance as at June 30, 2018	216,875,000	43,068,493	5,317,207	48,385,700	(75,981,293)	189,279,407
Comprehensive income for the year						
Net profit for the year	-	-	-	-	4,708,180	4,708,180
Other comprehensive income for the year	-	-	(3,021,826)	(3,021,826)	-	(3,021,826)
Total comprehensive income for the year	-	-	(3,021,826)	(3,021,826)	4,708,180	1,686,354
Transferred to statutory reserve	-	941,636	-	941,636	(941,636)	-
Balance as at June 30, 2019	216,875,000	44,010,129	2,295,381	46,305,510	(72,214,749)	190,965,761
Comprehensive income for the year						
Net profit for the year	-	-	-	-	4,002,844	4,002,844
Other comprehensive loss for the year	-	-	824,918	824,918	-	824,918
Total comprehensive income for the year	-	-	824,918	824,918	4,002,844	4,827,762
Transferred to statutory reserve	-	800,569	-	800,569	(800,569)	-
Transactions with owners						
Profit distributed for the year ended June 30, 2019	-	-	-	-	(3,470,000)	(3,470,000)
Balance as at June 30, 2020	216,875,000	44,810,698	3,120,299	47,930,997	(72,482,474)	192,323,523

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

**S/D**

**Chief Executive**

**S/D**

**Director**

**S/D**

**Director**

# First IBL Modaraba Annual Report 2020

## NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS FOR THE YEAR ENDED JUNE 30, 2020

Note 1

### **Legal Status and Nature of Business**

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First IBL Modaraba ("the Modaraba") is a multi purpose, perpetual and multi dimensional Modaraba formed under the Modaraba Companies and Modaraba (Floatation and Control) Ordinance, 1980 and rules framed thereunder, having its registered office at Office No514, 5th Floor, Al hafeez Business Center, 89/B-3, Gulberg 3, Lahore. The Modaraba is managed by IBL Modaraba Management (Private) Limited (Modaraba Management Company) incorporated in Pakistan under the Companies Act, 2017 and registered with the Registrar of Modaraba Companies.

The Modaraba is listed on Pakistan stock exchange. It commenced its operations on October 19, 1989 and is currently engaged in various Islamic modes of financing and operations including ijarah, musharaka and murabaha arrangements.

Note 2

### **Basis of Preparation**

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#### **2.1 Statement of compliance**

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

- International Financial Reporting Standards ("IFRSs") and the Islamic Financial Accounting Standards (IFASs) as are notified under the provisions of the Companies Act, 2017 and made applicable to Modarabas under the Modaraba Companies and Modaraba (Floatation and Control) Ordinance, 1980; and
- The requirements of the Modaraba Companies and Modaraba (Floatation and Control) Ordinance, 1980, the Modaraba Companies and Modaraba Rules, 1981; prudential regulations and directives issued by the Securities and Exchange Commission of Pakistan (the Modaraba Regulations).

Wherever, the requirements of the Modaraba Regulations differ from the requirements of these standards, the requirements of the Modaraba Regulations take precedence.

#### **2.2 Accounting convention**

These financial statements have been prepared under the historical cost convention except for the measurement of certain financial instruments at fair value in accordance with the requirements of IAS-39 (Financial Instruments: Recognition and Measurement) and at the overall contract price in accordance with IFAS-1 (Murabaha).

#### **2.3 Functional and presentation currency**

These financial statements are presented in Pak Rupees which is Modaraba's functional and presentation currency. All financial information presented in Pak Rupees has been rounded off to the nearest rupee unless otherwise stated.



# First IBL Modaraba Annual Report 2020

## Note 3

### Use of Estimates and Judgments

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The preparation of financial statements in conformity with approved accounting standards requires management to make judgments, estimates and assumptions that affect application of policies and reported amounts of assets, liabilities, income and expenses. These estimates and associated assumptions are based on historical experience and various other factors that are believed to be reasonable under circumstances, results of which form the basis of making judgment about carrying amounts of assets and liabilities that are not readily apparent from other sources. Actual results may differ from these estimates.

These estimates and underlying assumptions are reviewed on an ongoing basis. Revisions to accounting estimates are recognized in the period in which estimates are revised if the revision affects only that period, or in the period of revision and future periods if the revision affects both current and future periods.

Judgments made by the management that have significant effect on the financial statements and estimates with a significant risk of material adjustment in the next year are as under:

#### Fixed assets

The Modaraba reviews the useful lives of fixed assets, both under own use and ijarah arrangements, on regular basis. Any change in the estimate might affect the carrying amounts of the respective items of fixed assets with a corresponding effect on the depreciation charge and impairment, if any.

#### Short term investments

The Modaraba has recorded its short term investments by using quotations from active market. This valuation is subjective to market price fluctuation and therefore, cannot be determined with precision.

#### Ijarah rentals, musharaka and murabaha investments

Ijarah rentals, musharaka receivables and murabaha investments are stated net of provision, where applicable. Provision is recognised for ijarah rentals receivable, musharaka receivables and murabaha investment in accordance with the prudential regulations for the Modarabas issued by the Securities and Exchange Commission of Pakistan (SECP). Bad and doubtful receivables are written-off when identified.

## Note 4

### Changes in Accounting Standards, Interpretations and Pronouncements

---

#### 4.1 Standards, interpretations and amendments to approved accounting standards which became effective during the year

New and amended standards and interpretations mandatory for the first time for the financial year beginning April 1, 2019:

##### a) IFRS 9 Financial instruments

**Effective date: June 30, 2019**

IASB has published the complete version of IFRS 9, 'Financial instruments', which replaces the guidance in IAS 39, 'Financial Instruments - Recognition and Measurement'. This final version includes requirements on the classification and measurement of financial assets and liabilities; it also includes an expected credit losses model that replaces the incurred loss impairment model used today.

# First IBL Modaraba Annual Report 2020

The adoption of IFRS 9 have changed the classification of financial assets and related disclosures. As a result of this, financial assets of the Company previously classified as "loans and receivables" have now been classified as "at amortised cost". The adoption of standard doesn't effect the reported figures of the financial assets and liabilities of the Company, accordingly the opening equity as at April 1, 2019 has not been restated in these financial statements as allowed in IFRS 9.

## **b) IFRS 15 Revenue from contracts with customers**

**SECP effective date: July 1, 2018**

IFRS 15 has replaced IAS 18 which covers contracts for goods and services and IAS 11 which covers construction contracts. IFRS 15 introduces a single five-step model for revenue recognition and establishes a comprehensive framework for recognition of revenue from contracts with customers based on a core principle that an entity should recognise revenue representing the transfer of promised goods or services to customers at amount that reflects the consideration to which the entity expects to be entitled in exchange for those goods or services.

The management has concluded that the adoption of IFRS 15 doesn't not have significant impact on the timing and amount of revenue recognition of the Company

## **c) IFRS 16 Leases**

**Effective date: January 1, 2019**

IFRS 16 primarily affects the accounting by lessees and results in the recognition of almost all leases on statement of financial position. The standard removes distinction between operating and finance leases and requires recognition of an asset (the right of use the leased item) and a financial liability to pay rentals for virtually all lease contracts. An optional exemption exists for short-term and low-value leases. The accounting by lessors has not significantly changed. Some differences may arise as a result of the new guidance on the definition of a lease. Under IFRS 16, a contract is, or contains, a lease if the contract conveys the right to control the use of an identified asset for a period of time in exchange for consideration.

As a lessee, the Company previously classified leases as operating or finance leases based on its assessment of whether the lease transferred substantially all of the risks and rewards of ownership. Under IFRS 16 the Company recognises right of use assets and lease liabilities for leases - i.e. these leases are now disclosed in the Statement of Financial Position.

The Company has adopted IFRS 16 retrospectively from April 1, 2019, but has not restated comparatives for the 2019, as allowed under the specific transitional provisions in the standard. On initial application, the Company has also elected to use the recognition exemptions for lease contracts that, at the commencement date, have a lease term of 12 months or less and do not contain a purchase option ('short-term leases'), and lease contracts for which the underlying asset is of low value ('low-value assets'). Some lease contracts of the Company are extendable through mutual agreement between the Company and the lessor or cancellable by both parties immediately or on short notice. In assessing the lease term for the adoption of IFRS 16, the Company concluded that such contracts are short-term in nature. The Company recognises the lease payments associated with these leases as an expense in statement of profit or loss.

## **d) The Act Amendment in Fourth Schedule**

**Notification date: July 29, 2019**

SECP brought certain alterations in Fourth Schedule of the Act with regard to preparation and presentation of financial statements. These alterations resulted in elimination of certain disclosures in these financial statements of the Company as at March 31, 2020. The other new standards, amendments to approved accounting standards and interpretations that are mandatory for the financial year beginning on April 1, 2019 are considered not to be relevant or to have any significant effect on the Company's financial reporting and operations.

The other new standards, amendments to approved accounting standards and interpretations that are mandatory for the financial year beginning on April 1, 2019 are considered not to be relevant or to have any significant effect on the Company's financial reporting and operations.



# First IBL Modaraba Annual Report 2020

## 4.2 Standards, interpretation and amendments to approved accounting standards that are not yet effective

The following new standards and amendments to approved accounting standards are not effective for the financial year beginning on April 1, 2019 and have not been early adopted by the Company: :

### a) IAS 1 & 8 Definition of material

**Effective date: January 1, 2020**

Amendments to IAS 1, 'Presentation of Financial Statements' and IAS 8, 'Accounting Policies, Changes in Accounting Estimates and Errors' are intended to make the definition of material in IAS 1 easier to understand and are not intended to alter the underlying concept of materiality in IFRS Standards. In addition, the IASB has also issued guidance on how to make materiality judgements when preparing their general purpose financial statements in accordance with IFRS Standards. Refined definition of materiality - Information is material if omitting, misstating or obscuring it could reasonably be expected to influence decisions that the primary users of general purpose financial statements make on the basis of those financial statements, which provide financial information about a specific reporting entity.

### b) IAS 1 Presentation of Financial Statements

**Effective date: January 1, 2022**

Under existing IAS 1 requirements, companies classify a liability as current when they do not have an unconditional right to defer settlement of the liability for at least twelve months after the end of the reporting period. As part of this amendment, the requirement for a right to be unconditional has been removed and instead, the amendment requires that a right to defer settlement must have substance and exist at the end of the reporting period.

There are number of other standards, amendments and interpretations to the approved accounting standards that are not yet effective and are also not relevant to the Company and therefore, have not been presented here.

Note 5

## Summary of Significant Accounting Policies

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The significant accounting policies adopted in the preparation of these financial statements are set out below. These policies have been consistently applied to all periods presented, unless stated otherwise.

### 5.1 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 consist of cash in hand and balances with banks.

### 5.2 Murabaha investment

Murabaha investments are stated net of provision against potential murabaha losses. Provision is recognized in accordance with prudential regulations for Modarabas issued by the SECP or on the estimate of management, whichever is higher. Bad debts are written off when identified. Murabaha receivables are recorded by the Modaraba at invoiced amount and disclosed as such in the balance sheet.

Purchases and sales under murabaha and the resultant profit are accounted for on the culmination of murabaha transaction. However, the profit on that portion of sales revenue not due for payment is deferred and shown in the balance sheet as liability.



## 5.3 Financial assets

Financial assets are classified into financial assets at fair value through profit or loss; loans and receivable; held-to-maturity investments and / or available-for-sale financial assets. When financial assets are recognized initially, they are measured at fair value plus, in the case of investments not at fair value through profit or loss, directly attributable transaction costs. The Modaraba determines the classification of its financial assets after initial recognition and, where allowed and appropriate, re-evaluates this designation at each financial year-end.

### 5.3.1 Financial assets at fair value through profit or loss

Financial assets classified as held for trading are included in the category 'Financial assets at fair value through profit or loss'. Financial assets are classified as held for trading if they are acquired for the purpose of selling in the near term. Gains or losses on investments held for trading are recognised in the profit and loss account.

### 5.3.2 Held-to-maturity

Non-derivatives financial assets with fixed or determinable payments and fixed maturity are classified as held-to-maturity when the Modaraba has the positive intention and ability to hold to maturity. Investments intended to be held for an undefined period are not included in this classification. Other long-term investments, that are intended to be held-to-maturity, are subsequently measured at amortized cost.

This cost is computed as the amount initially recognized minus principal repayments, plus or minus the cumulative amortization, using the effective markup rate method, of a difference between the initially recognised amount and the maturity amount. This calculation includes all fees and charges paid or received between parties to the contract that are an integral part of the effective markup rate, transaction cost and all other premiums and discounts. For investments carried at amortized cost, gains and losses are recognized in the profit and loss account and then the investments are derecognized or impaired, as well as, through the amortization process.

### 5.3.3 Loans and receivables

Loans and receivables are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market. These are included in current assets, except for maturities greater than twelve months after the reporting date, which are classified as non-current assets. Loans and receivables comprise loans, deposits and other receivables in the balance sheet.

### 5.3.4 Available-for-sale

Available-for-sale financial assets are those non derivative financial assets that are designated as available-for-sale or are not classified in any of the three preceding categories. After initial recognition available-for-sale financial assets are measured at fair value with gains and losses being recognized as a separate component of equity until the investments are derecognized or determined to be impaired at which time the cumulative gain or loss previously reported in equity is included in the profit and loss account.

Fair value of investments that are actively traded in organized financial markets is determined by reference to quoted market bid price at the close of business on the reporting date. For investments where there is no active market, value is determined using valuation techniques.

## 5.4 Financial liabilities

Financial liabilities are classified according to the substance of the contractual arrangements entered into. Significant financial liabilities are secured deposits against ijarah (lease) assets, musharaka payable and other liabilities.

## **5.5 Recognition and derecognition of financial instruments**

All financial assets and liabilities are recognized at the time when the Modaraba becomes a party to the contractual provisions of the instrument and are derecognized: in the case of asset, when the contractual rights under the instrument are derecognized, expired or surrendered: and in case of liability, when the obligation is discharged, cancelled or expired.

Any gain / (loss) on the recognition and derecognition of financial assets and liabilities is included in the profit / (loss) for the period in which it arises.

Assets and liabilities that are not of contractual nature and that are created as a result of statutory requirements are not financial instruments of the Modaraba.

## **5.6 Offsetting of financial assets and financial liabilities**

Financial assets and liabilities are offset and the net amount is reported in the balance sheet when there is a legally enforceable right to set-off the recognized amounts and the Modaraba intends to either settle on a net basis, or to recognize the asset and settle the liability simultaneously.

## **5.7 Musharaka investment**

Musharaka investments are stated net of provision. Provision is recognized in accordance with prudential regulations for Modarabas issued by the SECP or on the estimate of management, whichever is higher. Bad debts are written off when identified.

## **5.8 Fixed assets**

### **Assets given to customers under ijarah arrangements**

Assets given to customers under ijarah arrangements are accounted for as operating lease and are stated at cost less accumulated depreciation and impairment loss, if any. Assets under ijarah arrangements are depreciated using the straight line basis over the shorter of ijarah term or asset's useful life. In respect of additions and transfer during the year, depreciation is charged proportionately over the period of ijarah.

### **Assets in own use - Tangible**

Tangible fixed assets are stated at cost less accumulated depreciation and impairment loss, if any. Cost in relation to assets comprises acquisition and other directly attributable costs. Subsequent costs are included in assets' carrying amounts 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. Carrying amount of parts so replaced, if any, is derecognized. All other repairs and maintenance are charged to profit and loss account as and when incurred. Gains / losses on disposals are carried to the profit and loss account in the year of disposal.

Depreciation is charged to profit and loss account using the straight line method at the rates as specified in note 15 to these financial statements so as to write off the cost of assets over their estimated useful lives without taking into account any residual value. Depreciation on additions to the tangible fixed assets is charged from the month in which an asset is available for use while no depreciation is charged for the month in which the asset is disposed off.



# First IBL Modaraba Annual Report 2020

## **Assets in own use - Intangible**

Expenditure incurred on intangible asset is capitalized and stated at cost less accumulated amortization and any identified impairment loss. Intangible assets are amortized on straight line basis over a period of three years.

## **5.9 Investment property**

Property not held for own use or for sale in the ordinary course of business is classified as investment property. The Modaraba values its investment property, which is held to earn rentals and / or for capital appreciation purposes, using the cost model i.e. at cost less any accumulated depreciation and any identified impairment loss.

Depreciation on investment property is charged to income on straight-line method over its estimated useful life at the rates specified in note 13 to the financial statements. Depreciation on additions to investment property is charged from the month in which a property is available for use while no depreciation is charged for the month in which the property is disposed off.

## **5.10 Creditors and other liabilities**

Creditors and other liabilities are measured at cost which is the fair value of the consideration to be paid in future for goods and services received whether billed to the Modaraba or not.

## **5.11 Provisions**

Provisions are recognized when the Modaraba has a present, legal or constructive obligation as a result of past events and it is probable that an outflow of resources embodying economic benefits would be required to settle the obligation and a reliable estimate of the amount can be made. Provisions are reviewed at each the reporting date and adjusted to reflect the current best estimates.

The amount recognized as a provision is the best estimate of the consideration required to settle the present obligation at the reporting date, taking into account the risks and uncertainties surrounding the obligation. Future operating losses are not provided for.

## **5.12 Revenue recognition**

Ijarah rentals are recognized as income on accrual basis, as and when the rental becomes due over the lease period.

Profit on murabaha investment is recognized on pro-rata accrual basis, calculated on number of days for which funds are utilized.

Return on deposits with bank is recognized on accrual basis.

Profit on investment under musharaka arrangements is recognized on accrual basis and additional profit, if any, is recognized on declaration by the investee company in accordance with terms of issue.

Dividend income is recognized when the right to receive dividends is established.

Income from fee and commission is recognized as and when it becomes due.



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## **5.13 Taxation**

Under the current tax law, the income of a non-trading Modaraba is exempt from income tax provided that the Modaraba distributes ninety percent (90%) of its profits for the year, as cash dividend to the certificate holders, after appropriating statutory reserves. Where such profit is not distributed, provision for tax is made on taxable income at the current tax rates applicable to the Modaraba after taking into account available tax exemptions and tax credits, if any.

## **5.14 Proposed profit distribution to certificate holder**

Profit distribution to certificate holders is recognized as a liability in the period in which such distributions are approved by the Board of Directors of the Management Company.

## **5.15 Related party transactions**

Transactions involving related parties arising in the normal course of business are conducted at arm's length on the same terms and conditions as are applicable to third party transactions or otherwise as approved by the Board of Directors.

## **5.16 Impairment**

Carrying amounts of the Modaraba's assets are reviewed at each the reporting date to determine whether there is any indication of impairment. If such an indication exists, the recoverable amount of such asset is estimated and impairment loss is recognized in the profit and loss account. Where an impairment loss subsequently reverses, the carrying amount of the asset is increased to the revised recoverable amount but limited to the extent of the initial cost of the asset. A reversal of the impairment loss is recognized as loss in the profit and loss account.

## **5.17 Segment reporting**

Operating segments are reported in a manner consistent with the internal reporting provided to the Chief Operating Decision Maker (the Chief Executive Officer of the Modaraba). Segment results, assets and liabilities include items directly attributable to a segment. Segment capital expenditure is the total cost incurred during the year to acquire fixed assets and intangible assets.

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Note 6

## Bank Balances

		2020	2019
		Rupees	Rupees
Profit bearing bank account		43,782,105	28,967,470
Non profit bearing bank accounts		376,639	3,080,264
		<u>44,158,744</u>	<u>32,047,734</u>

Note 7

## Ijarah Rentals Receivable

		2020	2019
	Note	Rupees	Rupees
Considered good		1,236,779	1,300,470
Considered doubtful	7.2	9,700,570	9,876,185
		<u>10,937,349</u>	<u>11,176,655</u>
Provision against doubtful ijarah rentals		(9,700,570)	(9,876,185)
		<u>1,236,779</u>	<u>1,300,470</u>

**7.1** These represent rentals receivable against assets given under Ijarah arrangements.

**7.2** Movement in provision against doubtful ijarah rentals is as follows:

Opening balance		9,876,185	8,902,560
Addition during the year		435,145	1,060,210
Reversed during the year		(610,760)	(86,585)
	23.1	<u>(175,615)</u>	<u>973,625</u>
Closing balance		<u>9,700,570</u>	<u>9,876,185</u>

Note 8

## Advances, Prepayments and Other Receivables

		2020	2019
	Note	Rupees	Rupees
Advance income tax		1,436,994	1,211,210
Advance to employees (Unsecured - considered good)		571,309	572,492
Prepayments		211,260	405,341
		<u>2,219,563</u>	<u>2,189,043</u>
Accrued profit on musharaka receivable:			
- Profit receivable		4,054,532	5,059,164
- Less: Profit held in suspense account	11.2	(1,969,089)	(1,969,089)
		<u>2,085,443</u>	<u>3,090,075</u>
Other receivables		4,056,679	7,775,029
		<u>8,361,685</u>	<u>13,054,147</u>

Note 9

## Short Term Investments

		2020	2019
	Note	Rupees	Rupees
Investments in listed equity securities are classified as:			
- Available for sale	9.1	3,120,341	2,295,423
- At fair value through profit or loss	9.2	234,825	252,789
		<u>3,355,166</u>	<u>2,548,212</u>

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## 9.1 Available for sale

			2020 Rupees	2019 Rupees
	2020 No. of shares / certificates	2019 No. of shares / certificates		
Holdings are in ordinary shares of Rupees 10 each.				
	15,662	15,662	3,120,341	2,295,423
		The Searle Company Limited		

## 9.2 At fair value through profit or loss

shares / certificates of

219	219	IBL Health Care	16,961	7,335
200	200	Attock Refinery Limited	17,864	15,454
100,000	100,000	First Punjab Modaraba	200,000	230,000
100,419	100,419		234,825	252,789

Note 10

### Short Term Musharaka Receivables

	Note	2020 Rupees	2019 Rupees
Short term musharaka receivables	10.1	8,000,000	-

- 10.1** This represents musharaka finance provided to customers for business activities for a maximum period of one years. The provisional rate of profit on these finances ranges from 11% to 16% (2019: 12% to 15%) per annum and secured by way of hypothecation of goods, book debts and equitable mortgage of property.

Note 11

### Long Term Musharaka Receivables

	Note	2020 Rupees	2019 Rupees
Considered good		69,867,252	70,884,924
Considered doubtful		6,093,971	6,093,971
	11.1	75,961,223	76,978,895
Provision against classified portfolio	11.2	(6,093,971)	(6,093,971)
Less: Current portion		(27,239,348)	(50,705,110)
		42,627,904	20,179,814

- 11.1** This represents musharaka finance provided to customers for business activities for a maximum period of five years. The provisional rate of profit on these finances ranges from 11% to 16% (2019: 12% to 16%) per annum and secured by way of hypothecation of goods, book debts and equitable mortgage of property. These charges have not been registered.

- 11.2** This represents provision made against overdue principal amount of musharaka finance on time based criteria in terms of the requirement of the prudential regulations applicable to the Modaraba. Accrued profit of Rs.1,969,089 (2019: Rs. 1,969,089) is held in suspense account (Refer to note 8). Movement in provision against classified portfolio is as follows:

Opening balance	6,093,971	6,093,971
Recognized during the year	-	-
Reversed during the year	-	-
	-	-
Closing balance	6,093,971	6,093,971



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## Note 12

### Long Term Advances and Deposits

	2020	2019
	Rupees	Rupees
Advances	1,500,000	1,500,000
Deposits	1,119,260	1,119,260
	<u>2,619,260</u>	<u>2,619,260</u>

## Note 13

### Investment Property

	Note	2020	2019
		Rupees	Rupees
<b>Cost</b>			
Opening balance	13.1	100,000,465	100,000,465
Additions during the year		-	-
Closing balance		100,000,465	100,000,465
<b>Accumulated Depreciation</b>			
Opening balance		(32,916,831)	(27,916,803)
Charged during the year	13.2 & 26	(5,000,028)	(5,000,028)
Closing balance		<u>(37,916,859)</u>	<u>(32,916,831)</u>
		<u>62,083,606</u>	<u>67,083,634</u>

**13.1** This represents fifth floor of the Library Building situated at C-II, Johar Town, Lahore. This floor measures 13,370 square feet.

**13.2** The Modaraba depreciates investment property on straight line basis @ 5% per annum.

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Note 14

## Fixed Assets under Ijarah Arrangements

Description	Plant and Machinery	Vehicles	Office Equipment and Computers	Total
	Rupees	Rupees	Rupees	Rupees
<b>Year Ended June 30, 2018</b>				
<b>Cost</b>				
Balance as at July 01, 2019	23,097,253	63,422,533	603,825	87,123,611
Additions	-	-	-	-
Disposals		(5,690,000)		(5,690,000)
Balance as at June 30, 2020	23,097,253	57,732,533	603,825	81,433,611
<b>Accumulated depreciation</b>				
Balance as at July 01, 2019	18,348,731	31,393,677	534,444	50,276,852
Charge for the year	60,874	6,349,679	-	6,410,553
Disposals	-	(2,222,961)	-	(2,222,961)
Balance as at June 30, 2020	18,360,106	35,520,387	583,951	54,464,444
<b>Total as at June 30, 2020</b>	<b>4,737,147</b>	<b>22,212,146</b>	<b>19,874</b>	<b>26,969,167</b>
<b>Year Ended June 30, 2019</b>				
<b>Cost</b>				
Balance as at July 01, 2018	23,031,253	55,035,533	603,825	78,670,611
Additions	66,000	10,890,000	-	10,956,000
Disposals		(2,503,000)		(2,503,000)
Balance as at June 30, 2019	23,097,253	63,422,533	603,825	87,123,611
<b>Accumulated depreciation</b>				
Balance as at July 01, 2018	13,813,705	24,190,458	534,444	38,538,607
Charge for the year	4,535,026	8,260,037	-	12,795,063
Disposals	-	(1,056,818)	-	(1,056,818)
Balance as at June 30, 2019	18,348,731	31,393,677	534,444	50,276,852
<b>Total as at June 30, 2019</b>	<b>4,748,522</b>	<b>32,028,856</b>	<b>69,381</b>	<b>36,846,759</b>

### 14.1 General description of significant ijarah arrangements (IFAS-2)

This represents Ijarah arrangements made by the Modaraba at profit rates ranging from 10.00% to 17.00% (2019: 10.00% to 17.00% ) per annum. These arrangements are secured against assets under ijarah, personal / corporate guarantees, demand promissory notes executed by Musta'jir and other collaterals.

### 14.2 Aggregate amount of future ijarah rentals receivable on the basis of ijarah arrangements executed upto the reporting date are as follows:

	2020	2019
	Rupees	Rupees
Not later than one year	7,790,032	7,790,032
Later than one year but not later than five years	5,171,531	5,171,531
	<b>12,961,563</b>	<b>12,961,563</b>

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Note 15

## Fixed Assets under Own Use

		2020	2019
	Note	Rupees	Rupees
Operating fixed assets	15.1	2,407,796	3,348,799
Capital work in progress - Advance for purchase of vehicle		-	-
		<u>2,407,796</u>	<u>3,348,799</u>

### 15.1 Operating fixed assets

Description	Machinery	Furniture and Fittings	Vehicles	Office Equipment	Computers and Accessories	Total
	Rupees	Rupees	Rupees	Rupees	Rupees	Rupees
<b>Year Ended June 30, 2020</b>						
<b>Cost</b>						
Balance as at July 01, 2019	1,987,400	607,010	4,057,080	1,429,517	2,640,628	10,721,635
Additions	-	-	-	27,500	-	27,500
Disposals	-	-	-	(20,000)	-	(20,000)
Balance as at June 30, 2020	<u>1,987,400</u>	<u>607,010</u>	<u>4,057,080</u>	<u>1,437,017</u>	<u>2,640,628</u>	<u>10,729,135</u>
<b>Accumulated depreciation</b>						
Balance as at July 01, 2019	1,987,400	108,312	1,333,007	1,348,480	2,595,637	7,372,836
Charge for the year	-	121,404	790,415	13,392	23,292	948,503
Disposals	-	-	-	(20,000)	-	(20,000)
Balance as at June 30, 2020	<u>1,987,400</u>	<u>229,716</u>	<u>2,123,422</u>	<u>1,361,872</u>	<u>2,618,929</u>	<u>8,301,339</u>
<b>Total as at June 30, 2019</b>	<b>-</b>	<b>377,294</b>	<b>1,933,658</b>	<b>75,145</b>	<b>21,699</b>	<b>2,407,796</b>
<b>Year Ended June 30, 2019</b>						
<b>Cost</b>						
Balance as at July 01, 2018	1,987,400	4,763,295	2,566,020	1,429,517	2,612,628	13,358,860
Additions	-	483,310	1,582,190	-	28,000	2,093,500
Disposals	-	(4,639,595)	(91,130)	-	-	(4,730,725)
Balance as at June 30, 2019	<u>1,987,400</u>	<u>607,010</u>	<u>4,057,080</u>	<u>1,429,517</u>	<u>2,640,628</u>	<u>10,721,635</u>
<b>Accumulated depreciation</b>						
Balance as at July 01, 2018	1,987,400	4,679,450	573,505	1,306,013	2,562,208	11,108,576
Charge for the year	-	68,457	776,210	42,467	33,429	920,563
Disposals	-	(4,639,595)	(16,708)	-	-	(4,656,303)
Balance as at June 30, 2019	<u>1,987,400</u>	<u>108,312</u>	<u>1,333,007</u>	<u>1,348,480</u>	<u>2,595,637</u>	<u>7,372,836</u>
<b>Total as at June 30, 2019</b>	<b>-</b>	<b>498,698</b>	<b>2,724,073</b>	<b>81,037</b>	<b>44,991</b>	<b>3,348,799</b>
<b>Depreciation rates</b>	<b>20%</b>	<b>20%</b>	<b>20%</b>	<b>20%</b>	<b>33.33%</b>	

**15.2** These contain fully depreciated assets of Rs. 5,855,705 (2019: Rs. 5,727,205) that are still in use by the Modaraba.



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Note 16

## Creditors, Accrued and Other Liabilities

	2020	2019
	Rupees	Rupees
Accrued expenses	440,000	480,875
Payable to the Modaraba Management Company	444,760	223,131
Other liabilities	488,781	1,069,887
	<u>1,373,541</u>	<u>1,773,892</u>

Note 17

## Musharaka profit payable

	2020	2019
	Rupees	Rupees
Musharaka profit payable	1,430,192	1,430,192
	<u>1,430,192</u>	<u>1,430,192</u>

Note 18

## Long Term Security Deposits

	2020	2019
	Rupees	Rupees
Security deposit - Ijarah	22,561,980	24,383,570
Less: Current portion	(18,889,980)	(14,372,460)
	<u>3,672,000</u>	<u>10,011,110</u>

Note 19

## Certificate Capital

2020	2019	2020	2019
		Rupees	Rupees
Number of certificates			

### Authorized:

<u>50,000,000</u>	<u>50,000,000</u>	Modaraba Certificates of Rs. 10 each	<u>500,000,000</u>	<u>500,000,000</u>
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### Issued, subscribed and paid-up:

2020	2019		2020	2019
			Rupees	Rupees
Number of certificates				
20,000,000	20,000,000	Modaraba Certificates of Rs. 10 each issued as fully paid in cash	200,000,000	200,000,000
1,687,500	1,687,500	Modaraba Certificates of Rs. 10 each issued as fully paid bonus certificate	16,875,000	16,875,000
<u>21,687,500</u>	<u>21,687,500</u>		<u>216,875,000</u>	<u>216,875,000</u>

**19.1** Reconciliation of the number of certificates outstanding as at the beginning and at the end of the year is as under:

	2020	2019
	Number of certificates	
Opening balance of certificates	21,687,500	21,687,500
Certificates issued during the year	-	-
Closing balance of certificates	<u>21,687,500</u>	<u>21,687,500</u>

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## 19.2 Certificates of the Modaraba held by associates / related parties are as under:

			2020	2019
			Rupees	Rupees
2,030,905	2,030,905	IBL Modaraba Management (Pvt.) Limited	20,309,050	20,309,050
3,070,000	3,070,000	University of Management and Technology	30,700,000	30,700,000
3,015,820	3,015,820	Director	30,158,200	30,158,200
<u>8,116,725</u>	<u>8,116,725</u>		<u>81,167,250</u>	<u>81,167,250</u>

Note 20

### Reserves

		2020	2019
	Note	Rupees	Rupees
Statutory reserve	20.1	44,810,698	44,010,129
Unrealized gain on revaluation of available for sale investments		<u>3,120,299</u>	<u>2,295,381</u>
		<u>47,930,997</u>	<u>46,305,510</u>

- 20.1** Statutory reserve represents profits set aside in compliance with the requirements of prudential regulations for Modarabas issued by the SECP. These regulations require the Modaraba to transfer at least 20% after tax profit, if any, up to a maximum of 50%, in the statutory reserves until the reserve equals 100% of the paid up capital. Thereafter, a sum not less than 5% of the after tax profit is to be transferred into the statutory reserve each year. During the year, an amount of Rs. 800,569 (2019: Rs. 941,636) has been transferred from profit for the year to statutory reserve with the approval of the Board of Directors of the Management Company.

Note 21

### Contingencies and Commitments

There were no material contingencies and commitments outstanding as at the reporting date (2019: Nil).

Note 22

### Income from Ijarah

		2020	2019
	Note	Rupees	Rupees
Income from ijarah rental		7,702,090	10,525,798
Ijarah income suspended - net	7.2 & 22.1	<u>175,615</u>	<u>(973,625)</u>
		<u>7,877,705</u>	<u>9,552,173</u>

- 22.1** This represents ijarah income suspended in accordance with the prudential regulations applicable to the Modaraba.

Note 23

### Other Income

	2020	2019
	Rupees	Rupees
Documentation charges	34,480	130,164
Gain on termination of ijarah arrangements	174,179	171,948
Gain on disposal of fixed assets under own use	2,200	50,579
Miscellaneous	<u>655,991</u>	<u>1,419,815</u>
	<u>866,850</u>	<u>1,772,506</u>

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## Note 24

### Operating Expenses

		2020	2019
	Note	Rupees	Rupees
Salaries, allowances and other benefits	24.1	5,661,460	7,629,003
Communication expenses		303,124	231,105
Travelling and conveyance	24.2	841,877	810,179
Postage and stamps		97,384	13,020
Advertisement		23,200	23,200
Legal and professional charges		863,996	814,996
Rent, rates and taxes		6,960	6,960
Fees and subscription		1,007,201	915,917
Repairs and maintenance		372,767	537,112
Utilities		333,879	287,639
Insurance		209,135	239,457
Stationery, printing and other expenses		60,007	149,121
Depreciation / amortization:			
- Investment property	13	5,000,028	5,000,028
- Owned - tangible	15	968,504	920,563
- Intangible assets	16	-	-
Entertainment		102,227	146,840
Bank charges		3,250	3,463
Office supplies		104,938	89,445
		<u>15,959,937</u>	<u>17,818,048</u>

#### 24.1 Remuneration of Officers

Salaries and other benefits include remuneration of officers:

	2,020	2019
	Rupees	Rupees
Remuneration	1,440,972	3,635,668
Employer's contribution to provident fund	62,004	240,307
	<u>1,502,976</u>	<u>3,875,975</u>
Number of persons	<u>3</u>	<u>4</u>

**24.2** Officers include Chief Financial Officer (CFO), Head of Internal Auditor and Company Secretary.

**24.3** Officers are also provided with Modaraba owned and maintained vehicles.

## Note 25

### Other Operating Expenses

		2020	2019
	Note	Rupees	Rupees
Auditors' remuneration	25.1	488,175	472,650
at fair value through profit or loss		17,964	357,842
		<u>506,139</u>	<u>830,492</u>

#### 25.1 Auditors' remuneration

Audit fee	290,000	294,000
Review of half yearly financial statements and other certifications	150,000	158,125
Out of pocket expenses	48,175	20,525
	<u>488,175</u>	<u>472,650</u>



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Note 26

## Modaraba Company's Management Fee

In accordance with Section 18 of the Modaraba Companies and Modaraba (Floatation and Control) Ordinance, 1980, management fee @ 10% of annual profits is paid to the Modaraba Management Company.

Note 27

## Earnings per Modaraba Certificate - Basic and Diluted

	2020	2019
The calculation of the basic earnings per modaraba certificate is based on the following data:		
Net profit for the year (Rupees)	4,002,844	4,708,180
Weighted average number of modaraba certificates outstanding (Numbers)	21,687,500	21,687,500
Earnings per certificate - basic (Rupees)	0.185	0.217

**27.1** Basic earnings per modaraba certificate have been computed by dividing profit for the year as stated above with weighted average number of Modaraba certificates.

**27.2** There is no dilutive effect on the basic earnings per modaraba certificate.

Note 28

## Cash Generated from Operations

	2020	2019
	Rupees	Rupees
<b>Net profit for the Year</b>	4,002,844	4,708,180
Adjustment for:		
- Depreciation on fixed assets under own use	968,504	920,563
- Depreciation on investment property	5,000,028	5,000,028
- Depreciation on fixed assets under ijarah arrangements	6,410,553	12,795,063
- Gain on disposal of fixed assets under own use	(2,200)	(50,579)
- Reversal of musharaka profit held in suspense account	-	(8,631,297)
- Revaluation loss / (gain) on investment at fair value through profit or loss	17,964	357,842
- Gain on termination of ijarah arrangements	(174,179)	(171,948)
- Profit on term deposit receipts and bank deposits	(1,704,204)	(743,535)
	10,516,466	9,476,136
<b>Operating profit before working capital changes</b>	14,519,310	14,184,317
Decrease / (Increase) in operating assets:		
- Advances, prepayments and other receivables	4,466,678	5,358,424
- Ijarah rentals receivable	63,691	(861,359)
- Long term musharaka receivables	(22,448,090)	(3,944,281)
- Short term musharaka receivables	15,465,762	-
- Long term murabaha receivable	-	500,000
Increase / (Decrease) in operating liabilities:		
- Long term security deposits	(1,821,590)	3,113,700
- Creditors, accrued and other liabilities	(400,352)	729,736
<b>Net changes in working capital</b>	(4,673,901)	4,896,220
<b>Cash Generated from / (Used in) Operations</b>	9,845,410	19,080,537

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## Note 29

### Maturity of Assets and Liabilities

	Upto one month	One month to three months	Three months to one year	One year to five years	Five years and above	Total
Assets	Rupees	Rupees	Rupees	Rupees	Rupees	Rupees
Bank balances	44,158,744	-	-	-	-	44,158,744
Ijarah rentals receivable	1,236,779	-	-	-	-	1,236,779
Advances and other receivables	2,085,443	-	6,276,242	-	-	8,361,685
Short term investments	234,825	-	3,120,341	-	-	3,355,166
Musharaka receivables	11,589,384	6,480,572	32,936,584	26,860,713	-	77,867,253
Long term advances and	-	-	-	2,619,260	-	2,619,260
Investment Property	416,669	833,338	3,750,021	25,000,140	32,083,438	62,083,606
Fixed assets	14,706,192	3,290,787	-	11,379,983	-	29,376,962
<b>Total Assets - June 30, 2020</b>	<b>74,428,036</b>	<b>10,604,697</b>	<b>46,083,188</b>	<b>65,860,096</b>	<b>32,083,438</b>	<b>229,059,455</b>
<b>Liabilities</b>						
Creditors, accrued and other liabilities	884,761	-	488,781	-	-	1,373,542
Musharaka profit payable	1,430,192	-	-	-	-	1,430,192
Musharaka finances	700,000	-	-	-	-	700,000
Unpresented profit warrants	10,670,220	-	-	-	-	10,670,220
Long term security deposits	14,372,460	1,546,220	3,045,500	3,597,800	-	22,561,980
<b>Total Liabilities - June 30, 2020</b>	<b>28,057,633</b>	<b>1,546,220</b>	<b>3,534,281</b>	<b>3,597,800</b>	<b>-</b>	<b>36,735,934</b>
<b>Net Assets - June 30, 2020</b>	<b>46,370,403</b>	<b>9,058,477</b>	<b>42,548,907</b>	<b>62,262,296</b>	<b>32,083,438</b>	<b>192,323,521</b>
<b>Total Assets - June 30, 2019</b>	<b>73,518,380</b>	<b>7,798,661</b>	<b>45,695,640</b>	<b>65,637,792</b>	<b>37,083,466</b>	<b>229,733,939</b>
<b>Total Liabilities - June 30, 2019</b>	<b>24,160,911</b>	<b>875,831</b>	<b>3,720,326</b>	<b>10,011,110</b>	<b>-</b>	<b>38,768,178</b>
<b>Net Assets - June 30, 2019</b>	<b>49,357,469</b>	<b>6,922,830</b>	<b>41,975,314</b>	<b>55,626,682</b>	<b>37,083,466</b>	<b>190,965,761</b>

### Represented By:

	2020 Rupees	2019 Rupees
Certificate capital	216,875,000	216,875,000
Reserves	47,930,997	46,305,510
Accumulated loss	(72,482,474)	(72,214,749)
	<u>192,323,523</u>	<u>190,965,761</u>

## Note 30

### Balances and Transactions with Related Parties

- 30.1** In accordance with Section 18 of the Modaraba Companies and Modaraba (Floatation and Control) Ordinance, 1980, management fee @ 10% of annual profits is paid to the Modaraba Management Company.

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## Note 30, Balances and Transactions with Related Parties - Continued...

**30.2** Related parties comprise the Management Company, major certificate holders of the Modaraba and their close family members, directors of the management company and their close family members, key management personnel of the Management Company and their close family members and entities with common directors or under common management.

**30.3** Details of transactions with related parties and balances outstanding with them as at the reporting date are as follows:

Transactions during the year			2020	2019
			Rupees	Rupees
Related party	Relationship	Nature of Transaction		
IBL Modaraba Management (Private) Limited	Management Company	Management fee accrued during the year	444,760	523,131
		Management fee paid during the year	223,131	304,783
University of Management and Technology	Holds 14.16% of the paid up certificates of Modaraba	Rent of library building received	7,495,440	7,495,440
		Dividend paid during the year	491,200	-
IBL Modaraba Management (Pvt.) Limited	Holds 9.36% of the paid up certificates of Modaraba	Dividend paid during the year	324,945	-
Outstanding Balance at the year end				
Payable to the Modaraba Management Company			444,760	223,131

Note 31

## Capital Risk Management

While managing capital, the objectives of the Modaraba are to ensure that it continues to meet the going concern assumption, enhances certificate holders' wealth and meets stakeholders' expectations. The Modaraba ensures its sustainable growth viz. maintaining optimal capital structure and keeping its profits payable low thus maintaining smooth capital management.

Note 32

## Segment Analysis

### 32.1 Geographical segments

The modaraba's assets are employed and its income is derived in Pakistan.

### 32.2 Business segments

## Murabaha receivable and profit on murabaha receivable



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Note 32, Segment Analysis – Continued...

	2020		2019	
	Rupees	%	Rupees	%
Construction	-	-	-	-
	-	-	-	-

## Musharaka receivable and profit on musharaka receivable

Media advertising	56,045,078	72%	25,671,911	36.2%
Construction	11,990,661	15%	18,341,076	25.9%
Education	-	0%	-	0%
Individuals	9,831,487	13%	26,871,937	37.9%
	77,867,226	100%	70,884,924	100%

## Ijarah receivable

Individuals	1,174,779	95%	1,061,935	81.7%
Others	62,000	5%	238,555	18.3%
	1,236,779	100%	1,300,490	100%

## Investment in Ijarah under (IFAS-2)

Individuals	18,058,553	66.96%	24,772,289	67.2%
Medical and pharmaceuticals	1,177,266	4.37%	1,439,766	3.9%
Media advertising	2,560,004	9.49%	3,560,002	9.7%
Leasing	283,905	1.05%	283,905	0.8%
Hotel	120,000	0.44%	120,000	0.3%
Engineering	60,000	0.22%	60,000	0.2%
Others	4,709,439	17.46%	6,610,817	17.9%
	26,969,167	100%	36,846,779	100%

In line with others in the industry, the Modaraba monitors capital on the basis of the gearing ratio. This ratio is calculated as net debt divided by total capital. Net debt is calculated as total borrowings (including current and non current) less cash and cash equivalents. Total capital is calculated by adding equity, as shown in the balance sheet, into net debt. As on the reporting date, the Modaraba is geared 5% (2017: 15%).

Note 33

## Financial Risk Management

### 33.1 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 Modaraba Management Company ("the Board") has overall responsibility for the establishment and oversight of the Modaraba's risk management framework. The Board is responsible for developing and monitoring the Modaraba's risk management policies.

The Modaraba's risk management policies are established to identify and analyze the risks faced by the Modaraba, to set appropriate risk limits and controls and to monitor risks and adherence to limits. Risk management policies and systems are reviewed regularly to reflect changes in market conditions and the Modaraba's activities. The Modaraba, through its training and management standards and procedures, aims to develop a disciplined and constructive control environment in which all employees understand their roles and obligations.

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The Modaraba's Audit Committee oversees how the management monitors compliance with the Modaraba's risk management policies and procedures and reviews the adequacy of the risk management framework in relation to the risks faced by the Modaraba. The Audit Committee is assisted in its oversight role by the Internal Audit Department.

## 33.2 Credit Risk:

### 33.2.1 Credit risk and concentration of credit risk

Credit risk represents the accounting loss that would be recognized at the reporting date if counter parties to the financial instruments fail to perform as contracted. The Modaraba is exposed to credit risk from its operating activities (primarily from investments in ijarah, murabaha and musharaka contracts), deposits with banks and financial institutions and other financial instruments.

### 33.2.2 Credit risk related to receivables

The Modaraba has adopted a policy of only dealing with creditworthy parties and obtaining sufficient collateral, where appropriate, as a means of mitigating the risk of financial loss from defaults. The Modaraba only transacts with those parties that are rated the equivalent of investment grade and above. The Modaraba has internally developed rating criteria to rate its customers which is supplemented by ratings supplied by independent rating agencies, where available. The Modaraba also uses other publicly available financial information and its own trading records to rate its customers. The Modaraba's exposure and the credit ratings of its counterparties are continuously monitored and the aggregate value of transactions concluded is spread amongst approved parties. Credit exposure is controlled by credit limits that are internally reviewed and approved by the risk management committee annually.

The management monitors and limits the Modaraba's exposure to credit risk through monitoring of clients' credit exposure, reviews and conservative estimates of provisions for doubtful receivables, if any, and through the prudent use of collateral policy. The management is of the view that it is not exposed to significant concentration of credit risk as its financial assets are adequately diversified in organizations of sound financial standing covering various industrial sectors and segments.

### 33.2.3 Credit risk related to financial instruments and cash deposits

The Modaraba limits its exposure to credit risk by only investing in liquid securities and only with parties that have a track record. Given these high credit ratings, the management does not expect any party to fail to meet its obligations, except to the extent of impairment loss recognized.

### 33.2.4 Exposure to credit risk

Carrying amounts of financial assets represent the maximum credit exposure. The maximum exposure to credit risk at the reporting date was:

Financial assets	Note	2020	2019
		Rupees	Rupees
Bank balances	6	44,158,744	32,047,734
Ijarah rentals receivable	7	1,236,779	1,300,470
Advances and other receivables	8	6,142,122	10,865,104
Short term investments	9	3,355,166	2,548,212
Musharaka receivables	10 & 11	69,867,252	70,884,924
Murabaha receivable		-	-
Long term advances and deposits	12	2,619,260	2,619,260
		<u>127,379,323</u>	<u>120,265,703</u>

Geographically all credit exposure is concentrated in Pakistan.



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The maximum exposure to credit risk for receivables against ijarah, musharaka and murabaha investment at the reporting date by type of customer was:

Media advertising	56,045,078	25,367,911
Individuals	11,006,266	27,933,872
Construction	11,990,661	18,341,076
Others	62,000	238,535
	<u>79,104,005</u>	<u>71,881,394</u>

The maximum exposure to credit risk for the following financial assets at the reporting date by mode of financing was as under:

Ijarah rentals receivable	1,236,779	1,300,470
Accrued profit on murabaha and musharaka	2,085,443	3,090,075
Musharaka receivables	69,867,252	70,884,924
	<u>73,189,474</u>	<u>75,275,469</u>

	Ratings			2020	2019
	Short Term	Long Term	Agency	Rupees	Rupees
<b>Profit bearing accounts</b>					
Meezan Bank Limited	A-1+	AA+	JCR-VIS	1,757,616	298,253
MCB Islamic Bank Limited	A1	A	PACRA	20,213,854	28,669,217
<b>Non-Profit bearing accounts</b>					
HBL Islamic Banking	A-1+	AAA	JCR-VIS	187,274	3,080,264
				<u>22,158,744</u>	<u>32,047,734</u>

## Impairment losses

The aging of financial assets at the reporting date was:

	Gross 2020	Impairment 2020	Gross 2019	Impairment 2019
	Rupees	Rupees	Rupees	Rupees
Not past due	79,857,332	-	-	-
Past due 0-90 days	-	-	881,210	265,605
Past due 90-180 days	-	-	-	-
Past due over 180 days	18,030,279	17,763,629	17,886,820	17,673,640
	<u>97,887,611</u>	<u>17,763,629</u>	<u>18,768,030</u>	<u>17,939,245</u>

## 33.3 Liquidity risk

Liquidity risk is the risk that the Modaraba will not be able to meet its financial obligations as they fall due. Prudent liquidity risk management implies maintaining sufficient cash and marketable securities, the availability of funding to an adequate amount of committed credit facilities and the ability to close out market positions due to dynamic nature of the business. 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 maturity profile of the Modaraba's financial liabilities based on contractual amounts is disclosed in Note 30 to the financial statements.



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## 33.3.1 Market risk

Market risk is the risk that changes in market prices, such as foreign exchange rates, interest rates and equity prices will affect the Modaraba's income or the value of its holdings of financial instruments. The objective of market risk management is to manage and control market risk exposures within acceptable parameters, while optimizing the return on risk.

## 33.3.2 Exposure to currency risk

The Modaraba has no exposure to foreign currency risk as at the reporting date.

## 33.3.3 Other market price risk

Other price risk represents the risk that the fair value or future cash flows of a financial instrument will fluctuate because of changes in market prices (other than those arising from interest rate risk or currency risk), whether those changes are caused by factors specific to the individual financial instrument or its issuer, or factors affecting all similar financial instrument traded in the market. The Modaraba is exposed to equity price risk in respect of short term investments available for sale and at fair value through profit or loss.

## 33.3.4 Sensitivity analysis - equity price risk

A change of 1% in value of investments would have increase or decrease equity by Rs. 33,552 (2019: Rs. 25,482).

## 33.3.5 Fair value of financial assets and liabilities

The carrying values of all financial assets and financial liabilities approximate to their fair values.

### Note 34

#### Provident Fund Related Disclosures

The Modaraba operates a recognized provident fund for its permanent employees wherein equal monthly contributions are made by the Modaraba and employees into the fund at the rate of 10% of the basic salary. Obligation for contributions to defined contribution plan is recognized as an expense in the profit and loss account. The following is information of fund as on June 30,:

	2020	2019
Fund Balance	573,448	849,103

**34.1** The Modaraba has maintained provident fund account in MCB Bank Limited which has balance of Rs. 573,448 (2018: Rs. 849,103).

### Note 35

#### Number of Employees

	2020 Numbers	2019 Numbers
Employees as at June 30,	14	14
Average number of employees during the year	14	14

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Note 36

## **Date of Authorization for Issue**

These financial statements were approved and authorized for issue on September 28, 2020 by the Board of Directors of IBL Modaraba Management (Private) Limited (the Management Company).

Note 37

## **Profit Distribution**

Subsequent to the year ended June 30, 2020, the Board of Directors of the Management Company in their meeting held on September 28, 2020 declared a final profit distribution of Rs. Rs.0.13 (2019: Rs. 0.16) per Modaraba certificate which in total amounts to Rs. 2,883,000 (2019: Rs. 3,470,000).

Note 38

## **General**

Corresponding figures have been re-arranged, wherever necessary, to facilitate comparison.

**S/D**

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**Chief Executive**

**S/D**

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**Director**

**S/D**

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**Director**

# First IBL Modaraba Annual Report 2020

## CATEGORIES OF CERTIFICATE HOLDERS AS AT JUNE 30, 2020

Categories of Shareholder	Share held	Percentage
Associated Companies, Undertakings & Related Parties	5,100,905	23.52
NIT & ICP	1,078,774	4.97
Banks, DFIs, NBFCs	10,155	0.05
Insurance Companies	511,190	2.36
Modarabas and Mutual Funds	70	0.00
General Public (Local)	10,232,821	47.18
General Public (Foreigner)	331	0.00
Other Companies (Local)	4,753,254	21.92
	<b>21,687,500</b>	<b>100.00</b>



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## PATTERN CERTIFICATE HOLDING BY CERTIFICATE HOLDERS AS AT JUNE 30, 2020

No. of Shareholders	Shareholding		Total Shares held
	From	To	
425	1	100	15,788
294	101	500	82,053
187	501	1,000	133,888
227	1,001	5,000	491,890
39	5,001	10,000	283,129
16	10,001	15,000	204,787
6	15,001	20,000	113,500
1	20,001	25,000	24,500
2	25,001	30,000	56,000
3	30,001	35,000	97,875
1	35,001	40,000	36,000
2	40,001	45,000	88,500
2	45,001	50,000	96,000
1	50,001	55,000	51,087
1	55,001	60,000	56,000
1	80,001	85,000	82,000
1	90,001	95,000	92,700
2	130,001	135,000	265,441
1	140,001	145,000	143,500
1	145,001	150,000	150,000
1	165,001	170,000	170,000
1	240,001	245,000	240,068
1	280,001	285,000	280,507
1	310,001	315,000	313,500
1	470,001	475,000	473,000
1	505,001	510,000	509,990
1	565,001	570,000	569,500
1	1,045,001	1,050,000	1,050,000
1	1,075,001	1,080,000	1,078,774
1	1,895,001	1,900,000	1,895,034
1	2,030,001	2,035,000	2,030,905
1	3,015,001	3,020,000	3,015,820
1	3,065,001	3,070,000	3,070,000
1	4,425,001	4,430,000	4,425,764
<b>1,227</b>			<b>21,687,500</b>