



ANNUAL REPORT 2013





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MODARABA MANAGEMENT COMPANY	IBL Modaraba Management (Pvt.) Ltd.	
BOARD OF DIRECTORS	Dr. Hasan Sohaib Murad Shaheen Rashid Arslan Khan Khakwani	Chairman & CEO Director Director
CHIEF OPERATING OFFICER	Shiraz Butt	
COMPANY SECRETARY	M. Sohail A. Sheikh	
CHIEF FINANCIAL OFFICER	Zeeshan Ahmed	
AUDIT COMMITTEE	Shaheen Rashid Arslan Khan Khakwani Muhammad Ilyas	Chairman Member Internal Auditor
BANKERS	Habib Bank Limited - Islamic Banking Meezan Bank Limited Silk Bank Limited - Islamic Banking	
REGISTRAR	Technology Trade (Pvt) Ltd Dagia House, 241-C, Block-2 P.E.C.H.S., Shahra-e-Quaideen, Karachi.	
REGISTERED OFFICE	Suite # 105, 1 st Floor, Fortune Center, 45-A,Block # 6 , P.E.C.H.S., Shahrah-e-Faisal, Karachi.	
PRINCIPLE OFFICE	87-Aurangzaib, Block, New Garden Town, Lahore .	

DIRECTOR'S 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, 2013 along with Auditors' Report thereon.

Financial Results:

Summarized results for the year under report are as under:

	(Rs. in "000")	
	June 2013	June 2012 (Restated)
Total Operating Income	12,850	8,836
Profit/ (Loss) before Management Fee & Taxation	10,321	(41,536)
Management Fee- 10%	1,032	NIL
Profit/ (Loss) before Tax	9,298	(41,536)
Provision for Taxation	NIL	NIL
Net Profit/ (Loss) after Tax	9,289	(41,536)

Review of Operations:

The modaraba sector, despite being around for a long time, has not been able to develop as an important constituent of the country's financial sector. The sector had the strategic advantage of being identified as Islamic financial institution providing Shari'ah compliant products and services. However, the benefit is eroding due to increase in outreach of Islamic commercial banks and offering of Islamic products by conventional banks through their independent branches. Advent of Islamic banks have further intensified the competitive environment for Modarabas for credit expansion as well.

Your Modaraba allowed fresh Ijarah facilities to quality borrowers/ clients to the extent of Rs.7.860 million during the year whereas it managed to recover Rs.77.89 million from the borrowers of existing portfolio including Ijarah, Murabaha and Musharaka facilities.

The table given below reflects break- up of the revenue generated during the year:

INCOME	June 2013 Amount (Rs.)	June 2012 Amount (Rs.) (Restated)
Profit on Musharaka financing	2,445	935,464
Income from Ijarah financing	3,322,168	2,899,015
Profit on Murabaha financing	4,025,004	4,025,004
Other Income	1,128,131	977,374
Rental Income (Property)	4,372,340	NIL
Total	12,850,088	8,836,830

The table given below shows the details of expenses recorded by the Modaraba during the year:

EXPENSES	June 2013 Amount (Rs.)	June 2012 Amount (Rs.) (Restated)
Administrative and general expenses	14,837,884	13,750,039
Amortization on assets subject to Ijarah	3,971,149	5,762,332
Amortization of Intangible Assets	330,000	247,500
Unrealized gain/ (loss) on re- measurement of investments at fair value through profit & loss	(88,617)	(50,126)
Realized gain/ (loss) on sale of investments	-	898,869
Provision against non- performing Musharaka receivables	(14,536,342)	26,017,137
Profit Receivable on Musharaka receivables held in suspense account	(1,992,611)	1,763,126
Finance Cost	7,355	1,984,376
Total	2,528,818	50,373,253

As at June 30, 2013, the reserves of the Modaraba build up to the extent of Rs.43,599,203/-comparing to the accumulated amount of Rs.39,992,711/- of the last year.

Related affairs, payable to the management company, i.e. IBL Management (Pvt.) Limited is Rs.1,821,141/-

Modaraba entered into agreements with Institute of Leadership & Management (ILM) and Dossilani Securities (Pvt.) limited subsequent to the approval of Board of Directors. Under the terms of the agreement the balance receivable of Rs. 39,782,384/- from Dossilani Securities (Pvt.) Limited had been paid by ILM and the equity holding in subsidiary {Alka Power (Pvt.) Limited} of Rs.6,400,000/- and advances of Rs.50,905,581 had been transferred to ILM against consideration



of ownership rights of 5th floor measuring 13,730 square feet of "Library Building" of ILM situated at C-II, Johar Town, Lahore at an aggregate price of Rs.97,087,965/-, due to which the Non-Performing / Non Income generating assets of your Modaraba had been converted into income generating assets.

Your Modaraba has successfully managed to recover Rs.33.077 million from associated parties against Musharaka & Ijarah facilities.

Corporate Governance:

The Modaraba has implemented all aspects of Code of Corporate Governance introduced by Karachi Stock Exchange and SECP.

- ✓ The financial statements prepared by the Management of Modaraba present fairly the state of affairs, the results of its operations, cash flows, other comprehensive income and changes in the equity.
- ✓ Proper books of accounts of Modaraba have been maintained.
- ✓ Appropriate accounting policies have been consistently applied in preparation of financial statements and accounting estimates are based on reasonable and prudent judgment.
- ✓ International Accounting Standards, as applicable in Pakistan, have been followed in preparation of financial statements.
- ✓ The system of internal controls is sound in design and has been effectively implemented and mentioned.
- ✓ There are no significant doubts about the Modaraba ability to continue as going concern.
- ✓ There is no material departure from the best practices and Corporate Governance as detailed in the listing regulations.
- ✓ There has been no trading in company shares by Directors, Chief Executive, Chief Financial Officer, Company Secretary and their spouses and minor children during the year.

Attendance of Board Meetings:

During the year under review, seven (7) meetings of Board of Directors were held, which were attended by the directors as under:

Sr. #	Name of Director	Number of Meetings	No. of Meetings Attended	Leave of Absence
1	Dr. Hasan Sohaib Murad	7	7	-
2	Mr. Shaheen Rashid	7	7	-
3	Mr. Arslan Khan Khakwani	7	7	-

Operating Data for six years:

The operating data of the Modaraba for six (6) years is annexed to this report.

Pattern of Certificates Holding:

The detailed pattern of certificates holding as at June 30, 2013 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.

Economic Review:

The economy of Pakistan during the last five years grew on an average rate of 2.9% per annum. The GDP growth for 2012-13 was targeted at 4.3% on the back of 4.0% growth in Agriculture, 2.5% growth in Large Scale Manufacturing and 4.6% in Services sectors. However, the heavy rains in Sindh and Punjab province damaged the crops which affected performance of agriculture and other related sectors.

The real GDP growth for 2012-13 has been estimated at 3.6% as compared to 4.4% (revised) in the previous fiscal year 2012 after rebasing the national accounts at constant prices of 2005-06. Core inflation on period average basis during (July-April) 2012-13 stood at 9.9% against 10.4% last year. The inflation rate as measured by the changes in Consumer Price Index (CPI) stood at 7.8% during (July-April) during current fiscal year 2012-13, against 10.8% in the comparable period of last year.

Exports during the first ten months of FY2012-13 increased to US\$ 20.147 billion as compared to US\$ 19.329 billion in the same period last year reflecting a growth of 4.2 %. Export Target of US\$24.8 billion could not be met because of decline in global trade activities from 5.2% to 2%. Import during the first ten months (July-April) stood at \$ 36.665 billion reflecting a negative growth of 1.02%.

The current account deficit stood at \$ 1,418 million in July-April 2012-13 in comparison with US\$3,354million same period last year. Worker's Remittances grew to US \$ 11.57 billion in July-April 2012-13 as compared to US\$10.88 billion in the comparative period of last year. Foreign Direct Investment (FDI) increased by 29.7% in July-April 2012-13 against decline of 36.7% during the same period last year. Inflows of FDI remained at US\$1,893.6 million in July-April 2012-13 against US\$1,723.3 million in same comparative period of last year showing an increase of 9.9%.



External and domestic debt reduction in external debt by Rs.200 million resulted from repayment against IMF loans, translational gain due to US Dollar appreciation. Increase in domestic debt stems from issuance of market debt namely Treasury Bills Rs.528 billion, Special Savings Certificate and Accounts Rs.159 billion, Pakistan Investment Debt Rs.144 billion, Market related Treasury Bills Rs.105 billion and Ijara Sukuk Rs.76 billion.

Consistently high budget deficits have taken domestic borrowing by the public sector to record level of all borrowing which is not sustainable and has crowded out private sector credit off-take. While lower inflation levels have allowed the central bank to reduce interest rates, real sector activity has yet to respond.

Growth rate of population improved in 2012-13 and decreased to 2% from 2.03%. Total population has been estimated at 184.35 million as compared to 180.71 million in 2011-12.

The per capita income in Rupee term has increased from Rs.118,085 to Rs.131,543 in outgoing fiscal year as compared to last year. In dollar terms it increased from \$ 1,323 to \$1,368 in 2012-13 as compared to last year. Per Capita Income in dollar terms grew at a rate of 3.4% in 2012-13 as compared to 3.8% growth last year.

Total investment stood at 14.22% of GDP in 2012-13. Fixed investment has decreased to 12.6% of GDP in 2012-13. National savings are 13.5% of GDP in 2012-13 as compared to 12.8% in 2011-12.

Stock Markets Review:

Pakistan stock market depicted an outstanding performance during July 2012 March 2013, which has witnessed an exponential growth consequent to various favorable events taking place at political and economic front. Karachi stock market remained in record high trajectory during 2012-13, with the KSE-100 Index is setting new records by each passing day and trading at above 23,000 level for the first time in its history.

Demutualization of the stock exchanges, considerable decline in the discount rate by State Bank of Pakistan, which was brought down to single digit figure of 9.0% in June 2013, substantial foreign interest in stocks, declining inflation rates etc., helped to achieve a flourishing capital market.

Activities undertaken during 2012-13 in line with its objectives to develop a robust, efficient and competitive capital market in Pakistan, the Securities and Exchange Commission of Pakistan (SECP) during the period under review introduced various structural, legal and fiscal reforms aimed at strengthening risk management, increasing transparency, improving governance of the capital market infrastructure institutions, enhancing investor protection and launching new product/market development initiatives.

Participation of foreign investment was the main reason behind the better performance of Karachi Stock Exchange. In addition the better return on Pakistan stocks has also attracted the foreigners which they did not find in the other global markets. Beside this, the local investors have found the best avenue in the capital market because of consecutive decline in the discount rate.

Moreover, an improved economic stability and expected new political set up in the country kept the investors, both local and foreign, in bullish frame of mind.

Auditors:

The present auditors, M/s Rahman, Sarfaraz, Rahim, Iqbal, Rafiq, Chartered Accountants, are due for retirement and since they have completed their five (5) years as external auditors of the Modaraba, were not being eligible for re-appointment. Hence, the Board has appointed M/s. Horwath Hussain Chaudhury & Co., Chartered Accountants as external auditors of the Modaraba for the period ending June30,2014 subject to the approval of the Registrar Modaraba, SECP Islamabad.

Acknowledgement:

The Board remain thankful to Securities & Exchange Commission of Pakistan, Registrar Modaraba, State Bank of Pakistan, and NBFI & Modaraba Association of Pakistan for providing us their usual support and guidance. The Board appreciate and pay gratitude to the certificate holders and customers for entrusting their confidence on us and we assure them to maintenance of adequate internal controls, providing personalized services and also to maintain 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

Dr. Hasan Sohaib Murad
Chairman/ CEO

Date: October 08, 2013

SIX YEAR'S FINANCIAL SUMMARY

BALANCE SHEET & INCOME STATEMENT



Year Ended June 30.		(Rs. in Million)				
	2007	2008	2009	2010	2011	2012
						Restated
BALANCE SHEET						
EQUITY						
Issued, subscribed & paid up capital	116.88	116.88	201.88	201.88	201.88	201.88
Statutory Reserve	32.58	48.35	31.56	39.14	39.17	39.99
Revenue Reserve and Un-appropriated profit	14.97	6.74	5.62	6.96	(10.07)	(79.23)
Modaraba certificate deposit money	-	84.99	-	-	-	-
Total Equity	164.43	256.96	239.06	247.98	230.98	162.64
LIABILITIES						
Customer Security Deposit	-	3.69	3.80	4.22	9.37	2.70
Other Deferred Liabilities	0.36	-	-	-	-	-
CURRENT LIABILITIES						
Short term finance	-	-	20.82	20.85	9.50	0.08
Short term Musharakah	31.96	-	85.00	86.79	29.14	14.64
Unclaimed profit distribution	-	2.35	5.12	4.14	7.99	7.69
Other Current Liabilities	10.50	11.52	16.00	15.91	11.83	26.03
Total current Liabilities	42.46	13.87	126.94	127.69	58.46	48.45
Total Equity & Liabilities	207.25	274.52	369.80	379.89	298.81	213.79
NON-CURRENT ASSETS						
Assets Leased Out	-	22.80	19.28	16.88	15.86	9.46
Assets in own Use	0.99	4.60	3.70	4.24	2.78	1.15
Long Term Murabahah	-	30.00	30.00	30.00	23.00	23.00
Long Term Investment	-	-	7.80	17.13	57.06	57.31
Other Long Term Assets	12.87	1.41	1.20	3.38	3.38	4.16
Total Non-Current Assets	13.86	58.81	61.98	71.63	102.08	95.07
CURRENT ASSETS						
Short term Musharakah	146.79	119.96	252.40	227.66	123.13	74.49
Ijarah rental receivables	-	0.49	1.44	1.51	4.14	1.92
Short Term Investments	20.35	62.50	27.14	23.31	14.22	2.17
Other Current Assets	7.57	9.02	24.97	53.45	51.79	-
Advance, Deposits and prepayments	-	1.78	0.73	1.26	1.47	40.10
Cash & Bank Balances	18.68	21.96	1.14	1.06	1.98	0.04
Total Current Assets	193.39	215.71	307.82	308.25	196.73	118.72
Total Assets	207.25	274.52	369.80	379.88	298.81	213.79
INCOME STATEMENT						
INCOME						
Ijarah	-	6.20	6.44	6.69	6.73	2.90
Musharakah & Murabahah	13.16	16.47	30.20	40.61	39.69	4.96
Capital Gain on Investment	1.66	0.96	(4.80)	4.00	-	-
Dividend	2.18	-	-	-	-	0.39
Investment Income	-	1.59	2.00	1.86	0.19	-
Others	0.62	0.39	0.20	7.04	2.96	0.59
Total Income	17.62	25.61	34.04	60.20	49.57	8.84
EXPENSES						
Operating	4.69	13.68	19.40	13.15	13.49	12.09
Financial	4.60	2.97	7.78	15.95	13.31	1.98
Amortization, Depreciation	0.38	4.34	4.21	6.32	6.86	7.68
Provision for Doubtful Receivable	-	-	-	19.50	26.10	27.78
Provision for diminution in value of Investment	(1.10)	(0.83)	0.83	2.98	-	0.85
Total Expenses	8.57	20.16	32.22	57.90	59.76	50.37
Profit/(Loss) before Management Fee	9.05	5.45	1.82	2.30	(10.19)	(41.54)
Less: Management Fee	0.91	0.55	0.18	0.23	-	-
Profit/(Loss) before Taxation	8.15	4.91	1.64	2.07	(10.19)	(41.54)
Less: Taxation	-	-	-	-	-	-
Net Profit/(Loss)	8.15	4.91	1.64	2.07	(10.19)	(41.54)
APPROPRIATIONS						
Final Dividend	9.35	5.84	-	6.05	-	-
Statutory Reserves	1.63	0.98	0.33	0.42	-	-

STATEMENT OF COMPLIANCE WITH THE CODE OF CORPORATE GOVERNANCE



This statement is being presented to comply with the Code of Corporate Governance (Code) contained in listing regulations of Karachi, Lahore and Islamabad Stock Exchanges for the purpose of establishing a framework of good governance, whereby a listed Modaraba is managed in compliance with the best practices of corporate governance.

IBL Modaraba Management (Pvt.) Limited (the company) and its Board of Directors is responsible for management of affairs of the First IBL Modaraba and is pleased to confirm that the Code of Corporate Governance is being complied with in all material respects.

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

1. The company encourages representation of independent non-executive directors and directors representing minority interests on its board of directors. At present the board includes:

Category	Names
Independent Directors	Nil*
Executive Directors	Mr. Arslan Khan Khakwani
Non-Executive Directors	Dr. Hasan Sohaib Murad Mr. Shaheen Rashid

** The independent Director will be appointed as soon as clearance from SECP is received.*

2. The directors have confirmed that none of them is serving as a director on more than seven listed companies, including this company.
3. All the resident directors of the company are registered as taxpayers and none of them has defaulted in payment of any loan to a banking company, a DFI or an NBFIs or, being a member of a stock exchange, has been declared as a defaulter by that stock exchange.
4. The company has prepared a "Code of Conduct" and has ensured that appropriate steps have been taken to disseminate it throughout the Modaraba along with its supporting policies and procedures.
5. The board has developed a vision/mission statement, overall corporate strategy and significant policies of the Modaraba. 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 material transactions have been taken by the board.
7. The meetings of the board were presided over by the Chairman and the board met at least once in every quarter. Written notices of the board meetings, along with agenda and working papers, were circulated at least seven days before the meetings. The minutes of the meetings were appropriately recorded and circulated.
8. The board has not arranged any training program for its directors during the year.
9. The board has approved appointment of CFO and Head of Internal Audit, including their remuneration and terms and conditions of employment, as determined by CEO. The person appointed as CFO has earned a designation "Certified Public Accountant" from an institution "The Association of Certified Public Accountants" incorporated in UK, as a non-governmental and non-profit organization, he also possesses five years relevant experience of working in Modaraba. The person appointed as Head of Internal Audit is MBA from Asian School of Economics Development and possesses more than five years of experience in the field of internal audit.



10. The directors' report for this year has been prepared in compliance with the requirements of the Code and fully describes the salient matters required to be disclosed.
11. The financial statements of the Modaraba were not endorsed by CFO before approval of the board for first quarter as CFO was appointed in January 2013.
12. The directors, CEO and executives do not hold any interest in the certificates of the Modaraba other than that disclosed in the pattern of certificate holding.
13. The company has complied with all the corporate and financial reporting requirements of the Code.
14. The board has formed an Audit Committee. It comprises of two members, of whom one is executive and other is non-executive director and the chairman of the audit committee is not an independent director.
15. The meetings of the audit committee were held at least once every quarter prior to approval of interim and final results of the Modaraba and as required by the Code. The terms of reference of the committee have been formed and advised to the committee for compliance.
16. The board has formed an HR and Remuneration Committee. It comprises two members, of whom one is non-executive director and one is executive director and the chairman of the committee is a non-executive director.
17. The board has set up an effective internal audit function having one of the senior officials which is considered suitably qualified and experienced for the purpose and is conversant with the policies and procedures of the Modaraba.
18. The statutory auditors of the Modaraba have confirmed that they have been given a satisfactory rating under the quality control review program of the ICAP, that they or any of the partners of the firm, their spouses and minor children do not hold certificates of the Modaraba 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.
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. The 'closed period', prior to the announcement of interim/final results, and business decisions, which may materially affect the market price of Modaraba's securities, was determined and intimated to directors, employees and stock exchanges.
21. Material/price sensitive information has been disseminated among all market participants at once through stock exchanges.
22. We confirm that all other material principles enshrined in the Code of Corporate Governance have been complied with except for the matters stated in paragraphs 1, 8, 9, 11 and 14 towards which reasonable progress is being made by the company to seek compliance by the end of next accounting year.

For and on behalf of Board of Directors,
IBL Modaraba Management (Pvt) Ltd
Management Company of First IBL Modaraba

Chairman/ CEO
Date: October 08, 2013

**REVIEW REPORT TO THE CERTIFICATE HOLDERS
ON STATEMENT OF COMPLIANCE WITH BEST PRACTICES
OF CODE OF CORPORATE GOVERNANCE**



We have reviewed the Statement of Compliance with the best practices contained in the Code of Corporate Governance prepared by the Board of Directors of IBL Modaraba Management (Private) Limited (the Management Company) in respect of First IBL Modaraba (the Modaraba), to comply with the Listing Regulations of respective Stock Exchanges, where the Modaraba is listed.

The responsibility for compliance with the Code of Corporate Governance is that of the Board of Directors of the Management Company. Our responsibility is to review, to the extent where such compliance can be objectively verified, whether the Statement of Compliance reflects the status of the Modaraba's compliance with the provisions of the Code of Corporate Governance and report if it does not. A review is limited primarily to the inquiries of the Management Company personnel and review of various documents prepared by the Management Company to comply with the Code.

As part of our audit of 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 have not carried out any special review of the internal control system to enable us to express an opinion as to whether the Board's statement on internal control covers all controls and effectiveness of such internal controls, the Modaraba's corporate governance procedures and risks.

Further the Listing Regulations of the Karachi, Lahore and Islamabad Stock Exchanges require the Modaraba to place before the Board of Directors for their consideration and approval of related party transactions distinguishing between transactions carried out on terms equivalent to those that prevail in arm's length transactions and transactions which are not executed at arm's length price recording proper justification for using such alternative pricing mechanism. Further, all such transactions are also required to be separately placed before the audit committee of the Management Company. We are only required and have ensured the compliance of requirement to the extent of approval of related party transactions by the Board of Directors and placement of such transactions before the audit committee of the Management Company. We have not carried out any procedures to determine whether the related party transactions were undertaken at arm's length price or not.

Based on our review, we draw attention to following paragraphs of statement of compliance with Code of Corporate Governance viz Para 1 [Independent Directors], 8 [Training program for Directors], 9 [Qualification of CFO and Head of Internal Audit], 11 [Endorsement of Financial Statements by CFO] and 14 [Audit Committee Matters], except for these matters, nothing has come to our attention which causes us to believe that the Statement of Compliance does not appropriately reflect the Modaraba's compliance, in all material respects, with the best practices contained in the Code of Corporate Governance as applicable to modaraba for the year ended 30 June 2013.

Rahman Sarfaraz Rahim Iqbal Rafiq,
CHARTERED ACCOUNTANTS

Engagement Partner: A. Rahman Mir

LAHORE:

Date: October 08, 2013



We have audited the annexed balance sheet of First IBL Modaraba (Modaraba) as at 30 June 2013 and the related profit and loss account, statement of profit or loss & other comprehensive income, cash flow statement and statement of changes in equity together with the notes forming part thereof (hereinafter referred to as the financial statements), for the year then ended and we state that we have obtained, subject to our observations below, all the information and explanations which, to the best of our knowledge and belief, were necessary for the purposes of our audit.

These financial statements are the modaraba company's (IBL Modaraba Management (Private) Limited) responsibility who is also responsible to establish and maintain a system of internal control, and prepare and present the above said statements in conformity with the approved accounting standards as applicable in Pakistan and the requirements of the Modaraba Companies and Modaraba (Floatation and Control) Ordinance, 1980 (XXXI of 1980), and the Modaraba Companies and Modaraba Rules, 1981. Our responsibility is to express an opinion on these statements based on our audit.

We conducted our audit in accordance with the auditing standards as applicable in Pakistan. These standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of any material misstatement. An audit includes examining on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting policies and significant estimates made by the Modaraba Company, as well as, evaluating the overall presentation of the financial statements. We believe that our audit provides a reasonable basis for our opinion and, after due verification we report that –

- I a) “Short Term Investments”, as shown in note 4 include shares of book value of Rs. 3.462 million which have not been confirmed through CDC holding report at the year end. These shares are stated not to be in the name of Modaraba and we have not been shown any other document as an evidence from which ownership of Modaraba of the said shares could be confirmed. Hence short term investments amounting to Rs. 3.462 million out of total short term investments of Rs. 22.006 million remained unverified.
- b) “Profit receivable on musharaka finance” as shown by note 6 include amounts of Rs.32.801 million against which provision should have been created as on 30 June 2013 under Part III, Paragraph 5 (1A) of Prudential Regulations applicable to Modaraba. Whereas the management has made provision against doubtful profit receivables of Rs.16.148 million as explained in the note 5.2.
- c) We have neither been shown documentation/confirmation for the receivable balances aggregating to Rs. 17.183 million under “Advances, deposits, prepayments and other receivables” as per note 6 nor any documents/records were made available to verify such balances by other alternative procedures. Hence “advances, deposits, prepayments and other receivables” amounting to Rs. 17.183 million out of total balance of Rs.36.939 million remained unverified.
- d) Had the management made the required provision for impairment of “short term investments” of Rs.3.462 million, additional provision for doubtful “profits receivable on musharaka finance” of Rs. 16.653 million and provision for doubtful “advances, deposits, prepayments and other receivables” of Rs. 17.183 million as explained in paragraphs “a”, “b” and “c” supra the profit before tax and management fee for the year would have been converted to loss before tax of Rs. 28.009 million.
- e) Rent payable of Rs. 3.572 million pertaining to previous periods has been recognized as prior year adjustments by restating “unappropriated loss” and “accrued expenses”. Rent agreement, confirmation or other supporting record to verify said balance could not be made available.

Had the management not accrued the said balance then “accrued and other liabilities” would have been reduced by aforesaid amount and consequently balance of unappropriated loss would have been reduced by the said amount.

- II Except for the financial impact of the matters and departures from Prudential Regulations as described in paragraph ‘I’ above:



- (a) in our opinion, proper books of accounts have been kept by the Modaraba Company in respect of First IBL 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;
- (b) in our opinion:
 - (i) the balance sheet 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 agreement with accounting policies consistently applied;
 - (ii) the expenditure incurred during the year was for the purpose of the modaraba's business; and
 - (iii) the business conducted, investments made and the expenditure incurred during the year were in accordance with the objects, terms and conditions of the modaraba;
- (c) in our opinion and to the best of our information and according to the explanations given to us, the balance sheet, profit and loss account, statement of profit or loss and other 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 the state of the modaraba's affairs as at 30 June 2013 and of the profit, its other comprehensive income, its cash flows and changes in equity for the year then ended; and
- d) in our opinion no Zakat was deductible at source under the Zakat and Ushr Ordinance, 1980 (XVIII of 1980).

Rahman Sarfaraz Rahim Iqbal Rafiq
CHARTERED ACCOUNTANTS

Engagement Partner: A. Rahman Mir

LAHORE:
Date: October 08, 2013

SHARI'AH ADVISOR'S REPORT FOR THE YEAR ENDED JUNE 30, 2013



I have conducted the Shari'ah review of **First IBL Modaraba** managed by IBL Modaraba Management (Private) Limited, Modaraba Management Company for the Financial Year ended June 30, 2013 in accordance with the requirements of the Shari'ah Compliance and Shari'ah Audit Mechanism for Modarabas and report that except the observations as reported hereunder, in my opinion:

- i. The Modaraba has introduced a mechanism which has strengthened the Shari'ah compliance, in letter and spirit and the systems, procedures and policies adopted by the Modaraba are in line with the Shari'ah principles;
- ii. following were the major developments that took place during the year:
 - a) Stopping non shahriah compliant investments.
 - b) Closure of bank accounts in conventional banks.
 - c) Research and new product development.
 - d) Adopted new inducted Shari'ah Compliance and Shari'ah Audit Mechanism. Followed Model Islamic Financing Agreements approved by Religious Board.
- iii. Modaraba did not enter into any non- Shari'ah compliant agreement during the year ended June 30, 2013.
- iv. To the best of my information and according to the explanations given to me, the business transactions undertaken by the Modaraba and all other matters incidental thereto are in conformity with the Shari'ah requirements as well as the requirements of the Prospectus, Islamic Financial Accounting Standards as applicable in Pakistan and the Shari'ah Compliance and Shari'ah Audit Regulations for Modarabas.

Observations and Recommendation

- 1) Murabahah facility of Rs. 23 million extended to a certain entity is non-Shari'ah compliant and not properly documented as required by the Shahriah Audit Mechanism. It is advised again by Shari'ah Advisor to terminate the said facility. The said transaction was undertaken before the applicability of Shahriah Audit regulations. The said facility is expected to be matured on March, 2014.
- 2) It is advised to open a charity account to maintain charity funds in more efficient manners.
- 3) It is recommended that training of staff should be made for Islamic Mode of Finance by the Shari'ah Advisor or Authorized Training Institute.

Conclusion

In this context of detailed Shari'ah review carried by the undersigned for the Year ended June 30, 2013, transactions during the period executed by FIBLM were found upto the mark as required by Shahriah Audit Regulations for Modarabas.

Mufti Salman Ahmad Khan
Shari'ah Advisor

Dated: October 08, 2013

BALANCE SHEET AS AT JUNE 30, 2013



PROPERTY & ASSETS

Current Assets

Ijarah rentals receivable	
Short term investments	
Current portion of murabaha finance	
Musharaka receivables	
Advances, deposits, prepayments and other receivables	
Cash & bank balances	

Total current assets

Non-current assets

Assets in own use	
Assets subject to Ijarah	
Investment properties-Building	
Intangible Assets-Computer Software	
Long term deposits	
Investment in subsidiary	
Long term murabaha finance	

Total non-current assets

TOTAL ASSETS

LIABILITIES & EQUITY

Current liabilities

Musharaka finance	
Short term finance	
Accrued and other liabilities	
Current portion of security deposits	
Provision for taxation	
Unpresented profit warrants	

Total current liabilities

Non-current liabilities

Long term security deposits	
-----------------------------	--

TOTAL LIABILITIES

CAPITAL & RESERVES

Authorised certificate capital

50,000,000 (2012: 50,000,000) certificates of Rs. 10 each

Certificate capital

Issued, subscribed and paid-up certificate capital

18,500,000 (2012: 18,500,000) certificates of Rs.10 each

issued as fully paid in cash

1,687,500 (2012: 1,687,500) certificates of Rs.10 each

issued as fully paid bonus

Reserves

Unappropriated profit/(loss)

TOTAL EQUITY & LIABILITIES

Contingencies and Commitments

Note	2013 Rupees	2012 Rupees Restated
3	316,952	1,917,750
4	22,005,971	2,168,691
13	23,000,000	-
5	19,374,531	74,493,791
6	36,939,367	40,099,650
7	3,519,831	46,211
	105,156,652	118,726,093
8	2,436,257	1,146,192
9	11,679,975	9,460,979
10	97,083,785	-
11	422,500	752,500
	3,205,460	3,405,460
12	-	57,305,581
13	-	23,000,000
	114,827,977	95,070,712
	219,984,629	213,796,805
14	12,142,348	14,642,348
15	-	8,110
16	13,508,296	16,424,162
17	7,868,871	6,491,002
18	3,191,482	3,191,482
	7,653,693	7,693,592
	44,364,690	48,450,696
17	1,940,518	2,704,494
	46,305,208	51,155,190
19	500,000,000	500,000,000
	185,000,000	185,000,000
	16,875,000	16,875,000
19	201,875,000	201,875,000
20	43,599,203	39,992,711
	(71,794,782)	(79,226,096)
	173,679,421	162,641,615
	219,984,629	213,796,805
21		

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

**For IBL Modaraba Management (Private) Limited
(Management Company)**

CHIEF EXECUTIVE

DIRECTOR

DIRECTOR

PROFIT AND LOSS ACCOUNT FOR THE YEAR ENDED JUNE 30, 2013



	Note	2013 Rupees	2012 Rupees Restated
INCOME			
Profit on Musharaka financing		2,445	935,464
Income from Ijarah financing		3,322,168	2,899,015
Profit on Murabaha financing		4,025,004	4,025,004
Rental Income from Investment Property	22	4,372,340	-
Other income	23	1,128,131	977,347
		12,850,088	8,836,830
EXPENSES			
Administrative and general expenses	24	14,837,884	13,750,039
Amortization on assets subject to Ijarah	9	3,971,149	5,762,332
Amortization on Intangible Assets	11	330,000	247,500
Unrealised (Gain)/ loss on re-measurement of investments 'at fair value through profit or loss'		(88,617)	(50,126)
Realised loss on sale of investments		-	898,869
Provision / (reversal of provision) against non-performing Musharaka receivables	5.2	(14,536,342)	26,017,137
Profit Receivable on Musharaka Receivables held in suspense account / (reversal)		(1,992,611)	1,763,126
Finance cost	25	7,355	1,984,376
		2,528,818	50,373,253
Operating Profit/(Loss)		10,321,270	(41,536,423)
Modaraba Management Company fee	26	(1,032,127)	-
Profit/(loss) before taxation		9,289,143	(41,536,423)
Taxation	27	-	-
Profit/(loss) after taxation		9,289,143	(41,536,423)
Earnings/(loss) per certificate-basic and diluted	28	0.46	(2.06)

**For IBL Modaraba Management (Private) Limited
(Management Company)**

CHIEF EXECUTIVE

DIRECTOR

DIRECTOR

**STATEMENT OF PROFIT OR LOSS AND
OTHER COMPREHENSIVE INCOME
FOR THE YEAR ENDED JUNE 30, 2013**



	2013 Rupees	2012 Rupees Restated
Profit/(Loss) for the year	9,289,143	(41,536,423)
Items that may be reclassified subsequently to profit or loss		
Net unrealised gain / (loss) on available-for-sale investments	1,748,663	(78,184)
Realised loss on sale of available-for-sale investments	-	898,869
	1,748,663	820,685
Total comprehensive income for the year	11,037,806	(40,715,738)

**For IBL Modaraba Management (Private) Limited
(Management Company)**

CHIEF EXECUTIVE

DIRECTOR

DIRECTOR

CASH FLOW STATEMENT FOR THE YEAR ENDED JUNE 30, 2013



	Note	2013 Rupees	2012 Rupees Restated
CASH FLOW FROM OPERATING ACTIVITIES			
Profit/(Loss) before taxation		9,289,143	(41,536,423)
Adjustment for non-cash and other items:			
Depreciation on fixed assets in own use		664,055	1,665,557
Depreciation on Investment properties		2,916,680	-
Balances written off		509,410	-
Amortization on assets subject to Ijarah		3,971,149	5,762,332
Amortization on Intangible Assets		330,000	247,500
(Gain) / loss on sale of assets under ijarah arrangements		-	82,123
(Gain) / loss on disposal of assets in own use		(13,000)	-
Finance cost		7,355	1,984,376
Provision / (reversal of provision) in respect of Musharaka facilities		(14,536,342)	26,017,137
Provision / (reversal of provision) in respect of profit on Musharaka facilities		(1,992,611)	1,763,126
Revaluation (gain) / loss on investment at fair value through profit or loss		(88,617)	(50,126)
Realised loss on sale of investments		-	898,869
Dividend income		(4,367)	(38,980)
		<u>(8,236,288)</u>	<u>38,331,914</u>
Changes in working capital	29	1,052,855	(3,204,509)
Cash flow from operating activities		<u>31,307,419</u>	<u>(5,835,495)</u>
Finance cost paid		32,360,274	(9,040,004)
Net cash generated from / (used in) operating activities		<u>(7,355)</u>	<u>(1,984,376)</u>
		32,352,919	(11,024,380)
CASH FLOW FROM INVESTING ACTIVITIES			
Purchase of assets for ijarah arrangements		(7,679,560)	-
Purchase of fixed assets for own use		(1,954,120)	(1,307,780)
Payments for investment properties		(2,912,502)	-
Purchase of short term investments		(35,000,000)	-
Proceeds from sale of short term investments		17,000,000	10,381,379
Long term deposits		200,000	(25,500)
Investment in subsidiary		-	(250,000)
Proceeds from sale of assets subject to Ijarah		1,489,415	551,786
Proceeds from sale of assets in own use		13,000	-
Dividend received		4,367	38,980
Net cash generated from / (used in) investing activities		<u>(28,839,400)</u>	<u>9,388,865</u>
CASH FLOW FROM FINANCING ACTIVITIES			
Profit paid to certificate holders		(39,899)	(294,323)
Net cash generated from / (used in) financing activities		<u>(39,899)</u>	<u>(294,323)</u>
Net (decrease)/ increase in cash and cash equivalents		3,473,620	(1,929,838)
Cash and bank balances at the beginning of the year		46,211	1,976,049
Cash and bank balances at the end of the year	7	<u>3,519,831</u>	<u>46,211</u>

For IBL Modaraba Management (Private) Limited
(Management Company)

CHIEF EXECUTIVE

DIRECTOR

DIRECTOR

STATEMENT OF CHANGES IN EQUITY FOR THE YEAR ENDED JUNE 30, 2013



	Reserves				Un appropriated profit/(loss)	Total
	Certificate capital	Statutory reserve	Unrealized (loss)/gain on revaluation of Available for Sale investments	Sub Total		
	-----Rupees-----					
Balance as at June 30, 2011 before restatement	201,875,000	34,313,509	4,858,517	39,172,026	(10,070,020)	230,977,006
Prior periods adjustments (Refer note 37)	-	-	-	-	(27,619,653)	(27,619,653)
Balance as at June 30, 2011 - restated	201,875,000	34,313,509	4,858,517	39,172,026	(37,689,673)	203,357,353
Total comprehensive income for the year-restated	-	-	820,685	820,685	(41,536,423)	(40,715,738)
Balance as at June 30, 2012 - restated	201,875,000	34,313,509	5,679,202	39,992,711	(79,226,096)	162,641,615
Total comprehensive income for the year	-	-	1,748,663	1,748,663	9,289,143	11,037,806
Transfer to statutory reserve during the year	-	1,857,829	-	1,857,829	(1,857,829)	-
Balance as at June 30, 2013	201,875,000	36,171,338	7,427,865	43,599,203	(71,794,782)	173,679,421

**For IBL Modaraba Management (Private) Limited
(Management Company)**

CHIEF EXECUTIVE

DIRECTOR

DIRECTOR

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED JUNE 30, 2013



1 STATUS AND NATURE OF BUSINESS

First IBL Modaraba ("the Modaraba") is a multipurpose, perpetual and multidimensional Modaraba formed under the Modaraba Companies and Modaraba (Floatation and Control) Ordinance, 1980 and Rules framed there under, having its registered office at Suite # 105, 1st Floor, Fortune center, 45-A, Block-6, PECHS, Shahrah-e-Faisal, Karachi. The Modaraba is managed by IBL Modaraba Management (Private) Limited (Modaraba Management Company) incorporated in Pakistan under the Companies Ordinance, 1984 and registered with Registrar of Modaraba Companies. The Modaraba is listed on Karachi, Lahore and Islamabad stock exchanges. The Modaraba 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.

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The significant accounting policies applied in the preparation of these financial statements are set out below. These policies have been consistently applied to all the years presented.

2.1 Basis of preparation

2.1.1 Statement of compliance

These financial statements have been prepared in accordance with approved accounting standards as applicable in Pakistan. Approved accounting standards comprise of such International Financial Reporting Standards (IFRS) issued by the International Accounting Standards Board as are notified under the Companies Ordinance, 1984, the requirements of the Modaraba Companies and Modaraba (Floatation and Control) Ordinance, 1980, Modaraba Companies and Modaraba Rules, 1981 and directives issued by the Securities and Exchange Commission of Pakistan (SECP). Wherever the requirements of the Modaraba Companies and Modaraba (Floatation and Control) Ordinance, 1980, Modaraba Companies and Modaraba Rules, 1981 and directives issued by SECP differ with the requirements of IFRS, the requirements of the Modaraba Companies and Modaraba (Floatation and Control) Ordinance, 1980, Modaraba Companies and Modaraba Rules, 1981 or the directives issued by SECP prevail.

SECP vide Circular No. 10 of 2004 dated February 13, 2004 has deferred, till further orders, the applicability of the IAS 17 "Leases" with effect from July 01, 2003. Accordingly, this IAS has not been considered for the purpose of preparation of these financial statements.

2.1.2 Accounting Convention

These financial statements have been prepared under the historical cost convention except that investments classified as financial assets 'at fair value through profit or loss' and 'available for sale' have been marked to market. The financial statements, except for cash flow information, have been prepared under accrual basis of accounting.

2.1.3 NEW AND REVISED APPROVED ACCOUNTING STANDARDS, INTERPRETATIONS AND AMENDMENTS THERETO

Standards and interpretations that become effective but not relevant to the Modaraba:

The following standards (revised or amended) and interpretation became effective for the current financial year but are either not relevant or do not have any material effect on the financial statements of the Modaraba.

- IAS 1 - Presentation of Financial Statements (Amendment)
- IAS 12 - Income Taxes (Amendment)

Forthcoming requirements not effective in current year but not considered relevant

The following standards, amendments and interpretations of approved accounting standards are only effective for accounting periods beginning from the dates specified below. These standards are either not relevant to the Modaraba's operations or are not expected to have significant impact on the Modaraba's financial statements other than increased disclosures in certain cases:

- IFRS 1 - First time adoption of IFRSs (amendment applicable for annual periods beginning on or after January 01, 2013).
- IFRS 7 - Financial Instruments: Disclosures (amendments applicable for annual periods beginning on or after January 01, 2015).
- IFRS 9 - Financial Instruments: Classification and Measurement (applicable for annual periods beginning on or after January 01, 2015).
- IFRS 10 - Consolidated Financial Statements - (amendments applicable for annual periods beginning on or after January 01, 2014).
- IFRS 11 - Joint Arrangements - (amendment applicable for annual periods beginning on or after January 01, 2013).



- IFRS 12 - Disclosure of Interests in Other Entities - (amendments applicable for annual periods beginning on or after January 01, 2014).
- IFRS 13 - Fair Value Measurement - (applicable for annual periods beginning on or after January 01, 2013).
- IAS 1 - Presentation of Financial Statements (amendments applicable for annual periods beginning on or after January 01, 2013).
- IAS 16 - Property, Plant and Equipment (amendment applicable for annual periods beginning on or after January 01, 2013).
- IAS 19 - Employee Benefits (effective for annual periods beginning on or after January 01, 2013).
- IAS 27 - Separate financial statements (amendment applicable for annual periods beginning on or after January 01, 2014).
- IAS 28 - Investments in Associates (effective for annual periods beginning on or after 1 January 2013).
- IAS 32 - Financial Instruments: Presentation (amendments applicable for annual periods beginning on or after January 01, 2014).
- IAS 34 - Interim Financial Reporting (amendment applicable for annual periods beginning on or after January 01, 2013).
- IAS 36 - Impairment of Assets (amendment applicable for annual periods beginning on or after January 01, 2014).
- IAS 39 - Financial Instruments: Recognition and Measurement (amendment applicable for annual periods beginning on or after January 01, 2014).
- IFRIC 20- Stripping Costs in the Production phases of a Surface Mine (effective for annual periods beginning on or after 1 January 2013).
- IFRIC 21- Levies (effective for annual periods beginning on or after 1 January 2014).

2.2 Islamic Financial Accounting Standard - 1

SECP notified the Islamic Financial Accounting Standard 1 (IFAS-1) issued by the Institute of Chartered Accountants of Pakistan relating to accounting for Murabaha transaction undertaken by a bank / financial institution, effective for financial periods beginning on or after January 1, 2006. The Modaraba has adopted IFAS-1 in the year ended June 30, 2010 after obtaining certain clarifications from the Shariah advisor of the Modaraba Association of Pakistan.

2.3 Islamic Financial Accounting Standard - 2

During the year ended June 30, 2008, Islamic Financial Accounting Standard 2 'Ijarah' (IFAS 2) issued by the Institute of Chartered Accountants of Pakistan which was notified by the SECP vide an SRO 431(1)/2007 dated May 22, 2007 was adopted. However SECP, vide its letter No.SC/M/RW/SCM/2009 dated March 9, 2009, allowed that in case of Modarabas, IFAS-2 shall be applied for Ijarah transactions executed on or after July 1, 2008. Under IFAS 2, the 'Ijarah' transactions are accounted for in the following manner:

- Muj'ir (lessors) shall present the assets subject to Ijarah in their balance sheet according to the nature of the asset, distinguished from the assets in own use.
- Costs, including depreciation on the assets given on Ijarah, incurred in earning the Ijarah income shall be recognized as an expense.
- Ijarah income shall be recognized in income on an accrual basis as and when the rental becomes due, unless another systematic basis is more representative of the time pattern in which the benefit of the use derived from the leased asset is diminished.

Consequently, in preparation of these financial statements the Modaraba has accounted for Ijarah transactions executed before July 01, 2008 as operating leases consistent with prior years and has treated the leasing transactions executed on or after July 01, 2008 in accordance with the requirements of IFAS 2.

2.4 Critical accounting estimates and judgments

The preparation of financial statements in conformity with the approved accounting standards as applicable in Pakistan requires the use of certain critical accounting estimates. It also requires the management to exercise its judgment in the process of applying the Modaraba's accounting policies. Estimates and judgments are continually evaluated and are based on historical experience including expectations of future events that are believed to be reasonable under the circumstances. The areas where various assumptions and estimates are significant to the Modaraba's financial statements or where judgment was exercised in the application of accounting policies are as follows:

- i) Determination and measurement of useful life and residual value of fixed assets. (note 2.7 & 2.8).
- ii) Provision against doubtful receivables based on time based criteria in terms of prudential regulations for Modaraba. Musharaka, Murabaha, Ijarah finances and related other receivables are tested for impairment taking into account the borrowers' payment/credit history and adequacy of security.

2.5 Financial instruments

2.5.1 Classification

a) At fair value through profit or loss

Financial assets that are acquired principally for the purpose of generating profit from short-term fluctuations in prices



are classified as 'financial assets at fair value through profit or loss' category. The financial assets classified as at fair value through profit or loss include investments in listed equity securities.

b) Loans and receivables

These are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market. The financial assets included in loans and receivables classification are cash and bank balances, Musharaka receivables, Profit receivable on Musharaka finance, Ijarah rentals receivable, long term deposits, Murabaha finance, Investment in subsidiary and Advances, deposits and other receivables.

c) Available for sale financial assets

Financial assets intended to be held for an indefinite period of time, which may be sold in response to needs for liquidity or changes in equity prices, are classified as 'available for sale'. Available for sale financial instruments are those non-derivative financial assets that are designated as available for sale or are not classified as loans and receivables, held to maturity and financial assets at fair value through profit or loss.

d) Held to maturity

Financial assets with fixed or determinable payments and fixed maturity and where the Modaraba has positive intent and ability to hold financial assets to maturity are classified as financial assets held to maturity.

2.5.2 Initial recognition and measurement

Financial assets are initially recognized at fair value plus transaction costs except for financial assets carried at fair value through profit or loss. Financial assets carried at fair value through profit or loss are initially recognized at fair value and transaction costs associated with these financial assets are taken directly to the profit and loss account.

2.5.3 Subsequent measurement

Subsequent to initial recognition, financial assets are valued as follows:

a) Financial asset at fair value through profit or loss, available for sale and held to maturity

The investment in listed securities are valued at market rate using the closing market rates and are carried in the balance sheet at fair value.

Gains and losses arising from the difference between the carrying amount and the value determined in accordance with the criteria mentioned above in respect of "financial assets at fair value through profit or loss" are taken to the profit and loss account.

Net gains and losses arising from the excess of value determined in accordance with the above mentioned criteria over the carrying amount in respect of "available for sale financial assets" are taken to equity until the available for sale investment is derecognised or impaired. At this time, the cumulative gain or loss previously recognised directly in equity is transferred to the profit and loss account.

Investments categorised as held to maturity are subsequently carried at amortized cost using the effective interest rate method, less any impairment losses. The resultant change in values is reported directly in the profit and loss account.

b) Loans and receivables

Loans and receivables financial assets are carried at amortised cost less the amount of provision made against doubtful amounts and profit kept in suspense account in accordance with the requirements of prudential regulations for Modaraba.

2.5.4 Regular way contracts

Regular purchases and sales of financial assets are recognised on the trade date - the date on which the Modaraba commits to purchase or sell the asset.

2.5.5 Impairment

The management assesses at each balance sheet date whether there is objective evidence that the financial asset or a group of financial assets is impaired. In the case of equity securities classified as available for sale, a significant or prolonged decline in the fair value of the security below its cost is considered as an indicator that the securities are impaired. If any such evidence exists for available for sale financial assets, the cumulative loss-measured as the difference between the acquisition cost and the current fair value, less any impairment loss on that financial asset previously recognised in profit or loss - is reclassified from equity to profit and loss account. Impairment losses recognised on equity instruments are not reversed through profit and loss account. For loans and receivables, a provision for impairment is established when there is objective evidence that the Modaraba will not be able to collect all amounts due according to the original terms. The amount of the provision is the difference between the asset's carrying amount and the present value of estimated future cash flows, discounted at the original effective interest rate. Impairment loss/provisions against Ijarah, Musharaka and Murabaha arrangements is recognised in accordance with the requirements of the Prudential Regulations.



2.5.6 Derecognition

Financial assets are derecognised when the rights to receive cash flows from the financial asset have expired or have been transferred and the Modaraba has transferred substantially all risks and rewards of ownership.

2.5.7 Offsetting of financial assets and liabilities

Financial assets and financial liabilities are offset when there is a legally enforceable right to set off the recognised amounts and there is an intention to settle on a net basis, or realise the assets and settle the liabilities simultaneously.

2.5.8 Financial liabilities

All financial liabilities are recognised at the time when the Modaraba becomes a party to the contractual provisions of the instrument. A financial liability is derecognised when the obligation under the liability is discharged or cancelled or expired. Financial liabilities include Musharaka finance, Short term finance, due to management company, creditors, accrued and other liabilities and unclaimed profit distribution. These are initially recognised at fair value and subsequently stated at amortised cost.

2.6 Ijarah rentals, murabaha finance and Musharaka finance

Lease rentals, murabaha finance and Musharaka finance receivables are stated net of provisions and suspense income. Provision is recognised in accordance with Prudential Regulations for Modaraba. Bad debts are written off as and when identified.

2.7 Tangible fixed assets

2.7.1 Owned assets

Assets are stated at cost less accumulated depreciation less accumulated impairment losses. Cost includes expenditure that is directly attributable to the acquisition of the items. Subsequent costs are included in the assets' carrying amount or recognised as a separate asset, as appropriate, only when it is probable that future economic benefits associated with the item will flow to the Modaraba and the cost of the item can be measured reliably. All other repairs and maintenance are charged to the profit and loss account during the period in which they are incurred. Depreciation is charged to income applying the straight-line method whereby the cost of an asset is written-off over its estimated useful life. Depreciation is charged on additions from the month the asset is available for use and on repairs and maintenance are charged to income as and when incurred.

2.7.2 Assets given to customers under ijarah arrangements

Assets leased out under Ijarah on or after July 1, 2008 are recorded as Ijarah assets and are stated at cost less accumulated depreciation/amortization and accumulated impairment losses. Depreciation/amortization is charged to income applying the straight line method whereby the cost of an asset less salvage value is written off over the lease period, which is considered to be the estimated useful life of the asset.

2.7.3 Gain or loss on disposal

Gains / losses on disposal of fixed assets/ Ijarah assets are credited/charged to the profit and loss account currently.

2.7.4 Impairment

The carrying values of non financial assets are reviewed for impairment when events or changes in circumstances indicate that the carrying value may not be recoverable. If any such indication exists and where the carrying values exceed the estimated recoverable amount, the assets or cash-generating units are written down to their recoverable amount.

2.8 Intangible Assets

Intangible assets acquired by the Modaraba are stated at cost less accumulated amortization and impairment losses, if any. Amortization is charged to profit and loss account on a straight line basis over the estimated useful lives of intangible assets unless such lives are indefinite. Amortization on additions to intangible assets is charged from month in which an item is acquired or capitalized while no amortization is charged for the month in which the item is disposed off.

2.9 Loans, advances and other receivables

These are stated at cost less estimates made for doubtful receivables based on a review of all outstanding amounts at the balance sheet date. Balances considered bad and irrecoverable are written off when identified.

2.10 Taxation

Current

Provision for current taxation is based on taxable income for the year at the current rates of taxation after taking into account applicable tax credits, rebates and exemption available, if any. The income of Modarabas from non trading activities is exempt from tax provided that not less than 90% of their total profits are distributed to the certificate-holders. The Modaraba has decided to continue availing the tax exemption and hence no provision has been made in these financial statements for tax liability in the current year.



Deferred

The Modaraba accounts for deferred taxation using the liability method arising between the amounts attributed to assets and liabilities for financial reporting purposes and financial statements used for taxation purposes. However, deferred tax liability/asset has not been accounted for in these financial statements as the management believes that the timing differences will not reverse in the foreseeable future due to the fact that the Modaraba intends to continue to distribute at least 90% of its profit in future years due to which no tax would be payable.

2.11 Creditors, accrued and other liabilities

These are carried at cost being fair value of the consideration to be paid in the future for goods and services.

2.12 Provisions

Provisions are recorded when the Modaraba has a present legal or constructive obligation as a result of a past event and it is probable that an outflow of resources embodying economic benefits will be required to settle the obligation and a reliable estimate can be made of the amount of obligation.

2.13 Staff retirement benefits

2.13.1 Staff provident scheme - Defined contribution plan

The Modaraba operates an unfunded contributory provident fund scheme for employees eligible under the scheme. Equal monthly contributions are made both by the Modaraba and the employees at 10% of the basic salary.

2.13.2 Staff gratuity fund - Defined benefit plan

The Modaraba operates an un-funded scheme for its employees. Gratuity is payable on retirement/ resignation after the qualifying period of ten years with Modaraba. Gratuity is payable at the rate of three fourth of one month gross salary for each completed year of service or part thereof exceeding ten years.

2.14 Investment properties

Investment property, which is property held to earn rentals and / or for capital appreciation, is valued using the cost method i.e. at cost less any accumulated depreciation and any identified impairment loss.

Depreciation on buildings is charged to income on the straight-line method so as to write off the depreciable amount of building over its estimated useful life at the rates specified in note 10 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.

2.15 Cash and cash equivalents

For the purpose of cash flow statement, cash and cash equivalents comprise cash in hand and balances with banks on current and deposit accounts.

2.16 Proposed profit distribution to certificate holder

Profit distribution to certificate holders is recognised as a liability in the period in which such distributions are approved by the Board of Directors of the management company.

2.17 Revenue recognition

Revenue is recognized on the following basis:

- Profit on finances under Musharaka arrangements is recognized on accrual basis and additional profit, if any, is recognized on declaration by the investee company in accordance with the terms of issue.
- Profit on finances under murabaha arrangements is recognized on accrual basis and additional profit, if any, is recognized on declaration by the investee company in accordance with the terms of issue.
- Ijarah rentals are recognised as income on accrual basis, as and when rentals become due.
- Dividend income is recognized when the right to receive dividend is established.
- Return on deposits with bank is recognized on accrual basis.
- Other income is recognised on accrual basis.

2.18 Functional and presentation currency

Items included in the financial statements are measured using the currency of the primary economic environment in which the Modaraba operates. The financial statements are presented in Pakistani Rupees, which is the Modaraba's functional and presentation currency.

2.19 Segment reporting

As per IFRS 8, operating segments are reported in a manner consistent with the internal reporting used by the chief operating decision maker. The Chief Executive Officer of the Management Company has been identified as the chief operating decision maker, who is responsible for allocating resources and assessing performance of the operating segments.

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



2.20 Investment in subsidiary

Investment in subsidiary is initially valued at cost. At subsequent reporting dates, the Modaraba reviews the carrying amount of investment to assess whether there is any indication that such investments have suffered an impairment loss. If any such indication exists, the recoverable amount is estimated in order to determine the extent of the impairment loss, if any.

2.21 Earnings / (loss) per certificate

Earnings / (loss) per certificate is calculated by dividing the profit / (loss) attributable to certificate-holders by the weighted average number of certificates outstanding during the year.

	Note	2013	2012
		----- (Rupees) -----	
3 IJARAH RENTALS RECEIVABLE - SECURED			
Considered good		316,952	1,917,750
Considered doubtful		<u>6,696,238</u>	<u>5,351,355</u>
		7,013,190	7,269,105
Accumulated Impairment	3.1	<u>(6,696,238)</u>	<u>(5,351,355)</u>
		316,952	1,917,750

These represent rentals receivable against assets leased out under Ijarah contracts. The Modaraba has provided facility to its associate undertaking, as detailed in note 34, which is prohibited by the prudential regulations Part II Para 7(3). The amount due from said associated undertaking has been received during the year.

3.1 Movement in accumulated impairment is as follows:

As at beginning of the year	5,351,355	1,050,720
Recognized during the year	2,276,963	5,284,945
Reversed during the year	(932,080)	(984,310)
As at end of the year	6,696,238	5,351,355

During the previous year provision amounting to Rs. 715,663/- against over due ijarah rentals was not made as required by Part III Para 5 (1 B) of Prudential Regulations.

4 SHORT TERM INVESTMENTS

Investments in listed equity securities are classified as:

Available for sale	4.1	3,742,965	1,994,302
At fair value through profit or loss	4.2	263,006	174,389
Investments in Term Deposit Receipts- Held to Maturity	4.3	18,000,000	-
		22,005,971	2,168,691

4.1 Available for sale

2013	2012	Name of entity		
No. of shares/ Certificates				
Holdings are in ordinary certificates / shares of Rupees 10 each.				
3,600	2,572	Searle Pakistan Ltd	284,328	122,401
392,500	392,500	Lafarge Pakistan Cement Ltd.	3,332,325	1,695,600
5,700	5,700	Arif Habib Corporation Ltd.	126,312	176,301
401,800	400,772		3,742,965	1,994,302

4.1.1 It also includes shares of Rs.3,458,637/- (2012: Rs. 1,871,901/-) not in the name of the Modaraba.

4.2 At fair value through profit or loss

2013	2012	Name of entity		
No. of shares/ Certificates				
Holdings are in ordinary certificates / shares of Rupees 10 each.				
2,241	2,241	Invest Capital Investment Bank Ltd.	3,496	1,815
200	200	Attock Refinery Ltd.	34,510	24,574
100,000	100,000	First Punjab Modaraba	225,000	148,000
102,441	102,441		263,006	174,389

4.2.1 It includes shares of Rs.3,496 (2012: Rs.1,815/-) not in the name of the Modaraba.



- 4.3 This represents investment in term deposit receipts of Habib Bank Limited and Silk Bank Limited. The rate of profit ranges from 8% to 8.5% per annum.

5 MUSHARAKA RECEIVABLES - SECURED

		Restated
Considered good	19,374,531	74,493,791
Considered doubtful	41,563,089	56,099,431
	5.1	60,937,620
Accumulated Impairment	5.2	(41,563,089)
		(56,099,431)
		19,374,531
		74,493,791

- 5.1 This represents Musharaka finance provided to customers for business activities for a maximum period of twelve months. The provisional rate of profit on these finances ranges from 10% to 29% (2012: 10% to 29%) per annum and secured by way of hypothecation of goods & book debts and equitable mortgage of property. These charges have not been registered.

The Modaraba has received "memorandum of deposit of title deeds" alongwith original "sale deeds" of open plots of "University of Management & Technology" (UMT) and "Institute of Leadership and Management" (ILM) for the purpose of creation of equitable mortgage of Rs. 24 Million and Rs. 30 Million respectively. The said plots are of total 135 Marlas and have forced sale value as on September 5, 2012 of Rs. 21.6 Million and Rs. 27 Million respectively as determined in the report by Maricon Consultants (Pvt) Ltd. The valuer is listed on the panels of valuers maintained by the Pakistan Banks Association & Modaraba Association of Pakistan. The Modaraba has obtained legal advice from legal expert M/s Syed Adeel Burney, Advocates that the charge executed was valid/lawful equitable charge to the extent of Rs. 24 Million and Rs. 30 Million on respective properties mentioned above.

- 5.2 This represents provision made against over due principal amount of Musharaka finance on time based criteria in terms of the requirement of the Prudential Regulations applicable to Modaraba. The profit accrued of Rs. 16,147,980/- (2012: Rs. 18,140,591/-) is held in suspense account (Refer note 6). The management expects effective recovery in the following year and therefore has under provided provision for principal by Rs. Nil (2012: Rs. 33.844 million) and profit by Rs. 16.653 million (2012: Rs. 18.661 million).

	Note	2013	2012
		----- (Rupees) -----	
Movement in accumulated impairment is as follows:			Restated
As at beginning of the year		56,099,431	30,082,294
Recognized during the year		4,451,728	26,017,137
Reversed during the year	5.2.1	(18,988,070)	-
		(14,536,342)	26,017,137
As at end of the year		41,563,089	56,099,431

- 5.2.1 This represent reversal of provision against outstanding balance of Dossani Securities (Pvt.) Limited that was settled after acquisition of floor of a building as explained in note 10.1.

- 5.3 The Modaraba has provided facility to its associate undertakings, major certificate holders and in previous year to those engaged in speculative transactions as detailed in note 34 which is prohibited by the prudential regulations Part II Para 7(3), Section 17(2) of Modaraba Ordinance, 1980 and Rule 31 of Modaraba Rules. The balance receivable from a brokerage house has been settled during the year as explained in note 10.1. The outstanding principal receivable from associates/major certificate holders is expected to be realised by the Modaraba in the next year.

- 5.4 Previous year figure of "Musharaka receivables" and "Accumulated Impairment on Musharaka Receivables" have been restated as explained in note 6.1 and 5.5.

- 5.5 Provision for impairment in respect of Dossani Securities (Private) Limited amounting to Rs. 3,729,258/- was no longer required after settlement of balance and thus reversed. In view of the aforementioned figures the opening balance of unappropriated loss is restated and corresponding entries of "profit accrued on musharaka Finance" and "impairment provision" for last year have been restated. (Please refer note 37).



	Note	2013	2012
		----- (Rupees) -----	
			Restated
6 ADVANCES, DEPOSITS, PREPAYMENTS AND OTHER RECEIVABLES			
Advance income tax		679,927	649,456
Advance to employees against salary		755,140	762,713
Prepayments		359,712	66,008
		1,794,779	1,478,177
Accrued Profit			
Profit receivable on musharaka finance	6.1	32,800,889	35,274,494
Less: Profit held in suspense account	5.2	(16,147,980)	(18,140,591)
		16,652,909	17,133,903
Profit receivable on murabaha financing		670,834	335,417
Accrued profit on term deposit receipts		241,322	-
Other receivables:			
Receivable from Modaraba management company	6.3	-	2,466,602
Balance with broker	6.4	4,775,884	4,775,884
Others	6.5	12,803,639	13,909,667
		17,579,523	21,152,153
		36,939,367	40,099,650

- 6.1 In view of the settlement with M/s ILM and Dossilani Securities (Private) limited, profit on the principal charged after the expiry date of the term was reversed as per respective Musharaka agreements. This treatment is in line with the said Musharaka agreements. The detail of profit so reversed is as follows:

Dossilani Securities (Private) Limited	9,089,844
ILM	10,102,984
	<u>19,192,828</u>

Accordingly reversal of aforementioned profits resulted in restatement of last years figures in the form of reduction in "Musharaka Receivables" by Rs. 14.488million and "accrued profit on Musharaka finance" by Rs. 4.705million with corresponding increase in unappropriated loss.

- 6.2 Consequent to the settlement as explained above "profit held in suspense account" amounting to Rs.4,470,651/- is no longer required. Therefore opening balance of last year's "unappropriated loss" has been restated and "profit held in suspense account" has been reduced by the corresponding amount as shown in note 37.
- 6.3 This represents the amount that is to be reimbursed to Modaraba in respect of rent and other expenses of its registered office. During the year expenses paid on behalf of management company amount to Rs. Nil (2012: Rs. 2,126,870/-) and during the year Modaraba has recovered Rs.2,700,000/- (2012: Rs. Nil) from the Modaraba Management Company. Comparative figure has been restated on the basis of legal opinion regarding charging the rent and other expenses of branch offices to books of accounts of Modaraba. The management on the basis of legal opinion has reversed rent and other expenses expense on account of branch offices since year 2008 totalling to Rs. 10,926,540 earlier charged to Modaraba Management Company, thus reducing dues by the said amount. Corresponding adjustments have been made in unappropriated loss as on 30 June 2011 of Rs. 9,863,592 and Rs. 1,062,948 have been charged to administrative expenses for the year ended 30 June 2012.
- 6.4 This represents amount receivable from Khoja's Capital Management, associated company.
- 6.5 This includes amount of Rs. Nil (2012: Rs. 1,314,715/-) receivable from Chief Executive Officer in respect of payments made in previous years on his behalf by Modaraba which is prohibited by the prudential regulations Part-II, para 7(3) and Section 195 of Companies Ordinance, 1984. The amount was realised and credited in bank statement on 03 July 2012.

7 CASH AND BANK BALANCES

Cash in hand	4,780	26,829
Cash with banks in:		
- current accounts	3,170,234	6,635
- deposit accounts	344,817	12,747
	3,515,051	19,382
	<u>3,519,831</u>	<u>46,211</u>


8 ASSETS IN OWN USE
COST

Balance as at July 01, 2011

Additions during the year

Disposals

Balance as at June 30, 2012

Balance as at July 01, 2012

Additions during the year

Disposals

Balance as at June 30, 2013

DEPRECIATION

Balance as at July 01, 2011

Charge for the year

Depreciation on disposals

Adjustments

Balance as at June 30, 2012

Balance as at July 01, 2012

Charge for the year

Depreciation on disposals

Balance as at June 30, 2013

Written down value as at June 30, 2012

Written down value as at June 30, 2013

Depreciation rate

-----Year ended June 30, 2013-----				
Fixed Assets - owned				Total
Machinery	Furniture and Fittings	Vehicles	Office Equipments and Computers	

-----Rupees-----				
1,891,500	4,588,095	153,490	3,275,575	9,908,660
-	-	2,000	305,780	307,780
-	-	-	-	-
1,891,500	4,588,095	155,490	3,581,355	10,216,440

1,891,500	4,588,095	155,490	3,581,355	10,216,440
95,900	-	1,748,720	109,500	1,954,120
-	-	-	(40,000)	(40,000)
1,987,400	4,588,095	1,904,210	3,650,855	12,130,560

482,937	3,731,396	118,569	2,798,126	7,131,028
378,300	856,699	30,965	399,593	1,665,557
-	-	-	-	-
273,663	-	-	-	273,663
1,134,900	4,588,095	149,534	3,197,719	9,070,248

1,134,900	4,588,095	149,534	3,197,719	9,070,248
382,369	-	124,533	157,153	664,055
-	-	-	(40,000)	(40,000)
1,517,269	4,588,095	274,067	3,314,872	9,694,303

756,600	-	5,956	383,636	1,146,192
470,131	-	1,630,143	335,983	2,436,257

20% 20% 20% 20% & 33.33%

9 ASSETS SUBJECT TO IJARAH

For Ijarah arrangement before July 1, 2008

For Ijarah arrangement after July 1, 2008

-----Year ended June 30, 2013-----			
Note	Cost	Accumulated Amortization	Written Down Value
-----Rupees-----			
9.1	7,246,578	5,832,182	1,414,396
9.2	16,238,638	5,973,059	10,265,579
	23,485,216	11,805,241	11,679,975

For Ijarah arrangement before July 1, 2008

For Ijarah arrangement after July 1, 2008

-----Year ended June 30, 2012-----			
Note	Cost	Accumulated Amortization	Written Down Value
-----Rupees-----			
9.1	17,535,458	12,514,883	5,020,575
9.2	8,559,078	4,118,674	4,440,404
	26,094,536	16,633,557	9,460,979



9.1 For Ijarah arrangement before July 1, 2008:

COST

Balance as at July 01, 2011
Additions during the year
Disposals
Balance as at June 30, 2012
Balance as at July 01, 2012
Additions during the year
Disposals
Balance as at June 30, 2013

AMORTIZATION

Balance as at July 01, 2011
Charge for the year
Amortization on disposals
Balance as at June 30, 2012
Balance as at July 01, 2012
Charge for the year
Amortization on disposals
Balance as at June 30, 2013

Written down value as at June 30, 2012

Written down value as at June 30, 2013

-----Year ended June 30, 2013-----			
Ijarah Assets			Total
Machinery	Vehicles	Office Equipments and Computers	
-----Rupees-----			
8,536,775	5,132,803	5,266,880	18,936,458
-	-	-	-
-	(1,401,000)	-	(1,401,000)
8,536,775	3,731,803	5,266,880	17,535,458
8,536,775	3,731,803	5,266,880	17,535,458
-	-	-	-
(4,150,000)	(872,000)	(5,266,880)	(10,288,880)
4,386,775	2,859,803	-	7,246,578
4,342,718	2,165,177	3,457,811	9,965,706
1,670,817	847,954	850,219	3,368,990
-	(819,813)	-	(819,813)
6,013,535	2,193,318	4,308,030	12,514,883
6,013,535	2,193,318	4,308,030	12,514,883
869,471	913,443	333,850	2,116,764
(3,373,585)	(784,000)	(4,641,880)	(8,799,465)
3,509,421	2,322,761	-	5,832,182
2,523,240	1,538,485	958,850	5,020,575
877,354	537,042	-	1,414,396

9.2 For Ijarah arrangement commencing after July 1, 2008 on straight line Amortization

COST

Balance as at July 01, 2011
Additions during the year
Disposals
Balance as at June 30, 2012

Balance as at July 01, 2012
Additions during the year
Disposals
Balance as at June 30, 2013

AMORTIZATION

Balance as at July 01, 2011
Charge for the year
Amortization on disposals
Balance as at June 30, 2012

Balance as at July 01, 2012
Charge for the year
Amortization on disposals
Balance as at June 30, 2013

Written down value as at June 30, 2012

Written down value as at June 30, 2013

Assets subject to Ijarah			Total
Machinery	Vehicles	Office Equipments and Computers	
-----Rupees-----			
2,345,103	5,753,150	603,825	8,702,078
-	-	-	-
-	(143,000)	-	(143,000)
2,345,103	5,610,150	603,825	8,559,078
2,345,103	5,610,150	603,825	8,559,078
1,701,560	5,978,000	-	7,679,560
-	-	-	-
4,046,663	11,588,150	603,825	16,238,638
514,386	1,175,374	125,850	1,815,610
1,140,847	987,448	265,047	2,393,342
-	(90,278)	-	(90,278)
1,655,233	2,072,544	390,897	4,118,674
1,655,233	2,072,544	390,897	4,118,674
296,504	1,434,585	123,296	1,854,385
-	-	-	-
1,951,737	3,507,129	514,193	5,973,059
689,870	3,537,606	212,928	4,440,404
2,094,926	8,081,021	89,632	10,265,579



9.3 Disposal of Ijarah assets

The following assets were disposed off during the year.

2013							
Particulars	Cost	Accumulated Amortization	Net book Value	Sale Proceeds	Gain/ (Loss)	Mode of disposal	Particulars of buyer
(Rupees)							
4.9 Ton crane	1,550,000	1,073,585	476,415	476,415	-	Termination of lease	Eitmaad Engineering
Generator	2,600,000	2,300,000	300,000	300,000	-	Termination of lease	ILM
Computers	2,858,880	2,573,000	285,880	285,880	-	Termination of lease	ILM
LCD Monitors	1,188,000	1,068,880	119,120	119,120	-	Termination of lease	ILM
Office equipments	1,220,000	1,000,000	220,000	220,000	-	Termination of lease	Manzoor Mohsin Chaudhry
Honda city	872,000	784,000	88,000	88,000	-	Termination of lease	Arshad Karim Syed
	10,288,880	8,799,465	1,489,415	1,489,415	-		

2012							
Particulars	Cost	Accumulated Amortization	Net book Value	Sale Proceeds	Gain/ (Loss)	Mode of disposal	Particulars of buyer
(Rupees)							
Honda city	872,000	514,294	357,706	327,186	(30,520)	Termination of lease	Eitmaad Engineering
Suzuki Alto	529,000	305,519	223,481	211,600	(11,881)	Termination of lease	Saleem Ata
Motor cycle	143,000	90,278	52,722	13,000	(39,722)	Termination of lease	Shoaib Tahir Khan
	1,544,000	910,091	633,909	551,786	(82,123)		

9.4 FUTURE IJARAH RENTALS RECEIVABLE

Future minimum Ijarah rentals receivable on the basis of Ijarah agreements executed upto 30 June are as follows:

	Note	2013	2012
(Rupees)			
Not later than one year		3,923,441	11,220,590
Later than one year but not later than five years		4,686,158	1,255,343
		8,609,599	12,475,933

General description of Ijarah arrangements

This represents Ijarah arrangements made by the Modaraba at profit rates ranging from 12.50% to 25% (2012:12.50% to 25%) per annum. Most of the Ijarah are of machinery and vehicles. These are secured against assets under ijarah, personal/corporate guarantees, demand promissory notes executed by Musta'jir and other collaterals.

10 INVESTMENT PROPERTIES- BUILDING

Cost

Balance as at 1 July		-	-
Additions during the year	10.1	100,000,465	-
Balance as at 30 June		100,000,465	-

Depreciation

Balance as at 1 July		-	-
Charged during the year	10.2	(2,916,680)	-
Balance as at 30 June		(2,916,680)	-
Net Book Value as at 30 June		97,083,785	-

10.1 Additions during the year represent fifth floor of Library Building acquired in settlement of balance receivable from Dossilani Securities (Pvt.) Limited and investment in subsidiary {Alka Power (Pvt.) Limited}.

Modaraba entered into agreements with ILM (an associated undertaking) and Dossilani Securities (Pvt.) Limited dated December 29, 2012 after approval of Board of Directors of Management Company in their meeting held on December 07, 2012. Under the terms of these agreements the balance receivable of Rs. 39,782,384/- from Dossilani Securities (Pvt.) Limited ("musharaka receivables" of Rs. 37,664,589/- (note 5) and "accrued profit on musharaka finance" of Rs. 2,117,795/- (note 6)) has been taken up by ILM and investment in subsidiary {Alka Power (Pvt.) Limited} of Rs. 57,305,581/- (note 12) has been transferred to ILM against consideration of ownership rights of fifth floor measuring 13,730 square feet of "Building" situated at C-II, Johar Town, Lahore at an aggregate price of Rs. 97,087,965/- as per agreement to sell. Transfer of title in favour of Modaraba has been made through sale deed dated June 17, 2013 executed at DCR value. Other costs incurred for the acquisition of the said property amounted to Rs. 2,912,500/-.



10.2 The Modaraba depreciates investment properties on straight line basis @ 5% per annum.

10.3 The fair value of investment property as at 30 June 2013 as per valuation report of independent valuer M/s Maricon Consultants (Pvt) Ltd. is Rs 109.5 million with forced sale value of Rs. 98.0 million.

11 INTANGIBLE ASSETS- COMPUTER SOFTWARE	Note	2013	2012
		------(Rupees)-----	
Cost			
Balance as at 1 July		1,000,000	-
Additions during the year		-	1,000,000
Balance as at 30 June		1,000,000	1,000,000
Amortization			
Balance as at 1 July		(247,500)	-
Charged during the year		(330,000)	(247,500)
Balance as at 30 June		(577,500)	(247,500)
Net Book Value as at 30 June		422,500	752,500

The Modaraba amortizes intangible asset on straight line basis over the period of three years @33.33% per year.

12 INVESTMENT IN SUBSIDIARY

Equity investment	-	6,400,000
Advance	-	50,905,581
	12.1	57,305,581

12.1 During the year, the Modaraba has entered into agreement with ILM and Dossani Securities (Pvt.) Limited with the approval of Board of Directors of Management Company. (Refer note 10).

Previous year's balance represented equity investment in the ordinary shares of Alka Power (Pvt.) Limited and advance to Alka Power (Pvt.) Limited which was stated to be adjustable against further issue of shares of Rs. 100/- each at par. Modaraba held 80% control over subsidiary through 80,000 shares of Rs. 100/- each, acquired at a cost of Rs. 80/- per share against the approval for investment of SECP for Rs. 6.0 million. The amount of investment of previous year exceeded the approved amount by Rs. 0.4 million. In the previous year the advance amount exceeded the exposure limit by Rs. 4.710 million as required by Para I of Part II (A) of Prudential Regulations.

13 LONG TERM MURABAHA FINANCE

Opening balance	23,000,000	23,000,000
Less: Current portion	(23,000,000)	-
	-	23,000,000

13.1 This represents murabaha arrangements made with a single party on 7 February 2011 for a period of three years, maturing on 7 March 2014 incorporating profit at the rate of 17.5% (2012:17.5%) p.a. payable monthly. The facility is secured by hypothecation of stocks, spares, stores & other stocks of the value of Rs. 30,000,000/- (June 30, 2012: Rs. 30,000,000/-) plus personal guarantee of borrower and demand promissory note. Evidence of registration of charge on stocks etc. is not on record.

14 MUSHARAKA FINANCE- SECURED	12,142,348	14,642,348
--------------------------------------	-------------------	-------------------

14.1 Musharaka finance facilities are arranged for the purpose of normal business activities of the Modaraba. The maximum period of these arrangements is twelve months. The provisional rate of profit payable ranges from 12.6% to 18% (2012: 12.6% to 18%) per annum. The arrangements are secured against pledge of marketable securities, hypothecation charge over current assets and demand promissory note.

14.2 These facilities have matured and payment of outstanding balances is pending. Accrued profit has been provided upto the maturity date.

15 SHORT TERM FINANCE - SECURED

Overdrawn Bank	15.1	-	8,110
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15.1 This represents overdrawn bank balance.



	Note	2013	2012
		----- (Rupees) -----	
16 ACCRUED AND OTHER LIABILITIES			Restated
Accrued expenses	16.1	3,735,859	4,585,022
Musharaka profit payable		1,430,192	1,430,192
Contribution to Provident fund payable	16.2	1,842,715	1,644,179
Withholding tax		-	1,449,247
Payable to Management Company		1,821,141	-
Other liabilities		4,678,389	7,315,522
		<u>13,508,296</u>	<u>16,424,162</u>

16.1 The management has recorded previous years rent expense in respect of Lahore branch for the period of about fifteen months upto November 2011 totalling to Rs 3,571,660/-. The management was under the impression that the amount was payable by the IBL Modaraba Management (Pvt) Ltd (Management Company) and therefore could not record the expense. In order to incorporate the transaction the accrued expenses for last year were restated by the amount and opening balance of last year's unappropriated loss was increased correspondingly.

16.2 Contribution is not deposited by company in separate bank account and requirements of Companies Ordinance, 1984 have not been complied with.

17 LONG TERM SECURITY DEPOSITS

Security deposits	9,809,389	9,195,496
Less: Current portion	(7,868,871)	(6,491,002)
	<u>1,940,518</u>	<u>2,704,494</u>

		Restated
18.1	<u>3,191,482</u>	<u>3,191,482</u>

18 PROVISION FOR TAXATION

18.1 Management has been advised to file tax returns of Modaraba since 2008 and consequently have been advised to incorporate tax expense of Rs 3,191,482/- for the prior years relating to June 30, 2009 & June 30, 2011 which has been incorporated by restating opening balance of last year's unappropriated loss. In the previous years provision for taxation has not been made on the premise that income from non trading activities is exempt from income tax provided that it distributes ninety percent of its profit to certificate holders out of current year's total profit after appropriating its statutory reserves. However on the basis of opinion from tax expert management has provided the provision on account of taxable profit of the said years.

19 CERTIFICATE CAPITAL

Authorised certificate capital

2013	2012		
No. of certificates			
50,000,000	50,000,000	Modaraba certificates of Rs. 10/- each.	
			<u>500,000,000</u> <u>500,000,000</u>

Issued, subscribed and paid-up certificate capital

18,500,000	18,500,000	Modaraba Certificates of Rs 10/- each	185,000,000	185,000,000
		fully paid in cash		
1,687,500	1,687,500	Modaraba Certificates of Rs 10/- each	16,875,000	16,875,000
		issued as fully paid bonus certificates		
<u>20,187,500</u>	<u>20,187,500</u>		<u>201,875,000</u>	<u>201,875,000</u>

19.1 IBL Modaraba Management (Private) Limited (the Management Company) hold 2,030,905 (2012: 2,030,905) certificates of Rs 10/- each.

19.2 University of Management and Technology (associated undertaking) hold 3,070,900 (2012: 3,070,900) certificates of Rs 10/- each.

19.3 One of the Director of the Management Company hold 1,515,820 (2012: 1,515,820) certificates of Rs 10/- each.

20 RESERVES

Statutory Reserve	20.1	36,171,338	34,313,509
Unrealised gain on revaluation of available for sale investments		7,427,865	5,679,202
		<u>43,599,203</u>	<u>39,992,711</u>

21 CONTINGENCIES AND COMMITMENTS

The Modaraba has provided guarantees amounting to Rs.47,957,651/- (2012: Rs.43,282,625/-) on behalf of the contractors which is secured against 7.58% cash margin of the guarantee amount, lien over immovable property and personal guarantee of the contractors.

Note

The Modaraba has not made any capital commitments (2012: Nil) at the balance sheet date.

2013-----2012
----- (Rupees) -----

4,372,340 -

This represents rental income from University of Management & Technology. The Modaraba has entered into tenancy agreement with University of Management and Technology (associated undertaking of ILM) with effect from December 01, 2012 for twenty four months at a monthly rent of Rs. 624,620/-.

Income from financial assets:

Dividend Income	4,367	38,980
Profit on bank deposits	387	2,920
Profit on term deposit receipts	542,980	821,677
	547,734	863,577

Income / (Loss) from assets other than financial assets:

Gain / (Loss) on disposal of assets subject to Ijarah	-	(82,123)
Gain / (Loss) on disposal of assets in own use	13,000	-
Miscellaneous income	567,397	195,893
	<u>580,397</u>	<u>113,770</u>
	1,128,131	977,347

23.1 The corresponding figure of "Dividend Income" of Rs. 38,980/- is regrouped from "Return on investments" to "Other income" for better presentation.

Restated

		2019	2018
Salaries and other benefits	24.1	5,873,914	7,345,414
Travelling and conveyance	24.2	674,615	761,068
Entertainment		91,433	136,406
Repair and maintenance		292,691	594,262
Utilities		178,877	37,993
Printing and stationery		182,988	191,731
Fee and subscription		1,181,810	464,090
Legal and professional		503,361	382,656
Rent, rate and taxes	6.3	727,199	1,062,948
Auditors' remuneration	24.3	440,405	330,000
Insurance		57,316	58,688
Postage		37,858	53,741
Telephone		187,610	208,064
Depreciation on fixed assets - owned	8	664,055	1,665,557
Depreciation on Investment properties	10	2,916,680	-
Advertisement		17,700	32,550
Donation	24.4	100,000	-
Penalty paid to KSE		-	100,000
Balances written off	24.5	509,410	-
Miscellaneous		199,962	324,871
		14,837,884	13,750,039



24.1 Remuneration of Officers

Salaries and other benefits include remuneration of officers:

Remuneration	3,571,064	4,191,204
Employer's contribution to provident fund	178,236	210,034
	<u>3,749,300</u>	<u>4,401,238</u>

Number of persons

<u>6</u>	<u>4</u>
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Officers are also provided with free use of Modaraba's vehicles.

- 24.2 The corresponding figure of "Motor vehicle running and maintenance" of Rs. 48,004/- has been regrouped into "Travelling and conveyance" for better presentation.

24.3 Auditors' Remuneration

Audit fee	360,000	330,000
Out-of-pocket expenses	80,405	-
	<u>440,405</u>	<u>330,000</u>

- 24.4 None of the directors and their spouses has any interest in the donee.

- 24.5 During the year the Modaraba has written off balance of Rs. 1,169,410/- as a result of settlement loss with Dossilani Securities (Pvt) Ltd and write back balance payable of Rs. 660,000/- being aged for more than three years with the approval of Board of Directors.

25 FINANCE COST

Mark up on short term finance	-	1,120,593
Profit on Musharaka finance	-	532,347
Bank charges	7,355	331,436
	<u>7,355</u>	<u>1,984,376</u>

26 MODARABA MANAGEMENT COMPANY FEE

<u>1,032,127</u>	<u>-</u>
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The management company is entitled to a remuneration for services rendered to the Modaraba under the provisions of Modaraba Companies and Modaraba (Floatation and Control) Ordinance, 1980 upto maximum 10% per annum of the net annual profits of the Modaraba. In view of loss in the previous year no management company fee was recognised.

27 TAXATION

No provision with respect to current and deferred taxation has been made in these financial statements on the premise that under the current tax law the income of Modaraba from non trading activities is exempt from income tax provided that they distribute ninety percent of its profit to certificate holders out of current year's total profit after appropriating to statutory reserves. The Modaraba intends to continue to avail the said exemption.

Restated

28 EARNINGS/(LOSS) PER CERTIFICATE- Basic and Diluted

Profit/(Loss) for the year	<u>9,289,143</u>	<u>(41,536,423)</u>
Weighted average number of Modaraba certificates outstanding during the year	<u>20,187,500</u>	<u>20,187,500</u>
Earnings/(Loss) per certificate- basic and diluted	<u>0.46</u>	<u>(2.06)</u>

There is no dilution effect on the basic earnings/(loss) per certificate as the Modaraba has no convertible instruments in issue at the end of the year.

29 CHANGES IN WORKING CAPITAL

(Increase)/decrease in current assets

Ijarah rentals receivable	1,600,798	2,223,417
Short term investments	-	2,051,628
Musharaka receivable	28,703,810	11,862,344
Advance, deposits, prepayments and other receivables	5,152,894	108,917
	<u>35,457,502</u>	<u>16,246,306</u>

Increase/(decrease) in current liabilities

Musharaka arrangement	(2,500,000)	(14,500,000)
Short term finance	(8,110)	(9,491,804)
Accrued and other liabilities	(2,255,866)	2,302,899
Security deposit received / (paid)	613,893	(392,896)
	<u>(4,150,083)</u>	<u>(22,081,801)</u>
	<u>31,307,419</u>	<u>(5,835,495)</u>


30 MATURITIES OF ASSETS AND LIABILITIES

----- As at June 30, 2013 -----					
Assets	Amount	Up to one month	One month to three month	Three month to one year	More than one year
-----Rupees-----					
Cash and bank balances	3,519,831	3,519,831	-	-	-
Advances, deposits, prepayments & other receivables	36,939,367	-	-	36,939,367	-
Short term investments	22,005,971	-	18,000,000	4,005,971	-
Musharaka receivables	19,374,531	19,374,531	-	-	-
Ijarah rentals receivable	316,952	316,952	-	-	-
Current portion of murabaha finance	23,000,000	-	-	23,000,000	-
Long term deposits	3,205,460	-	-	-	3,205,460
Fixed assets (Owned and Subject to Ijarah)	14,116,232	-	-	-	14,116,232
Investment properties	97,083,785	-	-	-	97,083,785
Intangible Assets	422,500	-	-	-	422,500
Total assets as at June 30, 2013	219,984,629	23,211,314	18,000,000	63,945,338	114,827,977
----- As at June 30, 2013 -----					
Liabilities	Amount	Up to one month	One month to three month	Three month to one year	More than one year
-----Rupees-----					
Accrued and other liabilities	13,508,296	-	-	13,508,296	-
Musharaka finance	12,142,348	12,142,348	-	-	-
Security deposits payable	9,809,389	2,988,892	848,000	4,031,979	1,940,518
Provision for taxation	3,191,482	-	-	3,191,482	-
Unpresented profit warrants	7,653,693	-	-	7,653,693	-
Total liabilities as at June 30, 2013	46,305,208	15,131,240	848,000	28,385,450	1,940,518
Net balance	173,679,421	8,080,074	17,152,000	35,559,888	112,887,459
Certificate holders' equity	173,679,421				
----- As at June 30, 2012 -----					
Assets	Amount	Up to one month	One month to three month	Three month to one year	More than one year
-----Rupees (Restated)-----					
Cash and bank balances	46,211	46,211	-	-	-
Advances, deposits, prepayments & other receivables	40,099,650	-	-	40,099,650	-
Short term investments	2,168,691	174,389	-	1,994,302	-
Musharaka receivables	74,493,791	-	-	74,493,791	-
Ijarah rentals receivable	1,917,750	1,917,750	-	-	-
Investment in subsidiary	57,305,581	-	-	-	57,305,581
Long term deposits	3,405,460	-	-	-	3,405,460
Fixed assets (Owned and Subject to Ijarah)	10,607,171	-	-	-	10,607,171
Intangible Assets	752,500	-	-	-	752,500
Long term murabaha finance	23,000,000	-	-	-	23,000,000
Total assets as at June 30, 2012	213,796,805	2,138,350	-	116,587,743	95,070,712



----- As at June 30, 2012 -----					
Liabilities	Amount	Up to one month	One month to three month	Three month to one year	More than one year
-----Rupees (Restated)-----					
Accrued and other liabilities	16,424,162	1,449,247	-	14,974,915	-
Short term finance	8,110	-	-	8,110	-
Musharaka finance	14,642,348	-	-	14,642,348	-
Security deposits payable	9,195,496	287,190	5,400	6,196,412	2,706,494
Provision for taxation	3,191,482	-	-	3,191,482	-
Unpresented profit warrants	7,693,592	-	-	7,693,592	-
Total liabilities as at June 30,2012	51,155,190	1,736,437	5,400	46,706,859	2,706,494
Net balance	162,641,615	401,913	(5,400)	69,880,884	92,364,218
Certificate holders' equity	162,641,615				

31 FINANCIAL INSTRUMENTS BY CATEGORY

----- As at June 30, 2013 -----					
ASSETS	Loans and receivables	Held to maturity	Available for sale	Held for trading	Total
-----Rupees-----					
Cash and bank balances	3,519,831	-	-	-	3,519,831
Ijarah rentals receivable	316,952	-	-	-	316,952
Advances and deposits	755,140	-	-	-	755,140
Accrued profit and other receivables	35,144,588	-	-	-	35,144,588
Short term investments	-	18,000,000	3,742,965	263,006	22,005,971
Musharaka receivables	19,374,531	-	-	-	19,374,531
Current portion of murabaha finance	23,000,000	-	-	-	23,000,000
Long term deposits	3,205,460	-	-	-	3,205,460
	85,316,502	18,000,000	3,742,965	263,006	107,322,473

----- As at June 30, 2013 -----			
LIABILITIES	Liabilities at fair value through profit or loss	At Amortized Cost	Total
-----Rupees-----			
Musharaka finance	-	12,142,348	12,142,348
Accrued & other liabilities	-	13,508,296	13,508,296
Security deposits payable	-	9,809,389	9,809,389
Unpresented profit warrants	-	7,653,693	7,653,693
	-	43,113,726	43,113,726

----- As at June 30, 2012 -----					
ASSETS	Loans and receivables	Held to maturity	Available for sale	Held for trading	Total
-----Rupees (Restated)-----					
Cash and bank balances	46,211	-	-	-	46,211
Ijarah rentals receivable	1,917,750	-	-	-	1,917,750
Advances and deposits	762,713	-	-	-	762,713
Accrued profit and other receivables	38,621,473	-	-	-	38,621,473
Short term investments	-	-	1,994,302	174,389	2,168,691
Musharaka receivables	74,493,791	-	-	-	74,493,791
Long term deposits	3,405,460	-	-	-	3,405,460
Long term murabaha finance	23,000,000	-	-	-	23,000,000
Investment in subsidiary	57,305,581	-	-	-	57,305,581
	199,552,979	-	1,994,302	174,389	201,721,670



----- As at June 30, 2012 -----

LIABILITIES	Liabilities at fair value through profit or loss	At Amortized cost	Total
-----Rupees-----			
Musharaka finance	-	14,642,348	14,642,348
Short term finance-secured	-	8,110	8,110
Accrued & other liabilities	-	14,974,915	14,974,915
Security deposits payable	-	9,195,496	9,195,496
Unpresented profit warrants	-	7,693,592	7,693,592
	-	46,514,461	46,514,461

32 FINANCIAL RISK MANAGEMENT

The Modaraba finances its operations through equity & borrowings. The Modaraba utilises funds in ijarah financing, Musharaka financing and murabaha financing activities. These activities are exposed to a variety of financial risks: market risk, credit risk and liquidity risk.

32.1 Market Risk

Market risk is the risk that the fair value or the future cash flows of a financial instrument may fluctuate as a result of changes in market prices.

Market risk comprises of three types of risk: currency risk, profit rate risk and other price risk.

(i) Currency risk

Currency risk is the risk that the fair value or future cash flows of a financial instrument will fluctuate because of changes in foreign exchange rates. The Modaraba at present is not exposed to currency risk as all transactions are carried out in Pak Rupees.

(ii) Equity price risk

Equity price risk represents the risk that the fairvalue of equity investments will fluctuate because of changes in levels of indices, 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 as Modaraba holds available for sale and held for trading investments.

Reporting date all index points

		Changes in KSE all index	Effects on profit before tax	Effects on equity
-----Rupees-----				
Available for sale investments	2013	+10%	-	374,297
		-10%	-	(374,297)
	2012	+10%	-	199,430
		-10%	-	(199,430)
At fair value through profit or loss	2013	+10%	26,301	-
		-10%	(26,301)	-
	2012	+10%	17,439	-
		-10%	(17,439)	-

(iii) Profit rate risk

This represents the risk that the fair value or future cash flows of a financial instrument will fluctuate because of changes in market profit rates.

The Modaraba has no significant long-term interest-bearing assets. The Modaraba's mark up/profit rate risk arises from long term Murabaha financing, short term Musharaka financing, investments in term deposits, deposit account balances and ijarah financing.

At the balance sheet date the interest rate profile of the Modaraba's mark up bearing financial instruments was:



Fixed rate instruments
Financial assets

2013	2012
----- (Rupees) -----	
	Restated
Long term murabaha finance	- 23,000,000
Current portion of murabaha finance	23,000,000 -
Ijarah rentals receivable	316,952 1,917,750
Musharaka receivables	19,374,531 74,493,791
Short term investments- Investment in term deposit receipts	18,000,000 -

Floating rate instruments

Financial assets

Bank balances-deposit accounts	344,817	12,747
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Fair value sensitivity analysis for fixed rate instruments

The Modaraba does not account for any fixed rate financial assets and liabilities at fair value through profit or loss. Therefore, a change in interest rate at the balance sheet date would not affect profit or loss of the company.

Cash flow sensitivity analysis for variable rate instruments

If interest rates, at the year end date, fluctuates by 1% higher / lower with all other variables held constant, profit after taxation for the year would have been Rupees 3,448/- lower/higher and loss after taxation for the year 2012: Rupees 127/- lower/higher respectively. This analysis is prepared assuming that the amounts of floating rate instruments outstanding at balance sheet dates remained outstanding for the whole year.

Fair value of financial instruments

Fair value is the amount for which an asset could be exchanged, or a liability settled, between knowledgeable, willing parties in an arm's length transaction. The carrying values of all financial assets and financial liabilities approximate their fair values except for equity and debt instruments whose fair values have been disclosed in their respective notes to these financial statements. Fair value is determined on the basis of objective evidence at each reporting date. The company measures fair values using the following fair value hierarchy that reflects the significance of the inputs used in making the measurements:

Level 1: Quoted market price (unadjusted) in active market for identical instrument.

Level 2: Valuation techniques based on observable inputs either directly (i.e. as prices) or indirectly (i.e. derived from prices).

Level 3: Valuation techniques using significant unobservable inputs.

	Level-1	Level-2	Level-3	Total
	Rupees			
As at 30 June 2013:				
At fair value through profit or loss	263,006	-	-	263,006
Available for sale	3,742,965	-	-	3,742,965
	<u>4,005,971</u>	<u>-</u>	<u>-</u>	<u>4,005,971</u>
As at 30 June 2012:				
At fair value through profit or loss	174,389	-	-	174,389
Available for sale	1,994,302	-	-	1,994,302
	<u>2,168,691</u>	<u>-</u>	<u>-</u>	<u>2,168,691</u>

32.2 Credit risk

Credit risk is the risk that one party to a financial instrument will fail to discharge an obligation and cause the other party to incur a financial loss. The Modaraba is exposed to major credit risk in respect of murabaha, Musharaka and ijarah arrangements.

The Modaraba attempts to control credit risk by diversification of financing activities to avoid undue concentration of credit risk with individuals or groups of customers in specific locations or businesses, monitoring credit exposures, limiting transactions to specific counterparties, obtaining securities and continually assessing the credit worthiness of counterparties.


32.2.1 Maximum exposure to credit risk

The maximum exposure to credit risk at the reporting date was as follows:

Financial assets

	2013	2012
	----- (Rupees) -----	
		Restated
Bank balances	3,515,051	19,382
Ijarah rentals receivable	316,952	1,917,750
Advances and deposits	755,140	762,713
Short term investments	22,005,971	2,168,691
Profit receivable on Musharaka finance and other receivables	35,144,588	38,621,473
Musharaka receivables	19,374,531	74,493,791
Murabaha finance	23,000,000	23,000,000
Long term deposits	3,205,460	3,405,460
Investment in subsidiary & advance against issue of shares	-	57,305,581
	107,317,693	201,694,841

Geographically all credit exposure is concentrated in Pakistan.

32.2.2 Concentration of credit risk

Concentration of credit risk in respect of balances with customers by industrial distribution is as follows:

	----- As at June 30, 2013 -----			
	Ijarah rental receivables	Musharaka receivables	Murabaha receivables	Total
	----- Rupees -----			
Chemical and pharmaceuticals	-	-	23,000,000	23,000,000
Group companies/undertakings	-	-	-	-
Education	-	18,442,371	-	18,442,371
Engineering	-	337,417	-	337,417
Individuals	316,952	594,743	-	911,695
	316,952	19,374,531	23,000,000	42,691,483

	-----As at June 30, 2012-----			
	Ijarah rental receivables	Musharaka receivables	Murabaha receivables	Total
	-----Rupees (Restated)-----			
Chemical and pharmaceuticals	-	-	23,000,000	23,000,000
Brokerage houses	-	19,845,927	-	19,845,927
Education	1,073,340	49,263,974	-	50,337,314
Engineering	16,611	1,736,837	-	1,753,448
Individuals	439,076	-	-	439,076
Others	388,723	3,647,053	-	4,035,776
	<u>1,917,750</u>	<u>74,493,791</u>	<u>23,000,000</u>	<u>99,411,541</u>
			2013	2012
			----- (Rupees) -----	
				Restated

The age analysis of Musharaka and ijarah rental receivables and related impairment loss at the balance sheet date was:

Aging of Musharaka and Ijarah rental receivables

Not past due	607,923	520,122
Past due 0 - 180 days	5,363,635	27,060,542
Past due 181 - 365 days	260,480	30,275,910
1 - 2 years	6,616,682	30,268,421
More than 2 years	55,102,090	49,737,332

Due to Modaraba's long standing business relationships with these counterparties and after giving due consideration to their strong financial standing and collaterals, the management does not expect non-performance by these counterparties on their obligations to the Modaraba. Accordingly, the credit risk is moderate.



32.3 Liquidity Risk

Liquidity risk reflects an enterprise's inability in raising funds to meet its commitments. The Modaraba's management closely monitors the Modaraba's liquidity and cash flow position.

----- As at June 30, 2013 -----				
Total	Upto three months	More than three months and upto one year	More than one year	
-----Rupees-----				
Musharaka finance	12,142,348	12,142,348	-	-
Accrued & other liabilities	13,508,296	1,430,192	12,078,104	-
Security deposits payable	7,868,871	2,982,791	4,886,080	-
Unpresented profit warrants	7,653,693	-	7,653,693	-
Security deposits payable	1,940,518	-	-	1,940,518
	43,113,726	16,555,331	24,617,877	1,940,518
----- As at June 30, 2012 -----				
Total	Upto three months	More than three months and upto one year	More than one year	
-----Rupees-----				
Musharaka finance	14,642,348	-	14,642,348	-
Short term finance (Overdrawn Bank)	8,110	-	8,110	-
Accrued & other liabilities	14,974,915	-	14,974,915	-
Security deposits payable	6,491,002	292,590	6,198,412	-
Unpresented profit warrants	7,693,592	-	7,693,592	-
Security deposits payable	2,704,494	-	-	2,704,494
	46,514,461	292,590	43,517,377	2,704,494

33 CAPITAL RISK MANAGEMENT

The Modaraba's prime objective when managing capital is to safeguard its ability to continue as a going concern in order to provide adequate returns for certificate-holders and benefits for other stakeholders and to maintain an optimal capital structure to reduce the cost of capital.

In order to maintain or adjust the capital structure, the Modaraba may adjust the amount of dividends paid to certificate-holders, issue new certificates or sell assets to reduce debt.

Consistent 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 less cash and bank balances.

Total capital is calculated as equity as shown in the balance sheet plus net debt.

		Restated
Total borrowings	12,142,348	14,650,458
Less: Cash and bank balances	(3,519,831)	(46,211)
Net debt	8,622,517	14,604,247
Total equity	173,679,421	162,641,615
Total capital	182,301,938	177,245,862
Gearing ratio	4.7%	8.2%

34 RELATED PARTY TRANSACTIONS

The related parties of the Modaraba comprise of its 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, the provident fund and entities with common directors or under common management.

Contribution to the provident fund is made in accordance with the services rules. The Modaraba management fee is accrued in accordance with the requirements of Modaraba regulations. Remuneration of the key management personnel is in accordance with terms of their employment. Other transactions are also at agreed terms.



Detail of transactions with related parties and balances with them as at the year end were as follows:

		2013	2012
		----- (Rupees) -----	
			Restated
Transactions during the year	Relationship		
IBL Modaraba Management (Private) Limited			
Expenses paid on behalf of Management Company	Management Company	-	2,126,870
Recovery from Management Company		2,700,000	-
Adjustment of receivable from Management Company on account of salary of director of management company			
		100,000	-
Management fee payable for the year		1,032,127	-
Rent of branch office paid by Management Company		560,000	-
Salary of Director of management Company		104,384	-
University of Management and Technology			
Recovery against Musharaka	Holds 15.2% of the paid up certificates of Modaraba	27,749,990	1,500,000
Mark up charged on Musharaka facility		-	577,972
Musharaka mark up received		250,000	-
Rent of Library Building accrued		4,372,340	-
Rent of Library Building received		4,372,340	-
Institute of leadership & Management			
Recovery against Musharaka	Common Management	3,003,481	8,846,000
Musharaka mark up received / adjusted		3,481	125,000
Ijarah rental accrued		997,430	1,626,120
Ijarah rental received		2,070,770	2,001,350
Key management personnel			
Salaries and benefits		3,571,064	4,191,204
Contribution to staff provident fund		178,236	210,034
Number of persons		6	4
Payments made on behalf of Chief Executive Officer of management company		-	1,204,800
Recovery against outstanding balance		1,314,715	-
Outstanding Balance at the year end			
Receivable from / (payable to) Modaraba management company		(1,821,141)	2,466,602
Receivable from University of Management and Technology		21,402,919	49,402,909
Receivable from Institute of leadership & Management		13,383,409	17,463,711
Receivable from Khoja's Capital Management		4,775,884	4,775,884
Receivable from chief executive officer of management company		-	1,314,715

35 RECOVERABLE AMOUNTS AND IMPAIRMENT

Impairment on ijarah, murabaha, Musharaka finances and profit receivable thereon is recognised in accordance with the requirements of Prudential Regulations for Modarabas pertaining to classification and provisioning. In the opinion of the management, no further impairment, in addition to that already recognised with Prudential Regulations, is necessary unless stated otherwise. Further, the recoverable amounts of all other assets/cash generating units are equal to or exceed their carrying amounts, unless stated otherwise in these financial statements.

36 NON CASH ITEMS

During the year the Modaraba acquired fifth floor of Library building amounting to Rs. 97,087,965 against settlement of balance receivable from Dossani Securities (Pvt) Ltd and investment in subsidiary as detailed below:

	2012 Rupees
Musharaka receivables	37,664,589
Accrued profit on Musharaka	2,117,795
Equity investment in subsidiary	6,400,000
Advance for investment in subsidiary	50,905,581
Total settlement through transfer of property	<u>97,087,965</u>



37 PRIOR PERIOD ADJUSTMENTS

The Modaraba has restated corresponding figures by correcting prior periods' adjustments as required under IAS 8 "Accounting policies, Changes in accounting estimates and errors" para 42 by restating opening balances of assets, liabilities and unappropriated loss as detailed below:

	Note	2012 Rupees
"Unappropriated loss" as on June 30, 2011 before restatement		(10,070,020)
Profit on Musharaka finance reversed as charged after expiry of term of agreement	6.1	(19,192,828)
Reversal of the provisions in view of settlement:		
"Impairment of musharaka receivables"	5.5	3,729,258
"Profit held in suspense account"	6.2	4,470,651
Rent and other expense:		
of branch to be borne by IBL Modaraba Management (Pvt) Ltd	6.3	(9,863,592)
of Lahore branch	16.1	(3,571,660)
Provision for prior years tax	18	(3,191,482)
Net increase in unappropriated loss		(27,619,653)
"Unappropriated loss" as on June 30, 2011 after restatement		<u>(37,689,673)</u>

38 NONADJUSTING EVENTS AFTER THE BALANCE SHEET DATE

The Board of Directors of Management Company in their meeting held on October 08, 2013 have approved profit distribution at the rate of 3.35% i.e. Re 0.335(2012:Nil)per certificate for the year ended June 30, 2013. These financial statements do not reflect this distribution.

39 GENERAL

The corresponding figures for the last year are rearranged and reclassified, wherever necessary, for the purposes of comparison. Appropriate disclosure is given in relevant note in case of material rearrangements.

Figures have been rounded off to the nearest rupee.

40 DATE OF AUTHORIZATION FOR ISSUE

The financial statements were authorized for issue on October 08, 2013 by the board of directors of the Modaraba Management Company.

**For IBL Modaraba Management (Private) Limited
(Management Company)**

CHIEF EXECUTIVE

DIRECTOR

DIRECTOR

DETAIL OF CATEGORIES OF CERTIFICATE HOLDERS



CATEGORIES OF CERTIFICATE HOLDERS	PERCENTAGE %	CERTIFICATE HELD
BANKS DEVELOPMENT FINANCIAL INSTITUTIONS, NON BANKING FINANCIAL INSTITUTIONS.		
NATIONAL DEVELOPMENT FINANCE		1,000
THE BANK OF PUNJAB, TREASURY DIVISION.		305,299
NATIONAL BANK OF PAKISTAN		727,077
NATIONAL BANK OF PAKISTAN		801
M/S. CRESCENT INVESTMENT BANK LIMITED.		4,348
THE BANK OF PUNJAB		1,000
SONERI BANK LIMITED		58,000
Sub-Totals :	5.44	<u><u>1,097,525</u></u>
INSURANCE COMPANIES		
ASIA INSURANCE COMPANY LTD		5,843
STATE LIFE INSURANCE CORP. OF PAKISTAN		509,990
M/S. GULF INSURANCE COMPANY LTD.		1,200
SILVER STAR INSURANCE COMPANY LIMITED.		575
Sub-Totals :	2.56	<u><u>517,608</u></u>
DIRECTORS, CHIEF EXECUTIVE OFFICER, AND THEIR SPOUSE AND MINOR CHILDREN		
Hassan Sohaib Murad		1,515,820
Sub-Totals :	7.51	<u><u>1,515,820</u></u>
ASSOCIATED COMPANIES, UNDERTAKING AND RELATED PARTIES.		
IBL MODARABA MANAGEMENT (PVT.) LTD.		1,180,905
UNIVERSITY OF MANAGEMENT & TECHNOLOGY		3,070,000
IBL MODARABA MANAGEMENT (PVT.) LTD.		850,000
Sub-Totals :	25.27	<u><u>5,100,905</u></u>
MODARABAS AND MUTUAL FUNDS		
FIRST TRI-STAR MODARABA		70
Sub-Totals :	0.00	<u><u>70</u></u>
NIT AND ICP		
INVESTMENT CORPORATION OF PAKISTAN		3,006
NATIONAL BANK OF PAKISTAN-TRUSTEE DEPART		1,185,774
Sub-Totals :	5.89	<u><u>1,188,780</u></u>
OTHERS		
M/S. NAFEEES COTTON MILLS LTD.		191
M/S. D.S. CORPORATION (PVT) LTD		11,687
UNITED ETHANOL INDUSTRIES LIMITED		2,000,000
TRUSTEE NATIONAL BANK OF PAKISTAN EMP BE		4,577
GOVT. COLLEGE UNIVERSITY		27,500
TRUSTEE NATIONAL BANK OF PAKISTAN EMPLOY		130,441
NH SECURITIES (PVT)LTD.		165
FIKREE'S (SMC-PVT) LTD.		1,500
PYRAMID INVESTMENTS (PVT) LTD.		800
SARFARAZ MAHMOOD (PRIVATE) LTD		512
FIRST NATIONAL EQUITIES LIMITED		200,000
DARSON SECURITIES (PVT) LIMITED		168
AWJ SECURITIES (SMC-PRIVATE) LIMITED.		584
ISMAIL ABDUL SHAKOOR SECURITIES (PRIVATE) LIMITED		1,000
Sub-Totals :	11.79	<u><u>2,379,125</u></u>
INDIVIDUAL		
Local - Individuals		8,387,667
Sub-Totals :	41.55	<u><u>8,387,667</u></u>
Grand Total	<u><u>100.00</u></u>	<u><u>20,187,500</u></u>

**PATTERN OF HOLDING OF CERTIFICATE
HELD BY CERTIFICATE HOLDERS
AS AT JUNE 30, 2013**



NO. OF CERTIFICATE HOLDERS	CERTIFICATE HOLDERS		TOTAL CERTIFICATES HELD
	FROM	TO	
386	1	100	15,952
317	101	500	86,136
205	501	1000	145,284
250	1001	5000	516,855
31	5001	10000	216,403
15	10001	15000	185,190
5	15001	20000	93,178
6	20001	25000	135,312
4	25001	30000	115,000
3	30001	35000	101,664
4	35001	40000	149,501
1	40001	45000	40,593
1	45001	50000	50,000
2	50001	55000	103,087
1	55001	60000	58,000
1	65001	70000	66,000
1	70001	75000	72,500
1	80001	85000	82,000
1	90001	95000	92,700
1	95001	100000	100,000
2	130001	135000	265,441
1	145001	150000	150,000
1	155001	160000	160,000
1	165001	170000	170,000
1	170001	175000	171,507
1	195001	200000	200,000
1	235001	240000	235,068
1	305001	310000	305,299
1	335001	340000	339,509
1	505001	510000	509,990
1	725001	730000	727,077
1	845001	850000	850,000
3	1045001	1050000	3,150,000
1	1180001	1185000	1,180,905
1	1185001	1190000	1,185,774
1	1515001	1520000	1,515,820
1	1575001	1580000	1,575,755
1	1995001	2000000	2,000,000
1	3065001	3070000	3,070,000
			20,187,500

CATEGORIES OF CERTIFICATE HOLDERS

AS AT JUNE 30, 2013

CATEGORIES OF CERTIFICATE HOLDERS	NUMBER	CERTIFICATES HELD	PERCENTAGE
NATIONAL INVESTMENT TRUST	1	1,185,774	5.87%
INVESTMENT CORPORATION OF PAKISTAN	1	3,006	0.01%
PUBLIC SECTOR COMPANIES AND CORPORATIONS	0	-	0.00%
BANKS	6	1,096,525	5.43%
DEVELOPMENT FINANCE INSTITUTIONS	1	1,000	0.00%
INSURANCE COMPANIES	4	517,608	2.56%
MODARABAS	1	70	0.00%
ASSOCIATED COMPANIES, UNDERTAKING AND RELATED PARTIES	3	5,100,905	25.27%
DIRECTORS, CHIEF EXECUTIVE OFFICER & THEIR SPOUSE AND MINOR CHILDREN	1	1,515,820	7.51%
OTHERS	14	2,379,125	11.79%
INDIVIDUALS	1226	8,387,667	41.55%
	1258	20,187,500	100.00%



First IBL Modaraba

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