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CORPORATE INFORMATION

BOARD OF DIRECTORS	Mr. Imamuddin Shouqeen - Chairman Mr. Shahbaz Ali Malik - Director Saiyed Faiq Husain - Director / Chief Executive Mr. Malik Junaid Emam - Director Mr. Kamran Hussain Mughal - Director / Company Secretary
AUDIT COMMITTEE	Mr. Malik Junaid Emam - Chairman Saiyed Faiq Husain - Member Mr. Kamran Hussain Mughal - Member
SHARIAH ADVISOR	Mufti Mohammad Ibrahim Essa
COMPANY SECRETARY	Mr. Kamran Hussain Mughal
BANKERS	Albaraka Bank (Pakistan) Limited Faysal Bank (Islamic Banking)
AUDITORS	Avais Hyder Liaquat Nauman Chartered Accountant
LEGAL ADVISOR	Ghulam Mustafa Advocate Bukhari Law Associates
MANAGEMENT COMPANY	Popular Islamic Modaraba Management Company (Pvt.) Ltd
REGISTERED OFFICE	813, 8th Floor, Hasrat Mohani Road, Off. I.I.Chundrigar Road, Karachi.
SHARE REGISTRAR	Central Depository Company of Pakistan Limited CDC House, 99-B, Block 'B', S.M.C.H.S., Main Shahra-e-Faisal, Karachi



DIRECTOR'S REPORT

The Board of Directors of the Popular Islamic Modaraba Management Company (Pvt.) Limited, the Management Company of First Islamic Modaraba (the Modaraba) is pleased to present the Directors' Report of the Modaraba, together with audited financial statements and auditors' report for the year ended June 30, 2014.

Review of Operations:

This was first year of Modaraba's operation under the new management as it was acquired by Popular Islamic Modaraba Management Company (Pvt.) Limited in August 2013 through Honorable Peshawar High Court. The Modaraba was dormant for the last 8 years i.e since 2005. Throughout the year under review (effective 10 months), the management's main focus was to revive it by resolving different issues with the Official Liquidator, developing different operational policies / systems, hiring staff, approaching potential clients, listing with Islamabad Stock Exchange, buying out of public shares held by the General Public, under the directives of the Securities and Exchange Commission of Pakistan. By the grace of Almighty Allah, the Modaraba has been able to achieve profit after tax of Rs.1.426 million, as a result, earning per certificate amounted to Re.0.14. Furthermore, during the year ended, the Modaraba has made investment in Modaraba and Ijarah Finance which will yield better return in future. The asset portfolio has a good mix of multi-nationals, large and medium sized local corporate and selective SME relationships. All the accounts are regular in payments.

First Islamic Modaraba manages and monitors risk exposure very prudently. The evaluation of borrower's credit profile including repayment ability is made at the time of grant of facility and regular oversight thereon.

The summarized financial results for the year ended are as under:

	2014 Rupees	2013 Rupees
Income	7,235,176	5,781,111
Expenses	4,889,693	1,972,470
Profit before tax	1,426,560	4,547,519
Taxation	70,200	-
Profit after taxation	1,426,560	4,547,519

EXPLANATION WITH REGARD TO THE QUALIFICATIONS OF EXTERNAL AUDITORS' REPORT.

Kindly read note # 11, 12.2, 9.1 to the financials and qualifications i, ii, iii and iv in the current year audit report:

- i) The new management of the Modaraba is confident, and has started pursuing the recovery proceedings at different Courts, and is of the view that recoveries would be made in due course of time from the parties otherwise, the said amount will be provided accordingly in the subsequent period.
- ii) Current management of the Modaraba has lodged a claim with the Official Liquidator regarding the recovery of the said amount, and is confident for its recovery.
- iii) The new management of the Modaraba is vigorously following up pending decrees at the Court level, and is confident for the recovery of the said amount.



Appointment of Shari'ah Advisor

The Circular No. 8 of 2012 dated February 03, 2012 issued by the Registrar Modaraba, Securities & Exchange Commission of Pakistan (SECP), Policy and Regulation Development Department Specialized Company Division (Modaraba Wing) Islamabad, has introduced Shari'ah Compliance and Shari'ah Audit Mechanism (SCSAM) for Modarabas.

Under Clause VIII of the Circular, every Modaraba Company shall have a Shari'ah Advisor of the Modaraba, appointed on such terms and conditions as it may deem fit, having the qualification and experience to perform as specified in the Circular. The Board has appointed Mufti Muhammad Ebrahim Essa as Shari'ah Advisor of the Modaraba, who is clearing all the financing proposals and day to day business of the Modaraba from Shariah point of view.

Corporate and Financial Reporting Framework

The financial statements prepared by the management of the Modaraba, present fairly its state of affairs, the result of its operations, cash flows and changes in equity.

Proper books of accounts of the Modaraba have been maintained.

Appropriate accounting policies have been consistently applied in preparation of financial statements, and accounting estimates used are based on reasonable and prudent judgment.

International Financial Reporting Standards, as applicable to Modarabas in Pakistan, have been followed in preparation of financial statements and any departures there from have been adequately disclosed.

The system of internal control, which is in place is sound in design and has been effectively Implemented and monitored.

There is no doubt upon the Modaraba's ability to continue as a going concern.

The Board is satisfied with the Modaraba's ability to continue as a going concern and that is why it is considering fresh injection of equity in the Modaraba.

There has been no material departure from the best practices of corporate governance, as detailed in the listing regulations.

There are no outstanding statutory payments on account of taxes, duties, levies and charges as on June 30, 2014 except for those disclosed in the financial statements.

During the year under review, Eleven (11) meetings of the Board of Directors were held. Attendance by each director was as follows:

Name of Director	Meetings Attended
Mr. Imamuddin Shouqeen	1
Mr. Shahbaz Ali Malik	03
Saiyed Faiq Husain	10
Mr. Malik Juanid Emam	10
Mr. Kamran Husain Mughal	11

The pattern of holding of certificates by the certificate-holders is included in this annual report.

The Directors, CEO, CFO/ Company Secretary and their spouses and minor children did not carry out any transaction in the certificates of Modaraba during the year.



FIRST ISLAMIC MODARABA

An Islamic Financial Institution

Future outlook:

The current economic situation, along with a very competitive environment for Islamic Financial Products has resulted in a very challenging outlook for the Modaraba. The Management of your Modaraba is proactively studying available options which would best protect and preserve certificate holders' interest in the future. We are making all possible efforts to augment the system, and special emphasis are being placed on recoveries and careful risk assessment to safeguard any adverse impact in future. New products and services are being explored to enhance our business generating activities. We are fully geared to maintain this upward trend and Inshah Allah foresee to achieve better result and to regularly pay progressive rate of return to the certificate holders of the Modaraba in very near future.

For induction of quality customer base, it requires efficient services and competitive rates of profit. In order to compete with institutions offering Islamic base funding specially Islamic Commercial Banks, we need to offer highly competitive profit rates to keep good clientele.

Role of Certificate-Holders:

The Board aims to ensure that the Modaraba's certificate holders are kept informed about major developments affecting the Modaraba's state of affairs. To achieve this objective, information is communicated to certificate holders through quarterly, half-yearly and annual financial reports.

Auditors:

The present auditors M/s. Avais Hyder Liaquat Nauman, Chartered Accountants, being eligible for appointment and upon their consent to act as auditors, have been appointed auditors of the Modaraba for financial year ending June 30, 2015 subject to the approval of Registrar Modaraba.

Compliance with the Code of Corporate Governance:

The requirements of the Code of Corporate Governance set out by the Karachi, Lahore, and Islamabad Stock Exchange in their listing regulations, relevant for the year ended June 30, 2014 have been duly complied with and any exceptions have been disclosed in the Statement of Compliance with the Best Practices of Corporate Governance.

Listed with Islamabad Stock Exchange:

The Modaraba has been listed with the Islamabad Stock Exchange, and buy out of public shares held by the General Public, under the directives of the Securities and Exchange Commission of Pakistan, was arranged through them.

Statutory Reserves

As per requirement of Rule 2 of Part III of Prudential Regulation for Modaraba as issued by the Securities and Exchange Commission of Pakistan, the Modaraba has transferred 20% of net profit to its Statutory Reserves.

Acknowledgments:

The Modaraba is thankful to the invaluable guidance and support of the Registrar Modarabas, the Securities & Exchange Commission of Pakistan, Islamabad Stock Exchange, NBF1 and Modaraba Association of Pakistan and all Staff Members of Modaraba during the year, and look forward to receiving the same in future as well.

For and on behalf of the Board.
Chief Executive

Saiyed Faiq Hussain
Karachi: 11 Dec, 2014



STATEMENT OF COMPLIANCE WITH THE CODE OF CORPORATE GOVERNANCE YEAR ENDED JUNE 30, 2014

This statement is being presented to comply with the Code of Corporate Governance (CCG) contained in Regulation No. 35 of Chapter XI of the Listing Regulations of the Karachi Stock Exchange 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.

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

- All the Directors are non executive directors except for the Chief Executive & one Director.

The directors have confirmed that none of them is serving as director in more than seven listed companies, including this Management Company.

All the resident directors of the Modaraba Management Company are registered as tax payers and none of them has defaulted in payment of any loan to a banking company, a DFI or an NBF1 or, being a member of a Stock Exchange, has been declared as defaulter by that Stock Exchange.

During the year, no casual vacancy occurred on the Board of Directors.

All the powers of the Board have been duly exercised and decisions on material transactions, including appointment and determination of remuneration and terms and conditions of employment of the Chief Executive Officer of the Modaraba Management Company, other executive and non – executive directors, have been taken by the Board. No new appointment of CEO has been made neither there is any change in the remuneration of non-executive Directors during the year.

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.

The financial statements of the Modaraba were duly endorsed by CEO and CFO before approval of the Board.

The Directors, CEO and executives do not hold any interest in the certificates of the Modaraba other than that disclosed in the pattern of holding of certificates.

The Modaraba has complied with all the corporate and financial reporting requirements of the CCG.

The directors' report for this year has been prepared in compliance requirements of the Code and fully describes the salient matters required to be disclosed.

The Board has approved appointment of CFO, Company Secretary, including their remuneration and terms and conditions of employment, as determined by the CEO.

The Board has formed an Audit Committee. It comprises 3 (three) members, of whom two are non executive directors including the Chairman of the committee.

The Board has set-up an effective internal audit function including Shari'ah compliance mechanism as required under circular 8 of 2012 issued by the Registrar of Modarabas, SECP. Mufti Ibrahim Essa is the Shari'ah Advisor of the Modaraba and has issued Shari'ah Review Report for the year ended June 30, 2014.



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.

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.

The 'closed period', prior to the announcement of interim/final results, and business decisions, which may materially affect the market price of company's securities, was determined and intimated to directors, employees and stock exchange(s).

The existing CFO & Company Secretary continue to serve as per their terms of appointment as approved by the Board of Directors.

There is no Head of Internal Audit as required. However, the management is planning to appoint a Head of Internal Audit in due course of time as the business progress.

The meeting 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 CCG.

Due to the small number of employees (only 4), the Board has not formed a Human Resource and Remuneration Committee as yet. However, the management is planning to form Human Resource and Remuneration Committee in due course of time as the number of employee increases.

A vision and mission statement and overall corporate strategy for the Modaraba is not prepared and adopted as yet as the management remained busy in resolving other mager issues / policies during the period. However, the management is planning to comply it in next year.

Credit, Investment and Internal Audit policies have been made effective. However, no Standard Operating Procedures are in place as the management has changed in the current year and streamlining the processes, and such policies will be developed subsequently.

Being the first year of operation no mechanism for annual evaluation of board's own performance has been developed. It will be made effective from next year.

We confirm that all other material principles enshrined in the CCG have been complied with.

Karachi
Dated: December 11, 2014

For and on behalf of the Board of Directors
Chief Executive Officer



REVIEW REPORT TO THE MEMBERS ON STATEMENT OF COMPLIANCE WITH BEST PRACTICES OF CODE OF CORPORATE GOVERNANCE

We have reviewed the enclosed Statement of Compliance with the best practices contained in the Code of Corporate Governance prepared by the Board of Directors of Popular Islamic Modaraba Management Company (Private) Limited ("the Modaraba Management Company") for the year ended June 30, 2014 to comply with the Listing Regulations No. 35 of Islamabad Stock Exchange, where the Modaraba is listed.

The responsibility for compliance with the Code of Corporate Governance is that of the Board of Directors of the Modaraba 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 Company's compliance with the provisions of the Code of Corporate Governance and report if it does not and to highlight any non-compliance with the requirements of the Code. A review is limited primarily to inquiries of the Company personnel and review of various documents prepared by the Modaraba to comply with the Code.

As part of the 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 are not required to consider whether the Modaraba management company Boards statement on internal control covers all risks and control, or to form an opinion on the effectiveness of such internal controls, the company corporate governance procedures and risks.

The Code requires the Company to place before the Audit Committee, and upon recommendation of the Audit Committee, place before the Board of Directors for their review and approval its related party transactions 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 and recording proper justification for using such alternate pricing mechanism. We are only required and have ensured compliance of this requirement to the extent of the approval of the related party transactions by the Board of Directors upon recommendation of the Audit Committee. We have not carried out any procedures to determine whether the related party transactions were undertaken at arm's length price or not.

Based on our review, except for the above instances of non-compliance, 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 the Modaraba for the period ended June 30, 2014.

Further, we highlight below instances of non-compliance with the requirements of the Code as reflected in the paragraph reference where these are stated in the Statement of Compliance:



S.No	Paragraph Reference	Description
I.	18	There is no Head of Internal Audit as required. However, the management is planning to appoint a Head of Internal Audit in due course of time as the business progresses.
II.	20	Due to the small number of employees (only 4), the Board has not formed a Human Resource and Remuneration Committee as yet. However, the management is planning to form Human Resource and Remuneration Committee in due course of time as the number of employee increases.
III.	21	A vision and mission statement and overall corporate strategy for the Modaraba is not prepared and adopted as yet as the management remained busy in resolving other major issues / policies during the period. However, the management is planning to comply it in next year.
IV.	22	Credit, Investment and Internal Audit policies have been made effective. However, no Standard Operating Procedures are in place as the management was changed in the current year it is and streamlining the processes, and such policies will be developed subsequently.
V.	23	Being the first year of operation under the present management no mechanism for annual evaluation of board's own performance has been developed. It will be made effective from the next year.

Chartered Accountants

Karachi.

Dated:11 Dec, 2014

Engagement Partner: Adnan Zaman



INDEPENDENT AUDITOR'S REPORT TO THE MEMBERS OF THE FIRST ISLAMIC MODARABA

We have audited the annexed balance sheet of First Islamic Modaraba as at June 30, 2014 and the related profit and loss account, 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 except for the matters as noted in paragraphs i to iv below we have obtained all the information and explanations which, to the best of our knowledge and belief, were necessary for the purpose of our audit.

These financial statements are the responsibility of Popular Islamic Modaraba Management Company (Private) Limited (the modaraba management Company), 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.

Except for the matters as noted in paragraphs i to iv below, 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 management, 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) As disclosed note 11 of the financial statements, in 2005, the Modaraba had extended short term Musharaka Finance of Rs. 45 million (2013: 45 million) to three parties. The amount of finance is still outstanding and regulation 5 of Part III of Prudential Regulation for Modarabas, requires full provision against such overdue advances. However, no such provisions against short term financing have been made in these financial statements.

(ii) As disclosed in note 12.2 of the financial statements, the Modaraba provided Rs. 9.579 million of mark up free funds in the previous years to the previous Modaraba Management Company namely Islamic Investment Bank Limited, in contravention of section 17 (2) of the Modaraba Companies and Modaraba (Floatation and Control) Ordinance, 1980, and Rule 31 of the Modaraba Companies and Modaraba Rules, 1981 and Regulation 7(3) of Section A of Part II of Prudential Regulations for Modarabas. The said amount is overdue and provision in accordance with the requirements of Regulation 5 of Part III of the Prudential Regulations for Modarabas against the outstanding balance has not been made in these financial statements.

(iii) As disclosed in note 9.1 of the financial statements, short term Morabaha Finance of Rs. 2.203 million was extended by the Modaraba in 2000. However provision against such overdue facility as required in Regulation 5 of Part III of the Prudential Regulations of Modarabas has not been made in these financial statements. In addition, execution of the decree obtained against this facility is pending since 2003.

(iv) We were not provided with the records pertaining to pending or completed tax assessments of the Modaraba therefore the advance tax deducted at source, sales tax adjustment and provision for taxation amounting to Rs. 3,040,173, Rs. 401,161 and Rs. 333,855 respectively remain unconfirmed.

(a) In our opinion, except for the matters stated in paragraphs i to iv above proper books of account have been kept by the Modaraba company in respect of First Islamic Modaraba as required by the Modaraba Companies and Modaraba (Floatation and Control) Ordinance, 1980 (XXXI OF 1980), and Modaraba Companies and Modaraba Rules, 1981;



(b) In our opinion:

i Except for the matters referred to in paragraphs i to iv above; the balance sheet and profit and loss account together with the notes there on 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 account 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, investment made, and the expenditure incurred during the year were in accordance with the objects, terms and conditions of the Modaraba;

(c) Due to significance of the matters referred to in paragraphs i to iv above, in our opinion and to the best of our information and according to explanations given to us, the balance sheet, profit and loss account, cash flow statement and statement of changes in equity together with the notes forming part thereof do not conform with the approved accounting standards as applicable in Pakistan and do not give the information required by the Modaraba companies and the Modaraba (Floatation and Control) Ordinance, 1980 (XXXI of 1980) and the Modaraba Companies and the Modaraba Rules, 1981 in the manner so required and respectively do not give a true and fair view of the state of the Modaraba's affairs as at June 30, 2014 and of the profit, 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 Ushar Ordinance, 1980 (XVIII of 1980).

We draw attention to note 1.2 to the financial statements, that during the year, Popular Islamic Modaraba Management Company (Private) Limited purchased the entire shareholding of Islamic Investment Bank Limited (Management Company) which was dysfunctional from June, 2005 along with management and assets of the "First Islamic Modaraba" from the liquidator of Islamic Investment Bank Limited. The arrangement has been confirmed by the Peshawar High Court vide its order dated March 11, 2013. Moreover, the sale agreement executed vide sale certificate dated May 16, 2013 and the change of management order was passed by the Securities and Exchange Commission of Pakistan on July 26, 2013 accordingly. Our opinion is not qualified in respect of this matter. a for the recovery of the amount, no provision has been made in the financial statements.

The financial statements of the Modaraba for the year ended June 30, 2013 were audited by another firm of Chartered Accountants who had expressed an adverse opinion in their report dated November 10, 2014 on the above and following issues:

1 Going concern

2 Confirmation of investment

Our report for the current year is not modified on these issues as there has been a change in management as mentioned above and the new management has concrete plans for the revival of the Modaraba and the unconfirmed investments have been written off.

Karachi; Dated : December 11, 2014

Avais Hyder Liaquat Nauman
Chartered Accountants
Adnan Zaman



SHARIAH ADVISOR'S REPORT

I have reviewed the affairs of First Islamic Modaraba managed by Popular Modaraba Management Company (Private) Limited for the Year ended June 30, 2014 in accordance with the requirements of the Circular No.8 of 2012, issued by the Securities and Exchange Commission of Pakistan, regarding Shariah Compliance and Shariah Audit Mechanism for Modarabas.

REVIEW OF OPERATIONS:

Based on my review, the following were the major activities / developments in respect of Shariah that took place during this period:

BANK ACCOUNTS:

For investment and operational purposes, Modaraba is operating the Bank accounts maintained with Islamic Banks.

FRESH DISBURSEMENTS

Modaraba has disbursed Financing Facilities to different clients. I confirm that, all Documentation, Contracts and Transaction Flows were in line with Shariah and duly communicated to the undersigned for Shairah Approval.

INVESTMENTS IN ISLAMIC MUTUAL FUNDS AND EQUITY SHARES

Currently FIM is not working in equity shares or mutual funds. However, during the acquisition FIM had received following shares:

Non Shariah Compliant Shares (Table.1)

S.No	Name of Shares	Quantity
1.	First National Equities Ltd.	547,833
2.	The Bank of Pujnab	11,112
3.	Bosicar Pakistan Limited	10,000

Shariah Compliant Shares (Table.2)

S.No	Name of Shares	Quantity
1.	PTCLA	60,000
2.	Telecard Limited	10,000
3.	Fauji Fertilizer Bin Qasim	5,000

As informed by the current management for the shares illustrated in Table # 1& 2, were held by M/s. Click Trade Limited (expelled member of Karachi Stock Exchange-KSE) which had defaulted in payment and closed their operations.

In this regard, current management of FIM has approached KSE for recovery, but, KSE informed that it had settled all claims of approved registered claimants of M/s. Click Trade Ltd, through sale proceeds of forfeited membership card of the said expelled member alongwith maximum allowable contribution from Investors Protection Fund.

Therefore, Board of Directors of FIM has decided to write off above mentioned shares in the financial accounts for the year ended June 30, 2014.



Islamic Mutual Funds (Table.3)

S.No	Name of Shares	Quantity
1.	Meezan Balance Fund	547,833

Islamic Mutual Fund illustrated in Table # 3 also received in acquisition and successfully registered / transferred in the name of FIM managed by PIMMCL

TAKAFUL:

During the period Modaraba took most welcomed step in respect of adopting Takaful arrangement for security of the assets and insured its assets from Takaful company time to time.

CONCLUSION:

Generally, the Management of First Islamic Modaraba has effectively shown its sincerity to comply with Shariah Rulings in its true spirit, therefore, I am of the view that the business operations of First Prudential Modaraba are Shariah compliant up to the best of my knowledge.



Mufti IbrahimEssa
Shariah Advisor



BALANCE SHEET
AS AT JUNE 30, 2014

ASSETS	Note	2014 Rupees	2013 Rupees
NON CURRENT ASSETS			
Property, plant and equipment - owned	6	55,096	-
Property, plant and equipment - ijarah	7	14,153,077	-
CURRENT ASSETS			
Investments - held for trading	8	7,313,571	7,965,889
Short term morabaha finance	9	2,202,682	2,202,682
Short term modaraba finance	10	45,000,000	-
Short term musharaka finance	11	45,000,000	45,000,000
Advances and other receivables	12	14,072,930	13,020,843
Cash and bank balances	13	4,583,277	61,235,578
		<u>118,172,459</u>	<u>129,424,992</u>
TOTAL ASSETS		132,380,632	129,424,992
LIABILITIES			
NON-CURRENT LIABILITIES			
Security deposits against Ijarah		1,502,800	-
CURRENT LIABILITIES			
Accrued and other liabilities	14	3,097,320	2,835,936
Provision for taxation	12.1	404,055	333,855
Unclaimed profit distribution		984,649	984,649
Provision for gratuity		-	501,712
Management fee payable		169,317	-
Sales tax on management fee		27,091	-
		<u>4,682,431</u>	<u>4,656,152</u>
TOTAL LIABILITIES	15	4,682,431	4,656,152
NET ASSETS		<u>126,195,400</u>	<u>124,768,840</u>
REPRESENTED BY			
CAPITAL AND RESERVES			
Authorized certificate capital			
14,000,000 (2013: 14,000,000) modaraba certificates of Rs. 10 each		<u>140,000,000</u>	<u>140,000,000</u>
Certificate holders' equity			
Certificate capital	16	100,000,000	100,000,000
Statutory reserve	17	15,522,231	15,236,919
Accumulated profit		10,673,169	9,531,921
		<u>26,195,400</u>	<u>24,768,840</u>
CONTINGENCIES & COMMITMENTS	18	-	-
		<u>126,195,400</u>	<u>124,768,840</u>

The annexed notes from 1 to 31 form an integral part of these financial statements.

For Popular Islamic Modaraba Management Company (Private) Limited
(Management Company)

CHIEF EXECUTIVE

DIRECTOR



PROFIT AND LOSS ACCOUNT
FOR THE YEAR ENDED JUNE 30, 2014

	Note	2014 Rupees	2013 Rupees
Income	19	7,235,176	5,781,111
Operating expenses	20	(4,889,693)	(1,972,470)
Operating profit		<u>2,345,483</u>	<u>3,808,641</u>
Investment written off		(1,891,246)	-
Unrealized gain on re-measurement of investments at fair value through profit or loss	8.1.1	1,238,931	738,879
Profit before management fee		<u>1,693,168</u>	<u>4,547,519</u>
Management fee		(169,317)	-
Sales tax on management fee		(27,091)	-
Profit before taxation		<u>1,496,760</u>	<u>4,547,519</u>
Taxation	21	(70,200)	-
Profit after taxation		<u>1,426,560</u>	<u>4,547,519</u>
Other comprehensive income		-	-
Total comprehensive income		<u>1,426,560</u>	<u>4,547,519</u>
Earnings per certificate - basic & diluted	22	<u>0.14</u>	<u>0.45</u>

The annexed notes from 1 to 31 form an integral part of these financial statements.

For Popular Islamic Modaraba Management Company (Private) Limited
(Management Company)

CHIEF EXECUTIVE

DIRECTOR



CASH FLOW STATEMENT
FOR THE YEAR ENDED JUNE 30, 2014

	2014 Rupees	2013 Rupees
CASH FLOW FROM OPERATING ACTIVITIES		
Profit before taxation	1,496,760	4,547,519
Adjustments for:		
Dividend income	(702,000)	(889,200)
Investment written off	1,891,246	-
Reversal against diminution in value of investment	(1,238,931)	(738,879)
Depreciation expense	16,054	-
Amortization of assets leased out under Ijarah	874,923	-
	841,293	(1,628,079)
Operating profit before working capital changes	2,338,053	2,919,441
(Increase) in current assets		
Advances and other receivables	(1,052,086)	-
Increase / (Decrease) in current liabilities		
Accrued & other liabilities	261,387	(452,902)
Provision for gratuity	(501,712)	-
Management fee payable	169,317	-
Sales tax on management fee	27,091	-
	(43,918)	(452,902)
Cash flow after working capital changes	1,242,049	2,466,539
Dividend received	702,000	889,200
Tax paid	-	(281,077)
	702,000	608,123
Net cash generated from operating activities	1,944,049	3,074,661
CASH FLOW FROM INVESTING ACTIVITIES		
Purchase of fixed assets - owned	(71,150)	-
Purchase of fixed assets - ijarah	(15,028,000)	-
Security deposit from ijarah	1,502,800	-
Investment in modaraba finance	(45,000,000)	-
Net cash used in investing activities	(58,596,350)	-
CASH FLOW FROM FINANCING ACTIVITIES	-	-
Net (decrease) / increase in cash & cash equivalent	(56,652,301)	3,074,661
Cash and cash equivalents at the beginning of the year	61,235,578	58,160,917
Cash and cash equivalents at the end of the year	4,583,277	61,235,578

The annexed notes from 1 to 31 form an integral part of these financial statements.

For Popular Islamic Modaraba Management Company (Private) Limited
(Management Company)

CHIEF EXECUTIVE

DIRECTOR



STATEMENT OF CHANGES IN EQUITY
FOR THE YEAR ENDED JUNE 30, 2014

Description	Certificate Capital	Statutory Reserve	Accumulated profitRupees.....	Total
Balance as at June 30, 2012	100,000,000	14,327,415	5,893,906	120,221,321
Profit for the year	-	-	4,547,519	4,547,519
Transferred to statutory reserve	-	909,504	(909,504)	-
Balance as at June 30, 2013	100,000,000	15,236,919	9,531,921	124,768,840
Profit for the period	-	-	1,426,560	1,426,560
Transferred to statutory reserve	-	285,312	(285,312)	-
Balance as at June 30, 2014	100,000,000	15,522,231	10,673,169	126,195,400

The annexed notes from 1 to 31 form an integral part of these financial statements.

For Popular Islamic Modaraba Management Company (Private) Limited
(Management Company)

CHIEF EXECUTIVE

DIRECTOR



NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED JUNE 30, 2014



2.3.2 Amendments not yet effective

The following amendments and interpretations with respect to the approved accounting standards as applicable in Pakistan would be effective from the dates as mentioned below against the respective standard or interpretation:

	Effective date (annual periods beginning on or after)
IFRS 9 Financial Instruments - Reissue to include requirements for the classification and measurement of financial liabilities and incorporating existing derecognition requirements.	January 01, 2015
IFRS 9 Financial Instruments- Deferral of mandatory effective date of IFRS 9 and amendments to transition disclosure	January 01, 2015
IAS 32 Financial Instruments: Presentation - Amendments relating to the offsetting of assets and liabilities	January 01, 2014
IAS 36 Impairment of Assets - Amendments arising from Recoverable Amount Disclosures for Non Financial Assets	January 01, 2014
IAS 39 Financial Instruments; Recognition and Measurements - Amendments arising for the novations of derivatives	January 01, 2014

2.3.3 Standards or interpretation not yet effective

The following International Financial Reporting Standards or Interpretations issued by IASB would be effective from the dates mentioned below against the respective standard or interpretation:

IFRS 10 Consolidated Financial statements	January 01, 2015
IFRS 11 Joint arrangements	January 01, 2015
IFRS 12 Disclosure of Interests in Other Entities	January 01, 2015
IFRS 13 Fair Value Measurement	January 01, 2015
IAS 28 Investment in Associates and Joint Ventures	January 01, 2015

The Modaraba expects that the adoption of the above amendments and interpretations of the standards will not affect the Modaraba's financial statement in the period of initial application.

3. BASIS OF MEASUREMENT

3.1 These financial statements have been prepared under the historical cost convention except for certain financial assets which are stated at fair value.

3.2 These financial statements have been prepared under the accrual basis of accounting except for cash flow information.

4. USE OF ESTIMATES

The preparation of financial statements in conformity with approved accounting standards requires the use of certain critical accounting estimates. It also requires 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 circumstances. However, assumptions and judgments made by management in the application of accounting policies that have significant effect on the financial statements are not expected to result in material adjustment to the carrying amounts of assets and liabilities in the next year. The areas involving a higher degree of judgments or complexity or areas where assumptions and estimates are significant to the financial estimates are as follows:



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		Note
a)	Useful life of depreciable assets/amortizable assets	6 & 7
b)	Classification of investments	8
c)	Income tax	21
d)	Provision for non performing assets	8.1.1

5. SIGNIFICANT ACCOUNTING POLICIES

5.1 Accounting Convention

These financial statements have been prepared under the historical cost convention, except for the measurement at fair value of certain financial instruments in accordance with the requirements of International Accounting Standard - 39 " Financial Instruments: Recognition and Measurement ", wherever applicable. The principal accounting policies adopted are set out below.

5.2 Accrual Basis of Accounting

These financial statements except cash flow information, have been prepared under the accrual basis of accounting.

5.3 Taxation

Current

The charge for taxation is based on taxable income at current rates of taxation after taking into account tax credits and tax rebates available, if any or minimum tax under the provisions of the Income Tax Ordinance, 2001. For items covered under final tax regime, provision is made according to the final tax rate provided in the Income Tax Ordinance, 2001. The income of Modaraba other than trading income is exempt from tax under Clause 100 of Part I of the Second Schedule to the Income Tax Ordinance, 2001. Provided that not less than 90% of its total profits in the year as reduced by the amount transferred to a mandatory reserve, as required under the provisions of the Modaraba Companies and Modaraba (Floatation and Control) Ordinance, 1980 or the rules made thereunder, as are distributed amongst the certificate holders.

Deferred

Deferred tax is recognized using the balance sheet liability method in respect of all temporary differences arising from differences between the carrying amount of assets and liabilities in the financial statements and the tax base. This is recognized on the basis of expected manner of the realization and the settlement of the carrying amount of assets and liabilities using the tax rates enacted or substantially enacted at the balance sheet date. Deferred tax assets are recognized for all deductible temporary differences and carry forward of unused tax losses, if any, to the extent that future taxable profits will be available against which the deductible temporary differences can be utilised. Deferred tax assets are reduced to the extent that is no longer probable that the related tax benefit will be realised.

Deferred income tax assets and liabilities are measured at the tax rates that are expected to apply to the period when the asset is realized or the liability is settled, based on tax rates that have been enacted or substantively enacted at the balance sheet date.

However, deferred tax is not accounted for as the management believes that the temporary differences will not reverse in the foreseeable future.



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5.4 Fixed Assets - Tangible

Owned

Fixed assets are stated at cost less accumulated depreciation and impairment, if any. Depreciation is charged to income applying the straight line method where by the cost less estimated residual value, if any, of an asset is written off over its estimated useful life at the rates as mentioned in the Note 6.

Proportionate depreciation is charged on purchases and disposals during the year.

Maintenance and repairs are charged to income as and when incurred. Major renewals and improvements are capitalized and the assets so replaced, if any, are retired.

Gains and losses on disposal of assets are included in income.

Assets leased out under Ijarah and depreciation

Ijarah (lease) assets are stated at cost less accumulated depreciation. Depreciation is charged to income applying the straight line method whereby the cost of an asset less salvage value is written off over the Ijarah (lease) period, which is considered to be the estimated useful life of the asset. In respect of additions of disposals during the year, depreciation is charged proportionately from the date of delivery of assets to the date of its maturity / termination.

Maintenance and repairs are charged to income as and when incurred. Major renewals and improvements are capitalized and the assets so replaced, if any, are retired.

Gains and losses on disposal of assets are included in income.

5.5 Financial Instruments

All the financial assets and financial liabilities are recognized at the time when Modaraba becomes a party to the contractual provisions of the instruments.

5.6 Investments

All Investments are initially recognized on trade-date at cost, comprising of fair value of consideration given and cost of transaction. Its classification is made on the basis of intended purpose of holding such investments. The subsequent measurement on the balance sheet date is carried out on the following basis:

Held for Trading

These are securities which are either acquired for generating a profit from short term fluctuation in prices or are securities included in a portfolio in which a pattern of short-term profit taking exists. These are measured at fair value and changes in carrying values are included in profit and loss account.

Held to Maturity

Held to maturity investments are financial assets with fixed or determinable payments and fixed maturity that the Modaraba has the positive intent and ability to hold to maturity. These are initially recognized at cost inclusive of transaction cost and are subsequently carried at amortized cost. Surplus/ deficit arising due to fluctuation in fair value is taken to profit and loss account.

The fair value for listed securities is the quoted market price. The securities, for which a quoted market price is not available, are measured at cost.

All investments are de-recognized when the rights to receive cash flows from the investments have expired or have been transferred and the Modaraba has transferred substantially all risks and rewards of ownership.



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Available for Sale

These are investments that do not fall under held for trading or held to maturity. These are stated at fair value and the surplus/ (deficit) on revaluation of investments being unrealized gain/ (loss) is taken directly to equity until sold or otherwise disposed of at which time, the cumulative gain or loss previously recognized in equity is included in profit and loss account.

5.7 Other Receivables

Other receivables are stated net of impairment loss. Impairment loss is recognized for doubtful receivables on the basis of prudential regulations for Modarabas issued by SECP or based on the estimates of the management, whichever is higher. Bad debts are written off when identified.

5.8 Advances

All advances in the form of morabaha and musharaka finances are stated net of provision for doubtful debts. Provision for doubtful debts is made on the basis of Prudential Regulations for Modarabas or on the estimate of management whichever is higher.

5.9 Financial Instruments

The particular recognition methods adopted by the Modaraba are disclosed in the individual policy statement associated with each item of financial instruments.

Financial assets

Financial assets are initially recognized at their cost which is the fair value of the consideration given for them at the time when the Modaraba becomes a party to the contractual provisions of the instruments and subsequent to initial recognition, financial assets are carried at fair value except any financial asset whose fair value can not be reliably measured.

A 'regular way' purchase or sale of financial asset is recognized using trade date accounting.

Financial liabilities

All financial liabilities are initially recognized at cost which is the fair value of consideration received at the time when the Modaraba becomes a party to the contractual provisions of the instruments. After initial recognition, financial liabilities are carried at fair value, amortized cost or original cost as the case may be.

Off-setting financial instruments

Financial assets and financial liabilities are offset and the net amount is reported in the financial statements when the Modaraba has a legally enforceable right to set off the recognized amounts or intend either to settle on net basis or to realize the assets and settle the liabilities simultaneously.

De-recognition

Financial assets are de-recognized when the Modaraba loses control of the contractual rights that comprise the Financial liabilities are de-recognized when they are extinguished; that is, when the obligation specified in the contract is discharged, cancelled or expires.

Recognition of gains / (losses)

Gains or losses, if any, on realization or settlement, subsequent measurement and derecognition of financial assets and liabilities are included in net profit and loss in the period in which it arises.

Impairment/ un-collectibility of financial assets

An assessment is made at each balance sheet date to determine whether there is an evidence that the financial asset or the group of financial assets may be impaired. If such evidence exists, the estimated recoverable amount of the asset(s) is determined and impairment loss is recognized for the difference between the recoverable amount and the carrying amount.



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5.10 Impairment

The carrying amount of assets are reviewed at each balance sheet date to determine whether there is any indication of impairment of any assets or a group of assets. If such indication exists, the recoverable amount of that asset is estimated and impairment loss is recognized in the profit and loss account.

5.11 Cash and cash equivalents

Cash and cash equivalents are carried in the balance sheet at cost. For the purpose of cash flow statement, cash and cash equivalents consist of cash in hand, balances with banks in current and deposit accounts.

5.12 Gratuity

The modaraba operating an unfunded gratuity scheme for all its permanent employees who have completed a minimum qualifying service period of six months with modaraba. The benefits are paid lump sum at the time of the members leaving the company in relation to the number of completed years of service and last drawn salaries.

The provision appearing in the financial statements is based on actuarial valuation carried out as on June 30, 2004, by independent actuaries namely Nauman Associates, using the projected unit credit method. No actuarial valuation has been carried out subsequently as the staff strength dropped to two persons. Currently the amount provided is considered adequate based on completed years and the last drawn salaries.

5.13 Borrowing Cost

Borrowing costs are recognized as an expense in the period in which they are incurred.

5.14 Revenue Recognition

Revenue is recognized on the following basis:-

- Lease rentals are recognized as income on a systematic basis over the lease period without considering grace period, if any.
- Profit on finances under musharaka / morabaha 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.
- Dividend income is recognized when the right to receive dividend is established.
- Return on deposits with bank is recognized on accrual basis.
- Income from fee and commission is recognized as and when it becomes due.

5.15 Provisions

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

5.16 Related Party Transactions

Transactions with related parties are stated at arm's length prices based on the methods prescribed in the Companies Ordinance, 1984, computed on the basis of comparable uncontrolled price method.

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6 PROPERTY, PLANT AND EQUIPMENT - OWNED

Description	Cost		Depreciation			Depreciation rate in %
	As at July 1, 2013	As at June 30, 2014	As at July 1, 2013	Transfer	As at June 30, 2014	
	As at July 1, 2013 (Disposals)	As at June 30, 2014	As at July 1, 2013 (Transfers/disposal)	Transfer	As at June 30, 2014	
Furniture and fixtures	-	12,700	-	1,440	1,440	15
Office equipment	-	42,150	-	10,863	10,863	33.33
Computer equipment	-	16,300	-	3,751	3,751	33.33
TOTAL	-	71,150	-	16,054	16,054	55,096

2 0 1 4

7 PROPERTY, PLANT AND EQUIPMENT - IJARAH

Description	Cost		Depreciation			Depreciation rate in %
	As at July 1, 2013	As at June 30, 2014	As at July 1, 2013	Transfer	As at June 30, 2014	
	As at July 1, 2013 (Disposals)	As at June 30, 2014	As at July 1, 2013 (Transfers/disposal)	Transfer	As at June 30, 2014	
Vehicles	-	5,700,000	-	261,575	261,575	25
Office equipment	-	9,328,000	-	613,348	613,348	25
TOTAL	-	15,028,000	-	874,923	874,923	14,153,077

Ijarah future rental receivables

Not later than one year
Later than one year but not later than five years

	2014	2013
.....Rupees.....		
	16,863,649	-
	<u>16,863,649</u>	<u>-</u>



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		Note	2014 Rupees	2013 Rupees		
8. INVESTMENTS - HELD FOR TRADING						
Quoted securities - held for trading		8.1	<u>7,313,571</u>	<u>7,965,889</u>		
8.1 QUOTED SECURITIES - HELD FOR TRADING						
The nominal value of these shares / certificates are of Rs.10/- each except otherwise stated.						
2014 Number of Shares	2013 Number of Shares	Sector and Name of company	Average Cost 2014 Rupees	2013 Rupees	Market Value 2014 Rupees	2013 Rupees
MUTUAL FUND						
547,833	468,000	Meezan Balance Fund	4,680,000	4,680,000	7,313,571	6,074,640
INVESTMENT BANK/CO'S/SECURITIES						
-	12,650	First National Equities Ltd.	-	640,750	-	74,382
-	11,112	The Bank of Punjab	-	498,797	-	141,564
TECHNOLOGY & COMMUNICATION						
-	60,000	P.T.C.L	-	4,365,389	-	1,331,400
-	10,000	Telecard Limited	-	181,200	-	51,800
REFINERY						
-	10,000	Bosicar Pakistan Limited	-	328,200	-	104,400
FERTILIZER						
-	5,000	Fauji Fertilizer Bin Qasim	-	218,850	-	187,700
			<u>4,680,000</u>	<u>10,913,186</u>	<u>7,313,571</u>	<u>7,965,886</u>

8.1.1 PROVISION FOR DIMINUTION IN VALUE OF INVESTMENT

Provision for diminution at the beginning of the year	2,947,297	3,686,175
Reversal during the year	(1,238,931)	(738,879)
Provision for diminution at the end of the year	<u>1,708,366</u>	<u>2,947,297</u>

9. SHORT TERM MORABAHA FINANCE

Considered doubtful - secured	2,202,682	2,202,682
Considered doubtful - unsecured	-	-
	<u>2,202,682</u>	<u>2,202,682</u>
Less: Provision for doubtful Morabaha finance	-	-
	<u><u>2,202,682</u></u>	<u><u>2,202,682</u></u>



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9.1 This represents overdue morabaha finances granted to a party in the year 2000 secured against mortgage of property. Banking court No. 1 Karachi decreed the suit filed for recovery of finance against the said parties. In this case, decree was awarded amounting to Rs. 2.3 million with cost and markup at a rate of 8% per annum from the date of filing of suit in the year 2002 till payment of the entire amount. The application for execution of the decrees is pending since the year 2003 and 2004. The property in question was last valued in the year 2001. Since the Modaraba has been taken over by the new management, they are following up the matter vigorously at the court level. The current management is confident for the recovery of said amount.

	Note	2014 Rupees	2013 Rupees
10. SHORT TERM MODARABA FINANCE			
Considered Good - secured		45,000,000	-
Considered Good - unsecured		-	-
Considered doubtful - unsecured		-	-
		<u>45,000,000</u>	<u>-</u>
Less: Provision for doubtful Modaraba finance		-	-
		<u><u>45,000,000</u></u>	<u><u>-</u></u>

10.1. SHORT TERM MODARABA FINANCE

	Considered Good		Considered Doubtful		Total	
	2014	2013	2014	2013	2014	2013
Considered Good - secured						
Principal	30,000,000	-	-	-	30,000,000	-
Profit	-	-	-	-	-	-
Subtotal	<u>30,000,000</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>30,000,000</u>	<u>-</u>
Considered Good - unsecured						
Principal	15,000,000	-	-	-	15,000,000	-
Profit	-	-	-	-	-	-
Subtotal	<u>15,000,000</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>15,000,000</u>	<u>-</u>
Less: Provision for doubtful Modaraba finance	-	-	-	-	-	-
	<u><u>45,000,000</u></u>	<u><u>-</u></u>	<u><u>-</u></u>	<u><u>-</u></u>	<u><u>45,000,000</u></u>	<u><u>-</u></u>

10.1.1 The return on modaraba finances ranges from 13.5 to 17% per annum. These are secured against post dated cheques, demand promissory notes and mortgage of property

11. SHORT TERM MUSHARAKA FINANCE

Considered Good - secured	11.1	5,000,000	-
Considered Good - unsecured	11.2	40,000,000	-
Considered doubtful - unsecured		-	-
		<u>45,000,000</u>	<u>-</u>
Less: Provision for doubtful Musharaka finance		-	-
		<u><u>45,000,000</u></u>	<u><u>-</u></u>



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11.1 This represents funds provided to a customer (2006: Rs. 2.5 million and 2005: 2.5 million) under Musharika arrangements for working capital requirements of profit and loss sharing basis. The expected rate of profit is 14% (2013: 14%) per annum. These are secured against hypothecation of stocks.

11.2 This represents amount disbursed in the year 2005 to two NBFCs for 180 days as musharika finance - unsecured on profit and loss basis carrying estimated profit of 9 to 10.9% (2013: 9% to 10.9%) per annum. The NBFCs have not repaid the finance or profit thereon on the plea that an equivalent amount is due by the Modaraba company to them and this be set off.

Since the management of the Modaraba has changed in the current year, they are taking up the recovery proceedings at the court level and are of the view that recoveries will be made in due course of time from the parties otherwise, the said amount will be provided accordingly in the subsequent period.

	Note	2014 Rupees	2013 Rupees
12. ADVANCES AND OTHER RECEIVABLES			
Considered good			
Tax deducted at source	12.1	3,040,173	3,040,173
Accrued profit on:			
Musharaka finances		20,683,331	20,683,331
Less: Profit Suspended		(20,683,331)	(20,683,331)
PLS accounts		-	-
Assets leased out		9,547,000	9,547,000
Less: Profit Suspended		(9,547,000)	(9,547,000)
Sales tax adjustment	12.1	401,161	401,161
Accrued markup		-	-
Other receivable		13,087	301,334
Less: Amount written off		-	(301,334)
		<u>13,087</u>	<u>-</u>
		3,454,421	3,441,334
Considered doubtful			
Other receivable		640,803	640,803
Less: provision for doubtful receivable		(640,803)	(640,803)
Receivable from former modaraba management company	12.2	9,579,509	9,579,509
Advance to suppliers		1,039,000	-
		<u>14,072,930</u>	<u>13,020,843</u>

12.1 During the year, the management of the Modaraba has changed and the new management has acquired the assets of Modaraba from the liquidator. On correspondence with the liquidator it was found that the liquidator did not receive any records regarding tax assessments from the previous management. The current management is looking into the tax matters and corresponding with the Federal Board of Revenue (FBR) to resolve this issue of outstanding tax balances. These balances will be adjusted accordingly as and when response from FBR is received.

12.2 This represents the funds transferred to Islamic Investment Bank Limited (former modaraba management company) through cheques amounting to Rs. 26.438 million during the period from August 03, 2004 to June 30, 2007. The modaraba received repayment of Rs. 16.841 million from management company upto June 30, 2008. The balance due as at June 30, 2014 amounted to Rs. 9.579 million (2013: 9.579 million). Current management company has lodged a claim with the official liquidator regarding the recovery of said amount and are confident for the recovery of it.



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	Note	2014 Rupees	2013 Rupees
13. CASH AND BANK BALANCES			
Cash in hand		135,935	-
Bank balances			
- Deposit accounts	13.1.	4,302,324	1,089,728
- Deposit account with State Bank of Pakistan		145,018	145,850
		4,447,342	1,235,578
Barkat Islamic investment certificates - Placements	13.2.	-	60,000,000
		<u>4,583,277</u>	<u>61,235,578</u>

13.1. Rate of profit on deposit accounts ranges from 4.5 to 5.75% (2013: 4.5 to 5.5%) per annum.

13.2. This represents placements with bank and carries profit ranging from 6.8 to 9.9% (2013: 7 to 9.5%) per annum.

14. ACCRUED AND OTHER LIABILITIES

Accrued expenses		207,127	207,127
Withholding tax payable		93,674	5,671
Advance received from customers against trading		55,700	55,700
Return on carry over transactions	14.1	1,784,528	1,784,528
Other liabilities		956,291	782,910
		<u>3,097,320</u>	<u>2,835,936</u>

14.1 This represents profit on carry over transactions in listed securities earned during the year ended June 30, 2003 which has not been charged to income for that year. The management intend to donate this amount for charitable purposes with the approval of Registrar Modaraba. This amount has since been separated from the funds of Modaraba.

15. TOTAL LIABILITIES

This includes prior year liabilities of Rs. 2,835,936, Rs. 333,855 and Rs. 984,649 related to Accrued & other liabilities, Provision for taxation and Unclaimed profit distribution respectively. During the year, the management of the Modaraba has changed and the new management has acquired the assets of Modaraba free from all encumbrances and liabilities according to the order of Peshawar High Court dated March 11, 2013. The current management has sought legal advice in this matter and is of the view that the management will not have to bear these liabilities in future. However, on the final decision, adjustments will be made accordingly in the subsequent year.



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16. CERTIFICATE CAPITAL

2013	2014		2014	2013
Number of Certificates			Rupees	Rupees
10,000,000	10,000,000	Modaraba certificates of Rs. 10 each fully paid-up in cash	100,000,000	100,000,000

17. STATUTORY RESERVE

	2014	2013
	Rupees	Rupees
Balance at beginning of the year	15,236,919	14,327,415
Transferred during the year from profit and loss account	285,312	909,504
	<u>15,522,231</u>	<u>15,236,919</u>

18. CONTINGENCIES & COMMITMENTS

Contingencies

In the year 1998, the modaraba filed an appeal before Customs, Excise and Sales Tax Appellate Tribunal, Karachi bench against an allegation that the modaraba has short paid of Rs. 377,755/- as principal amount of sales tax short paid during the year 1998 and additional tax of Rs. 79,364/-. A penalty of Rs. 10,000/- was also imposed. The case is pending before the Honorable Appellate Tribunal. The modaraba has not made any provision as the legal counsel expects a favourable outcome of the appeal.

Commitments

The modaraba has no commitments as at June 30, 2014 (2013: NIL)

19. INCOME

Profit on Barkat Islamic Investment Certificates	3,047,969	4,891,911
Profit on Deposit accounts	79,898	-
Other Income	30,000	-
Income on Morabaha	450,000	-
Income on Modaraba	1,743,716	-
Income on Ijarah	1,181,593	-
Dividend income	702,000	889,200
	<u>7,235,176</u>	<u>5,781,111</u>



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20. OPERATING EXPENSES

	Note	2014	2013
		Rupees	Rupees
Salaries, wages and other benefits	20.1	1,754,332	1,047,496
Auditors' remuneration		100,000	75,000
CDC charges / Registrar services		82,537	-
Zakat deducted at source		117,000	117,000
Postage and delivery		10,260	10,562
Printing & stationery		53,336	133,810
Fees & subscription		497,583	300,000
Legal and professional fee		510,000	51,505
Repair & maintenance		114,050	-
Travelling & conveyance		469,658	-
Advertisement		64,700	-
Telecommunication		52,530	-
Miscellaneous expenses		28,556	-
Internet & networking expenses		15,150	-
Entertainment		25,977	-
Electricity		96,583	-
Withholding tax		4,142	-
Bank charges		2,322	-
Depreciation		16,054	-
Amortization of assets leased out under Ijarah		874,923	-
Other expenses		-	237,097
		<u>4,889,693</u>	<u>1,972,470</u>

20.1 REMUNERATION OF OFFICERS AND OTHER EMPLOYEES

	2014			2013		
	Officers	Other Employees	Total	Officers	Other Employees	Total
Rupees.....		Rupees.....		
Remuneration	1,563,500	190,832	1,754,332	-	-	-
Provident fund	-	-	-	-	-	-
Medical expenses	-	-	-	-	-	-
Fuel	-	-	-	-	-	-
Others	-	-	-	-	-	-
	<u>1,563,500</u>	<u>190,832</u>	<u>1,754,332</u>	<u>-</u>	<u>-</u>	<u>1,047,496</u>
No. of persons	2	2	4	-	-	-

20.1.1 Comparative figures are not being provided as the management of the Modaraba has changed in current year.

21. TAXATION

By virtue of clause (11) (XIII) of Part - IV of second schedule, no minimum tax is payable by Modaraba under section 113 of the Income Tax Ordinance, 2001.



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	Note	2014 Rupees	2013 Rupees
22. EARNINGS PER CERTIFICATE- basic & diluted			
Profit for the year after taxation		<u>1,426,560</u>	<u>4,547,519</u>
Weighted average number of certificates		<u>10,000,000</u>	<u>10,000,000</u>
Earnings per certificate		<u>0.14</u>	<u>0.45</u>

23. RELATED PARTY TRANSACTIONS

The related parties comprise of associated undertakings, directors of the Modaraba Management Company. The Modaraba, in the normal course of business carries out transactions with these related parties. Significant transactions with related parties are as follows;

Nature of Transaction	Relationship with the Company		
Management fee	Management company	169,317	-
Balance as at the year end			
Payable to Modaraba Management Company	Management company	169,317	-

24. FINANCIAL INSTRUMENT AND RELATED DISCLOSURES

24.1 Financial risk management

The Modaraba's objective in managing risks is the creation and protection of Certificate holder's value. Risk is inherent in the Modaraba activities, but it is managed through a process of ongoing identification, measurement and monitoring, subject to risk limits and other controls. The process of risk management is critical to the Modaraba's continuing profitability. The Modaraba is exposed to market risk (which includes profit rate risk and price risk), credit risk and liquidity risk arising from the financial instruments it holds.

The Modaraba primarily invests in Ijarah (lease) assets, diminishing musharaka and diversified portfolio of listed securities. Such investments are subject to varying degrees of risk, which emanate from various factors that include but are not limited to:

- Credit risk
- Liquidity risk
- Market risk

24.2 Credit risk and concentration of 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 attempts to control credit risk by monitoring credit exposures, limiting transactions with various parties and continuous monitoring of credit worthiness of dealing parties. The management understands that the Modaraba is not exposed to any major concentration of credit risk.



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Exposure to Credit Risk

The maximum exposure to credit risk before any credit enhancements at June 30, 2014 is the carrying amount of the financial assets as set out below:

	Note	2014 Rupees	2013 Rupees
Business			
Investments - held for trading		7,313,571	7,965,889
Short term morabaha finance		2,202,682	2,202,682
Short term modaraba finance		45,000,000	-
Short term musharaka finance		45,000,000	45,000,000
Advances and other receivables		14,072,930	13,020,843
Cash and bank balances		4,583,277	61,235,578
		<u>118,172,459</u>	<u>129,424,992</u>

Concentration of credit risk

Concentration is the relative sensitivity of the Modaraba's performance to developments affecting a particular industry or geographical location.

Segment by class of business of major Ijarah assets

	2014		2013	
	Rupees	%	Rupees	%
Modaraba	-	-	-	-
Cargo, Trading & distribution	-	-	-	-
Investment companies, firms & bank	-	-	-	-
Textile, Chemical & Pharmaceuticals	-	-	-	-
Hotels and resorts	15,028,000	100.00	-	-
Individual	-	-	-	-
Miscellaneous	-	-	-	-
	<u>15,028,000</u>	<u>100.00</u>	<u>-</u>	<u>0.00%</u>

23.2.1 Modaraba's operations are restricted to Pakistan only

24.3 Liquidity risk

The Modaraba defines liquidity risk as the risk that funds will not be available to meet liabilities as they fall due.

A range of tools is used for the management of liquidity. These comprise commitment and under writings guidelines, key balance sheet ratios and medium-term funding requirements. Moreover, day-to-day monitoring of future cash flows takes place and suitable levels of liquid reserves are maintained by the business.



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	2014			Total
	Upto one year	One year to five years	Over five years	
..... Rupees				
Financial assets				
Investments - held for trading	7,313,571	-	-	7,313,571
Short term morabaha finance	2,202,682	-	-	2,202,682
Short term modaraba finance	45,000,000	-	-	45,000,000
Short term musharaka finance	45,000,000	-	-	45,000,000
Advances and other receivables	14,072,930	-	-	14,072,930
Cash and bank balances	4,583,277	-	-	4,583,277
(a)	118,172,459	-	-	118,172,459
Financial liabilities				
Security deposits against Ijarah	-	1,502,800	-	1,502,800
Accrued and other liabilities	3,097,320	-	-	3,097,320
Provision for taxation	404,055	-	-	404,055
Unclaimed profit distribution	984,649	-	-	984,649
Provision for gratuity	-	-	-	-
Management fee payable	169,317	-	-	169,317
Sales tax on management fee	27,091	-	-	27,091
(b)	4,682,431	1,502,800	-	6,185,231
On-balance sheet gap (a) - (b)	113,490,028	(1,502,800)	-	111,987,228

2013				
Financial assets				
Investments - held for trading	7,965,889	-	-	7,965,889
Short term morabaha finance	2,202,682	-	-	2,202,682
Short term modaraba finance	-	-	-	-
Short term musharaka finance	45,000,000	-	-	45,000,000
Advances and other receivables	13,020,843	-	-	13,020,843
Cash and bank balances	61,235,578	-	-	61,235,578
(a)	129,424,992	-	-	129,424,992
Financial liabilities				
Accrued and other liabilities	2,835,936	-	-	2,835,936
Provision for taxation	333,855	-	-	333,855
Unclaimed profit distribution	984,649	-	-	984,649
Provision for gratuity	501,712	-	-	501,712
(b)	4,656,152	-	-	4,656,152
On-balance sheet gap (a) - (b)	124,768,840	-	-	124,768,840

24.4 Market risk

The risk that fair value or future cash flows of a financial instrument will fluctuate because of changes in market prices of securities due to a change in credit rating of the issuer or the instrument, change in market sentiments, speculative activities, supply and demand of securities and liquidity in the market.



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Market price risk

The risk that fair value or future cash flows of a financial instrument will fluctuate because of changes in market prices of securities due to a change in credit rating of the issuer or the instrument, change in market segments, speculative activities, supply and demand of securities and liquidity in the market.

Exposure:

The Modaraba is exposed to unfavorable changes in fair values of investments as a result of changes in prices of securities. As at June 30, 2014, the fair value of equity exposed to price risk was as follows:

Particulars:	Average Cost 2014	Fair Value	Average Cost 2013	Fair Value
Rupees.....			
Equity securities	4,680,000	7,313,571	4,680,000	6,074,640

Risk management

The Modaraba's policy is to manage price risk through diversified and selection of securities and other financial instruments within specified limits set by Investment Committee. The majority of the Modaraba's investments are publicly traded and are valued at the rates provided by stock exchange at which is set as per the trading trend and volumes in the security

Profit rate risk

Profit rate risk arises from the effects of fluctuations in the prevailing levels of market profit rates on the fair value of financial assets and liabilities and future cash flows.

Risk exposure

The Modaraba has Ijarah portfolio. The majority of Ijarah portfolio is linked with KIBOR rate as a benchmark. The Modaraba reviews KIBOR on Ijarah portfolio on six monthly basis.

As at June 30, 2014, the profit of the Modaraba's variable value financial instruments were as follows:

25. FAIR VALUE OF FINANCIAL INSTRUMENTS

Investments are carried at their fair value. The Modaraba is of the view that the fair market value of most of the remaining financial assets and financial liabilities are not significantly different from their carrying amounts.



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	Note	2014 Rupees	2013 Rupees
25.1 Financial instruments by category			
Loans and receivables			
Short term morabaha finance		2,202,682	2,202,682
Short term modaraba finance		45,000,000	-
Short term musharaka finance		45,000,000	45,000,000
Advances and other receivables		14,072,930	13,020,843
Cash and bank balances		4,583,277	61,235,578
Financial assets at fair value through profit or loss			
Investments - held for trading		7,313,571	7,965,889
(a)		<u>118,172,459</u>	<u>129,424,992</u>
Financial liabilities			
Financial liabilities at amortised cost			
Accrued and other liabilities		3,097,320	2,835,936
Provision for taxation		404,055	333,855
Unclaimed profit distribution		984,649	984,649
Provision for gratuity		-	501,712
Management fee payable		169,317	-
Sales tax on management fee		27,091	-
(b)		<u>4,682,431</u>	<u>4,656,152</u>
(a) - (b)		<u>113,490,028</u>	<u>124,768,840</u>

25.2 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 and loss. Therefore a change in interest rates at the reporting date would not affect profit and loss account.



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26 YIELD / PROFIT RATE RISK EXPOSURE	Yield / Profit bearing maturing		Non yield / Profit bearing maturing		Total			
	Effective yield / Profit risk	Within one year	After one year	Sub total		Within one year	After one year	Sub total
	%Rupees.....			Rupees.....		
Financial assets								
Investments - held for trading		-	-	-	7,313,571	-	7,313,571	7,313,571
Short term morabaha finance		2,202,682	-	-	-	-	2,202,682	2,202,682
Short term modaraba finance		45,000,000	-	-	-	-	45,000,000	45,000,000
Short term musharaka finance		45,000,000	-	-	-	-	45,000,000	45,000,000
Advances and other receivables		-	-	-	14,072,930	-	14,072,930	14,072,930
Cash and bank balances		4,583,277	-	-	-	-	4,583,277	4,583,277
(A)		96,785,959	-	-	21,386,500	-	21,386,500	118,172,459
Financial liabilities								
Security deposits against Ijarah		-	-	-	-	1,502,800	1,502,800	1,502,800
Accrued and other liabilities		-	-	-	3,097,320	-	3,097,320	3,097,320
Provision for taxation		-	-	-	404,055	-	404,055	404,055
Unclaimed profit distribution		-	-	-	984,649	-	984,649	984,649
Management fee payable		-	-	-	169,317	-	169,317	169,317
Sales tax on management fee		-	-	-	27,091	-	27,091	27,091
(B)		-	-	-	4,682,431	1,502,800	6,185,231	6,185,231
On-balance sheet gap	(A)-(B)	96,785,959	-	-	16,704,069	(1,502,800)	15,201,269	111,987,228
Non-financial assets		-	-	-	-	-	-	-
Non-financial liabilities		-	-	-	-	-	-	-
Total net assets		<u>96,785,959</u>	<u>-</u>	<u>-</u>	<u>16,704,069</u>	<u>(1,502,800)</u>	<u>15,201,269</u>	<u>111,987,228</u>
								<u>14,208,173</u>
								<u>126,195,400</u>

26 YIELD / PROFIT RATE RISK EXPOSURE

The information about Modaraba's exposure to yield rate risk, based on contractual refinancing or maturity dates whichever is earlier, is as follows:



2013	Yield / Profit bearing maturing			Non yield / Profit bearing maturing				
	Effective yield / Profit risk %	Within one year	After one year	Sub total	Within one year	After one year	Sub total	Total
				Rupees.....		Rupees.....		
Financial assets								
Investments - held for trading		-	-	-	7,965,889	-	7,965,889	7,965,889
Short term morabaha finance		2,202,682	-	2,202,682	-	-	-	2,202,682
Short term modaraba finance		-	-	-	-	-	-	-
Short term musharaka finance		45,000,000	-	45,000,000	-	-	-	45,000,000
Advances and other receivables		61,235,578	-	61,235,578	13,020,843	-	13,020,843	74,256,422
Cash and bank balances	(A)	108,438,260	-	108,438,260	34,007,576	-	20,986,732	129,424,992
Financial liabilities								
Accrued and other liabilities		-	-	-	2,835,936	-	2,835,936	2,835,936
Provision for taxation		-	-	-	333,855	-	333,855	333,855
Unclaimed profit distribution		-	-	-	984,649	-	984,649	984,649
Provision for gratuity		-	-	-	501,712	-	501,712	501,712
	(B)	-	-	-	4,656,152	-	4,656,152	4,656,152
On-balance sheet gap	(A)-(B)	108,438,260	-	108,438,260	29,351,424	-	16,330,580	124,768,840
Non-financial assets		-	-	-	-	-	-	-
Non-financial liabilities		-	-	-	-	-	-	-
Total net assets		-	-	-	-	-	-	124,768,840

"Yield risk is the risk of decline in earnings due to adverse movements of the yield curve.



27 OPERATIONAL RISK

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

The Modaraba's objective is to manage operational risk so as to balance limiting of financial losses and damage to its reputation with achieving its objective of generating returns for certificate holders. The primary responsibility for the development and implementation of controls over operational risk rests with the Board of Directors of the Management Company. This responsibility encompasses the controls in the following areas:

- Requirements for appropriate segregation of duties between various functions, roles and responsibilities;
- Requirements for the reconciliation and monitoring of transactions;
- Compliance with regulatory and other legal requirements;
- Documentation of controls and procedures;
- Requirements for the periodic assessment of operational risks faced, and the adequacy of controls and procedures to address the risks identified;
- Ethical and business standards;
- Risk mitigation, including insurance where this is effective.

28 NUMBER OF EMPLOYEES

	2014	2013
As at year end	04	-

29 DATE OF AUTHORIZATION FOR ISSUE

The financial statements were approved by the board of directors of the Modaraba Company and authorized for issue on Dec 11, 2014.

30 CORRESPONDING FIGURES

Corresponding figures have been rearranged and reclassified, where necessary, for the purpose of comparison. However no significant reclassification has been made except the following:

Reclassification from components	Reclassification to components	in "Rupees"
Bank balances	Barkat Islamic investment certificates - Placements	60,000,000
Receivable from management company	Advances and other receivables	9,579,509

31 GENERAL

The figures have been rounded off to the nearest rupees.

For Popular Islamic Modaraba Management Company (Private) Limited
(Management Company)

CHIEF EXECUTIVE

DIRECTOR



PATTERN OF CERTIFICATE HOLDING REPORT
As of June 30, 2014

NUMBER OF CERTIFICATE HOLDERS	CERTIFICATE HOLDINGS			TOTAL CERTIFICATE HELD
16	1	to	100	1,300
812	101	to	500	401,718
69	501	to	1000	68,250
50	1001	to	5000	136,290
22	5001	to	10000	188,400
16	10001	to	15000	217,597
6	15001	to	20000	113,300
7	20001	to	25000	164,311
2	25001	to	30000	56,000
3	35001	to	40000	106,340
2	45001	to	50000	95,500
1	55001	to	60000	55,788
1	65001	to	70000	65,660
2	70001	to	75000	141,700
1	95001	to	100000	100,000
1	110001	to	115000	111,500
1	115001	to	120000	118,333
1	120001	to	125000	124,000
1	505001	to	510000	507,711
4	775001	to	780000	3,113,252
1	995001	to	1000000	1,000,000
2	1555001	to	1560000	3,113,050
<u>1021</u>				<u>10,000,000</u>



PATTERN OF CERTIFICATE HOLDING REPORT
As of June 30, 2014

Categories of Certificateholders	Certificateholders	Certificate Held	Percentage
Directors and their spouse(s) and minor children			
IMAMUDDIN SHOUQEEN	1	1,556,425	15.56
SAIYED FAIQ HUSSAIN	1	98	0.00
MALIK JUNAID EMAM	1	1,556,625	15.57
SHAHBAZ ALI MALIK	1	778,313	7.78
NAWABZADA KAMRAN HUSSAIN MUGHAL	1	100	0.00
Associated Companies, undertakings and related parties			
POPULAR ISLAMIC MODARABA MANAGEMENT COMPANY (PVT.) LIMITED	3	1,563,499	15.63
Sponsors	3	2,334,939	23.35
Executives	-	-	-
Public Sector Companies and Corporations	1	16,700	0.17
Banks, development finance institutions, non-banking finance companies, insurance companies, takaful, modarabas and pension funds	3	28,000	0.28
Mutual Funds	-	-	-
General Public			
a. Local	992	1,963,201	19.63
b. Foreign	-	-	-
Others	14	202,100	2.02
Totals	<u>1021</u>	<u>10,000,000</u>	<u>100.00</u>



NOTICE OF THE ANNUAL REVIEW MEETING

Notice is hereby given that the Annual Review Meeting of Certificate Holders of First Islamic Modaraba will be held on Wednesday, December 31, 2014 at 10:00 AM at Auditorium of NBF1 & Modaraba Association of Pakistan 602, 6th Floor, Progressive Centre, 30-A, Block-6, PECHS, Sharah-e-Faisal, Karachi, to review the performance of the Modaraba for the year ended June 30, 2014.

The certificate holders whose names appear on the Register of certificate holders of First Islamic Modaraba as on December 22, 2014, will be eligible to attend the Annual Review Meeting.

Place: Karachi

Dated: December 11, 2014

Kamran Hussain Mughal

Company Secretary

1. The Certificate Transfer Book will remain closed from December 23, 2014 to December 30, 2014 (both days inclusive) for the purposes of entitlement of dividend and attending Annual Review Meeting. All transfers received in order, up to close of business on December 22, 2014 at our Registrar's office M/s. Central Depository Company of Pakistan, will be considered in time.
2. CDC certificate holders desiring to attend the meeting are requested to bring their original CNIC, Account And Participant's ID for identification purposes.
3. Accounts holders Book entry securities of the Modaraba in Central Depository Company of Pakistan Limited who wish to attend the Annual Review Meeting are requested to bring original Computerized National Identity Card for Identification purpose and will in additions, have to follow the guidelines as laid down in Circular No. 1 of 2000 dated January 26, 2000 of the Securities & Exchange Commission of Pakistan.

If undelivered please return to :
First Islamic Modaraba
813 Chappal Plaza, Hasrat Mohani Road, Off. I.I. Chundrigar
Road, Karachi-74000, Pakistan



First Islamic Modaraba

An Islamic Financial Institution

ANNUAL REPORT FOR THE YEAR ENDED JUNE 30, 2014

Managed by :

Popular Islamic Modaraba
Management Company (Pvt.) Ltd
