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CORPORATE INFORMATION

BOARD OF DIRECTORS	Mr. Imamuddin Shouqeen Mr. Shahbaz Ali Malik Mr. Khurram Abdullah Saiyed Faiq Hussain Mr. Malik Junaid Emam Mr. Kamran Hussain Mughal	- Chairman - Director - Independent Director - Director / Chief Executive - Director - Director / Company Secretary
AUDIT COMMITTEE	Mr. Khurram Abdullah Mr. Shahbaz Ali Malik Mr. Malik Junaid Emam - Member	Chairman - Member
SHARIAH ADVISOR	Mufti Mohammad Ibrahim Essa	
COMPANY SECRETARY	Mr. Kamran Hussain Mughal	
CHIEF FINANCIAL OFFICER	Mr. Ali Hasan Kalroo	
BANKERS	Albaraka Bank (Pakistan) Limited Meezan Bank Limited	
AUDITORS	Avais Hyder Liaquat Nauman Chartered Accountant	
LEGAL ADVISOR	Zafar Ali Shah 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 CDC House, 99-B, Block 'B', S.M.C.H.S., Main Shakra-e-Faisal, Karachi	



OUR VISION:

To be Modaraba of choice adhering to financing principles of Quran and Sunnah.

OUR MISSION

To develop Popular Islamic Modaraba as a leading Financial Institution of the country offering all modes of Islamic Financing to the satisfaction of customers who aspire to realize the growth potential of Shariah Compliant Financing in Pakistan.

We focus on value creation for our stakeholders.



DIRECTOR'S REPORT

The Board of Directors of the Popular Islamic Modaraba Management Company (Pvt.) Limited, the Management Company of Popular Islamic Modaraba (the Modaraba), is pleased to present the Directors' Report of the Modaraba together with audited financial statements and Auditor's Report for the year ended June 30, 2017.

The summarized financial results for the year ended June 30, 2017 are as under:

	2017	2016
	.....Rupees.....	
Income	32,903,710	27,777,771
Operating expenses	(6,750,689)	(6,025,877)
Depreciation of Ijarah Assets	(23,052,067)	(17,599,844)
Provision / reversal against loss / write-offs	2,202,682	(59,889,670)
(Loss)/profit before management fee	5,303,632	(55,737,620)
Management fee	(530,363)	-
Sales tax on management fee	(79,554)	-
Provision for worker's welfare fund	(93,874)	-
(Loss) /Profit before taxation	4,599,840	(55,737,620)
Taxation	(18,976)	(558,645)
Profit after taxation	4,580,864	(56,296,265)
(Loss) /earnings per certificate - basic & diluted	0.46	(5.63)

Review of Operations:

By the Grace of the Almighty Allah, Popular Islamic Modaraba has successfully completed this financial year under the strategy and philosophy of innovation in the business thus capitalizing on different avenues.

The Income attained to the tune of Rs.32.903 million which is 18.45% higher as compared to the corresponding period last year. The Modaraba booked a gross profit of Rs.5.303 million, against which Operating and Depreciation Expenses were Rs. 29.802 million which is 25.44% higher as compared to the previous year. This increase in expenses was mainly attributed to increase in depreciation expenses on Ijarah Finance.

The year ended with a profit after tax of Rs.4.580 million as against loss of Rs.56.296 million during the last year. The loss of previous year was due to the effect of provision of inherited bad debt of Rs.59.889 million. The Earning Per Certificate has been worked out at Re.0.46. Due to heavy accumulated loss of Rs.38.667 million owing to provision of inherited bad debts, the management is not in a position to declare any dividend during the period under review. The Management is confident to pay dividend to its Certificate Holders in near future. The overall performance of the Modaraba during the period was satisfactory and under the budgeted figures.

The Popular Islamic Modaraba manages and monitors risk exposure very prudently. The evaluation of borrower's credit profile includes repayment capability, eCIB clearance, cash flow, experience etc., which are carried out at the time of approval of the facility and regular monitoring thereof.

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

Reference qualification "a" in the current year Audit Report, our explanation is as under:

i) The Modaraba has followed the process flow for executing the Ijarah Financing Facility for purchase of House duly approved by the Shariah Advisor of the Modaraba, and signed all relevant documents which met the requirement of valid Ijarah Transaction. The transfer of title of property in the name of Modaraba will involve heavy cost. Firstly the Modaraba will have to bear 3% advalurum Stamp Duty, 1% Registration Fee and 2.5% Capital Value Tax on the market value of the property. The same expenses will have to be incurred by the customer when at the end of the transaction the property will be sold to him. These expenses if borne will make the transaction unviable. Therefore, both the Shariah Advisor and Legal Advisor have approved the transaction.



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An Islamic Financial Institution

Shari'ah Audit Report:

The Modaraba continues to seek guidance from its Shari'ah Advisor, Mufti Muhammad Ibrahim Essa as and when required to ensure full compliance to Shari'ah Audit Mechanism developed in consultation with Registrar Modarabas. The Internal Sharia'ah Auditor also handles the day to day affairs of the Modaraba ensuring complete adherence to Shari'ah policies and principles. The Shari'ah Audit Report issued for the affairs of the Modaraba for the year ended June 30, 2017 is attached in the Annual Financial Statements which confirms that the Business of Modaraba is Shari'ah Compliant.

Compliance with the Code of Corporate Governance:

The Modaraba has been and remains committed to the conduct of its business in line with the Code of Corporate Governance and the Rule Book of the Pakistan Stock Exchange. As required by the Code of Corporate Governance, following is the statement of compliance with the Corporate and Financial Reporting Framework of the Code:

The Directors are pleased to confirm that:

- The financial statements prepared by the management of the Modaraba present its state of affairs fairly which includes 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.
- The Modaraba is financially sound in design and has been effectively implemented and monitored.
- There is no significant doubt upon 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 are no outstanding statutory payments on account of taxes, duties, levies and charges as on June 30, 2017 except for those disclosed in the financial statements.
- During the year under review, Four (4) meetings of the Board of Directors were held. Attendance by each Director was as follows:

Name of Director	Meetings Attended
Mr. Imamuddin Shouqeen	4
Mr. Shahbaz Ali Malik	4
Mr. Khurram Abdullah	2
Saiyed Faiq Husain	4
Mr. Malik Juanid Emam	4
Mr. Kamran Husain Mughal	4



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The Securities and Exchange Commission of Pakistan approved the appointment of Mr. Khurram Abdullah – Independent Director in January 2017, therefore, he attended only 2 meetings.

- 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.

Future outlook:

The Management of the Modaraba has been successful in resolving almost all the issues pertaining to its acquisition.

With the aim and strategy of growing with Shariah complaint businesses, we would keep exploring and opting high yield businesses. We trust that we would keep going as per our short and long term plans for the future and would endeavor to outperform our existing results with innovative approach that would result in better returns for the Certificate Holders. The current economic situation particularly falling profit rate, along with a very competitive environment for Islamic Financial Products has resulted 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 is 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 also considering to inject fresh equity or acquire any other Modaraba. 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, which are also being posted on website i.e www. popularislamicmodaraba.com

External Auditors:

The Audit Committee has suggested to change the Auditor, and upon recommendation of the Audit Committee, the Board has approved the appointment of Messrs Baker Tilly Mehmood Idrees Qamar, Chartered Accountants, for financial year ending June 30, 2018 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 Pakistan Stock Exchange in its Rule Book, relevant for the year ended June 30, 2017 have been duly complied with and exceptions if any have been disclosed in the Statement of Compliance with the Best Practices of Corporate Governance. A statement to this effect is annexed with this report

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, Pakistan Stock Exchange, NBFI and Modaraba Association of Pakistan and all Staff Members of the Modaraba during the year, and look forward to receiving the same in future as well.

for and on behalf of the Board.

S. Faiq Hussain
Chief Executive

Place: Karachi

Dated: 18 September, 2017



پاپولر اسلامک مڈارابا

انٹرنیٹ پر پورٹ براؤزنگ سال 30 جون 2017

پاپولر اسلامک مڈارابا، جس کا صدر دفتر اسلام آباد میں ہے، ایک اسلامی مالیاتی ادارہ ہے۔ اس ادارے کے زیر نگرانی ہونے والے تمام کاموں کا مقصد اسلامی اصولوں کے تحت سرمایہ کاری اور فنڈز اکٹھا کرنا ہے۔ اس ادارے کے کاروبار کے بارے میں مزید معلومات کے لیے براؤزنگ سال 2017 پر پورٹ براؤزنگ سے مطلع ہو سکتا ہے۔

نمبریں ایم اینی سی ایچ:

برائے جون 2017	برائے جون 2016
..... (روپے لاکھ)	
32,552,710	27,777,777
(5,753,089)	(10,025,977)
(23,052,067)	(17,655,944)
2,282,532	(20,685,373)
5,303,832	(55,737,820)
(533,585)	-
(73,554)	-
(33,874)	-
4,599,840	(55,737,820)
18,274	(568,345)
4,581,566	(56,306,165)
0.46	15.631

مبنی
تجزیاتی اجراءات
اہل ذمہ داروں کو فراہم کیے گئے فریڈم (ایگریمنٹس)
نمبریں سے خارج فرامی (پروویڈنٹ)
(نمبریں) انٹرنیٹ پر پورٹ براؤزنگ
نمبریں سے
نمبریں سے
ممبروں کے لئے
نمبریں سے
(نمبریں) انٹرنیٹ پر پورٹ براؤزنگ
(نمبریں) انٹرنیٹ پر پورٹ براؤزنگ

کاروبار کا جائزہ:

انٹرنیٹ پر پورٹ براؤزنگ کے دوران کاروبار کے بارے میں مزید معلومات کے لیے براؤزنگ سے مطلع ہو سکتا ہے۔

اس سال کے دوران کاروبار کے بارے میں مزید معلومات کے لیے براؤزنگ سے مطلع ہو سکتا ہے۔ اس سال کے دوران کاروبار کے بارے میں مزید معلومات کے لیے براؤزنگ سے مطلع ہو سکتا ہے۔

اس سال کے دوران کاروبار کے بارے میں مزید معلومات کے لیے براؤزنگ سے مطلع ہو سکتا ہے۔ اس سال کے دوران کاروبار کے بارے میں مزید معلومات کے لیے براؤزنگ سے مطلع ہو سکتا ہے۔



پاپولر اسلامک مڈارابا، جس کا صدر دفتر اسلام آباد میں ہے، ایک اسلامی مالیاتی ادارہ ہے۔ اس ادارے کے زیر نگرانی ہونے والے تمام کاموں کا مقصد اسلامی اصولوں کے تحت سرمایہ کاری اور فنڈز اکٹھا کرنا ہے۔ اس ادارے کے کاروبار کے بارے میں مزید معلومات کے لیے براؤزنگ سال 2017 پر پورٹ براؤزنگ سے مطلع ہو سکتا ہے۔

برائے آڈیٹڈ رپورٹ کی کوالیفیکیشن کے حوالے سے ملاحظہ:

..... (روپے لاکھ)

ممبروں کے لئے فراہم کیے گئے فریڈم (ایگریمنٹس) اور انٹرنیٹ پر پورٹ براؤزنگ کے بارے میں مزید معلومات کے لیے براؤزنگ سے مطلع ہو سکتا ہے۔

شرعی احکامات:

اس ادارے کے کاروبار کے بارے میں مزید معلومات کے لیے براؤزنگ سے مطلع ہو سکتا ہے۔ اس ادارے کے کاروبار کے بارے میں مزید معلومات کے لیے براؤزنگ سے مطلع ہو سکتا ہے۔

تعمیراتی کاموں کے بارے میں:

اس ادارے کے کاروبار کے بارے میں مزید معلومات کے لیے براؤزنگ سے مطلع ہو سکتا ہے۔ اس ادارے کے کاروبار کے بارے میں مزید معلومات کے لیے براؤزنگ سے مطلع ہو سکتا ہے۔

انٹرنیٹ پر پورٹ براؤزنگ کے بارے میں:

- انٹرنیٹ پر پورٹ براؤزنگ کے بارے میں مزید معلومات کے لیے براؤزنگ سے مطلع ہو سکتا ہے۔
- انٹرنیٹ پر پورٹ براؤزنگ کے بارے میں مزید معلومات کے لیے براؤزنگ سے مطلع ہو سکتا ہے۔
- انٹرنیٹ پر پورٹ براؤزنگ کے بارے میں مزید معلومات کے لیے براؤزنگ سے مطلع ہو سکتا ہے۔
- انٹرنیٹ پر پورٹ براؤزنگ کے بارے میں مزید معلومات کے لیے براؤزنگ سے مطلع ہو سکتا ہے۔



STATEMENT OF COMPLIANCE WITH THE CODE OF CORPORATE GOVERNANCE YEAR ENDED JUNE 30, 2017

This statement is being presented to comply with the Code of Corporate Governance contained in Regulation No. 5.19.24 of Chapter 5 of listing regulations of Pakistan Stock Exchange for the purpose of establishing a framework of good governance, whereby a listed company is managed in compliance with the best practices of corporate governance.

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

1. The 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 Director	Mr. Khurram Abdullah
Executive Directors	Mr. S. Faiq Husain Mr. Kamran Hussain Mughal
Non-Executive Directors	Mr. Imamuddin Shouqeen Mr. Shahbaz Ali Malik Mr. Malik Junaid Emam

The independent director meets the criteria of independence under clauses 5.19.1 (b) of the CCG.

2. The directors have confirmed that none of them is serving as a director on more than seven listed companies, including this company (excluding the listed subsidiaries of listed holding companies where applicable).

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 Broker of a stock exchange, has been declared as a defaulter by that stock exchange.

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

5. The company has prepared a "Code of Conduct" and has ensured that appropriate steps have been taken to disseminate it throughout the company along with its supporting policies and procedures.

6. The board has developed a vision/mission statement, overall corporate strategy and significant policies of the company. A complete record of particulars of significant policies along with the dates on which they were approved or amended has been maintained.

7. 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 CEO, other executive and non-executive directors, have been taken by the board / shareholders.

8. The meetings of the board were presided over by the Chairman and, in his absence, by a director elected by the board for this purpose 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 timely circulated.

9. There was no new appointment of CFO and Company Secretary. However, the company has outsourced its Internal Audit Function and appointed M/s. Haroon Zakria & Company Chartered Account for the assignment of Internal Audit.

10. The Directors report for this year has been prepared in compliance with the requirements of the CCG and fully describes the salient matters required to be disclosed.



11. The financial statements of company were duly endorsed by CEO and CFO before approval of the board.

12. The Directors, CEO and Executives do not hold any interest in the shares of the company other than that disclosed in the pattern of shareholding.

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

14. The board has formed an Audit Committee. It comprises three Members of whom, all are non-executive directors, and the Chairman of the audit committee is 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 company and as required by the CCG. The terms of reference of the committee has been formed and advised to the committee for compliance.

16. The board has formed an HR and Remuneration Committee. It comprises three members, of whom two are non-executive director and the Chairman of the committee is an Independent director.

17. The board has outsourced the internal audit function to M/s. Haroon Zakaria & Company, Chartered Accountant who are considered suitably qualified and experienced for the purpose and are conversant with the policies and procedures of the company.

18. The Statutory Auditors of the company have confirmed that they have been given a satisfactory rating under the quality control review program of the ICAP, that they or any of the partners of the firm, their spouses and minor children do not hold shares of the company and that the firm and all its partners are in compliance with International Federation of Accountants (IFAC) guidelines on code of ethics as adopted by the ICAP.

19. The Statutory Auditors or the persons associated with them have not been appointed to provide other services except in accordance 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 company's securities was determined and intimated to the directors, employees and stock exchange(s).

21. There was no material/price sensitive information during the year which needs to be disseminated among all markets participants through stock exchange(s).

22. The company has complied with the requirements relating to maintenance of register of persons having access to inside information by designated senior management officer in a timely manner and maintained proper record including basis for inclusion or exclusion of names of persons from the said list.

23. We confirm that all other material principles enshrined in the CCG have been complied with except for the following towards which reasonable progress is being made by the company to seek compliances by the end of next accounting year.

a) Chief Financial Officer is applying for the membership of PIPFA which is a recognized body of professional accountant.

b) HR Committee has been formed and HR Policy has also been prepared but not yet approved by the HR Committee and Board due to small number of employees i.e only 4.



c) The board had not arranged Directors' Training Program for its directors during the year. However, the board is considering to arrange the same in due course of time. While , the CEO & Director Mr. S. Faiq Husain meets the prescribed criteria of 14 years education and 15 years experience of listed company as Director. Therefore, he is exempted from the Directors' Training Program.

d) As the Modaraba has very limited employees i.e only 4, therefore, adequate system and control for identification and redress of grievances arising from unethical practices is not yet placed.

e) The Modaraba has outsourced its Internal Audit Function to a highly reported Chartered Accountant Firm, and established an internal control system in Internal Audit Policy. Therefore, the Head of Internal Auditor has not been appointed. However, a Coordinator having more than 10 years' experiences of Audit and Accounts in different Listed Companies is looking after Audit Function.

f) The Modaraba presently operating in a very small scale. Its every transaction approved by the BOD and Audit Committee, therefore, no materiality level is presently established by the BOD. However, it may be considered as and when business increase.

On behalf of the Board

Saiyed Faiq Husain
Chief Executive Officer

Dated: 18 September, 2017
Karachi.



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

We have reviewed the enclosed Statement of Compliance with the best practices outlined in the Code of Corporate Governance (the Code) prepared by the Board of Directors of Popular Islamic Modaraba Management Company (Private) Limited (the Management Company) for the year ended June 30, 2017 to comply with the requirements of listing regulation No. 20/Chapter 20 of the Pakistan Stock Exchange Limited where the Modaraba is listed.

The responsibility to comply with the Code 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 and report thereon, not and to highlight any non-compliance with the requirements of the Code. A review is limited primarily to inquiries of the Management Company's personnel and review of various documents prepared by the Management Company to comply with the Code.

As a part of our audit of financial statements we are required to obtain an understanding of the accounting and internal control system sufficient to plan the audit and develop an effective audit approach. We are not required to consider whether the Board of Directors' statement on Internal Control covers all risk and controls or to form an opinion on the effectiveness of such Internal Controls, the Management Company's corporate governance procedures and risks.

The Code requires the Management 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, the related party transactions de jure or de facto, for which 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 to check 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 entered into at arm's length price or not.



Based on our review, except for the below 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 Management Company's compliance in all material respects, with the first practices contained in the Code as applicable to the Modaraba, for the year ended June 30, 2017.

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

S#	Paragraph reference	Description
I.	23 (a)	The Chief Financial Officer is not a member of a recognized body of professional accountants. However, he is applying for the membership of PPFPA which is a recognized body of Professional accountant.
II.	23 (b)	HR committee has been formed and HR policy has also been prepared but not yet approved by the Board due to small number of employees.
III.	25 (c)	The board has not arranged Directors' Training Program for its directors during the year. However, the board is considering to arrange the same in due course of time. While, the CFO & Director Mr. S. Faiz Hussain met the prescribed criteria of 14 years education and 15 years experience of listed company as Director. Therefore, he is exempted from the Directors Training Program.
IV.	25 (d)	Adequate systems and controls for identification and redress of grievances arising from unethical practices are not in place.
V.	23 (e)	The Head of Internal Audit has not been appointed.
VI.	25 (f)	Materiality level has not been established by the BOO.

In addition to the above non-compliances with the requirements of the Code, the following non-compliance were also observed that were not reported in the Statement of Compliance:

S#	Reference of Code	Description
I.	v. (d)	A system of sound internal control is not established, which should be effectively implemented and maintained at all levels within the company.

Abdul Kader Hyder Khan
Chartered Accountants
Karachi
Dated: 08 SEP 2017

Engagement Partner: Adnan Zaman



INDEPENDENT AUDITOR'S REPORT TO THE CERTIFICATE HOLDERS

We have audited the annexed balance sheet of Popular Islamic Modaraba as at June 30, 2017 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 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.

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:

- a) During the year ended June 30, 2016 the Modaraba has entered into an Ijarah agreement of immovable property. The Ijarah property is not in the name of the Modaraba but is in the name of the Musta'jir. Thus the Ijarah is against the requirements of IFAS 2. However the effect of this divergence from IFAS 2 on these financial statements cannot be quantified.
- b) In our opinion, except for the matter referred to in paragraph (a) above, proper books of account have been kept by the Modaraba company in respect of Popular 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;
- c) In our opinion except for the matter referred to in paragraph (a) above:
 - (i) 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;



d) Except for the effects of the matter referred to in paragraph (a) 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 conform with the approved accounting standards as applicable in Pakistan and 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 give a true and fair view of the state of the Modaraba's affairs as at June 30, 2017 and of the loss, its cash flows and changes in equity for the year then ended; and

e) In our opinion, no Zakat was deductible at source under the Zakat and Ushar Ordinance, 1980 (XVIII of 1980).

Chartered Accountants
Karachi.

Dated: 18 September, 2017

Engagement Partner: Adnan Zaman



SHARIAH ADVISOR'S REPORT

I have reviewed the affairs of **Popular Islamic Modaraba** (formerly First Islamic Modaraba) managed by **Popular Modaraba Management Company (Private) Limited** for the Year ended **June 30, 2017**.

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 PIM is not working in equity shares. However, PIM has invested in the Meezan Balance Fund which is Shariah Compliant Fund.

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 Companies or Window Takaful of conventional Insurance Companies time to time.

CHARITY

Modaraba has received some Charity Amount on account of late payment which has been transferred into separate Charity Account, donated to a charitable organisation..

CONCLUSION:

Generally, the Management of Popular 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 Popular Islamic Modaraba are Shariah Compliant up to the best of my knowledge.


Mufti IbrahimEssa
Shariah Advisor





POPULAR ISLAMIC MODARABA
An Islamic Financial Institution

BALANCE SHEET
AS AT JUNE 30, 2017

ASSETS	Note	2017 Rupees	2016 Rupees
NON CURRENT ASSETS			
Property and equipment - owned	6	5,539	12,260
Property and equipment - ijarah	7	98,934,052	106,292,592
Long term murabaha finance	8	2,251,359	1,083,331
Long term modaraba finance	9	250,000	750,000
Long term Investment-diminishing musharaka	10	6,768,382	3,300,000
		108,209,332	111,438,183
CURRENT ASSETS			
Investments - held for trading	11	7,867,679	6,969,031
Short term morabaha finance	8	8,962,355	5,314,443
Short term modaraba finance	9	750,000	500,000
Short term musharaka finance	12	-	-
Current portion of diminishing musharaka	10	4,057,869	1,800,000
Advances and other receivables	13	22,499,578	11,595,793
Cash and bank balances	14	6,458,656	3,035,351
		50,596,137	29,214,618
TOTAL ASSETS		158,805,469	140,652,801
LIABILITIES			
NON-CURRENT LIABILITIES			
Security deposits against Ijarah		49,841,830	43,704,670
CURRENT LIABILITIES			
Accrued and other liabilities	15	437,514	473,883
Current portion of security deposit		2,991,900	5,734,000
Charity payable		-	21,278
Provision for taxation		345,586	626,185
Unclaimed profit distribution		984,649	984,649
Loan from management company	16	25,000,000	15,000,000
Management fee payable		530,363	-
Sales tax on management fee		79,554	94,929
		30,369,567	22,934,924
TOTAL LIABILITIES		80,211,397	66,639,594
NET ASSETS		78,594,072	74,013,207
REPRESENTED BY CAPITAL AND RESERVES			
Authorized certificate capital			
14,000,000 (2016: 14,000,000) modaraba certificates of Rs. 10 each		140,000,000	140,000,000
Certificate holders' equity			
Certificate capital	17	100,000,000	100,000,000
Statutory reserve	18	17,261,218	16,345,045
Accumulated profit		(38,667,146)	(42,331,838)
		(21,405,928)	(25,986,793)
Contingencies and commitments	19	-	-
		78,594,072	74,013,207

The annexed notes from 1 to 35 form an integral part of these financial statements.

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

CHIEF EXECUTIVE

DIRECTOR

DIRECTOR



POPULAR ISLAMIC MODARABA
An Islamic Financial Institution

PROFIT AND LOSS ACCOUNT
FOR THE YEAR ENDED JUNE 30, 2017

	Note	2017 Rupees	2016 Rupees
Income	20	31,397,949	26,306,598
Operating expenses	21	(6,750,689)	(6,025,877)
Depreciation of Ijarah Assets	7	(23,052,067)	(17,599,844)
Operating profit		1,595,193	2,680,877
Other income	22	607,110	778,121
Unrealised gain on re-measurement of investments at fair value through profit or loss	11.1.1	898,648	693,052
Provision against loss / write-offs	23	-	(59,889,670)
Reversal of provision against write off		2,202,682	-
Profit / (Loss) before management fee		5,303,632	(55,737,620)
Management fee		(530,363)	-
Sales tax on management fee		(79,554)	-
		4,693,715	-
Provision for worker's welfare fund	15	(93,874)	-
Profit / (Loss) before taxation		4,599,840	(55,737,620)
Taxation			
-Prior year		626,185	(102,896)
-Current year	24	(645,161)	(455,749)
Profit / (Loss) after taxation		4,580,864	(56,296,265)
Other comprehensive income		-	-
Total comprehensive income		4,580,864	(56,296,265)
Earnings/(Loss) per certificate - basic & diluted	25	0.46	(5.63)

The annexed notes from 1 to 35 form an integral part of these financial statements.

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

CHIEF EXECUTIVE

DIRECTOR

DIRECTOR



CASH FLOW STATEMENT
FOR THE YEAR ENDED JUNE 30, 2017

	2017 Rupees	2016 Rupees
CASH FLOW FROM OPERATING ACTIVITIES		
Profit before taxation	4,599,840	(55,737,620)
Adjustments for:		
Un realised gain on remeasurement of investment	898,648	1,507,448
Provision/write-offs during the year	(2,202,682)	59,889,670
Depreciation expense	6,721	21,446
Depreciation of assets leased out under ijarah	23,052,067	17,599,844
Gain on disposal of fixed assets-ijarah	(277,683)	-
Provision for worker's welfare fund	93,874	-
	<u>21,570,945</u>	<u>79,018,408</u>
Operating profit before working capital changes	<u>26,170,786</u>	23,280,788
 (Increase) / Decrease in current assets		
Long and current portion of modaraba finance	500,000	(3,797,774)
Short term modaraba finance	(250,000)	20,000,000
Current portion of long term investment D.M	(2,257,869)	(1,113,864)
Advances and other receivables	(10,498,399)	(9,094,080)
	<u>(12,506,268)</u>	5,994,282
 Increase / (Decrease) in current liabilities		
Accrued and other liabilities	(36,369)	190,377
Management fee payable	530,363	(452,254)
Sales tax on management fee	(15,375)	-
Charity payable	(21,279)	21,278
	<u>363,467</u>	<u>(240,599)</u>
Cash flow after working capital changes	<u>14,027,986</u>	29,034,471
Tax paid	(299,575)	(102,896)
Net cash generated from operating activities	<u>13,728,411</u>	28,931,575
 CASH FLOW FROM INVESTING ACTIVITIES		
Morabaha finance	(4,815,940)	-
Purchase of fixed assets - ijarah	(24,302,300)	(88,526,709)
Proceeds from disposal - ijarah	8,886,456	-
Security deposit from ijarah	3,395,060	41,602,570
Rentals received against D.M	-	2,540,086
Investment in morabaha finance	-	(1,250,000)
Investment in diminishing musharakah	(3,468,382)	-
Net cash (used in) investing activities	<u>(20,305,106)</u>	(45,634,053)
 CASH FLOW FROM FINANCING ACTIVITIES		
Loan from management company	10,000,000	15,000,000
Net increase / (decrease) in cash & cash equivalent	3,423,305	(1,702,478)
Cash and cash equivalents at the beginning of the year	3,035,351	4,737,829
Cash and cash equivalents at the end of the year	<u>6,458,656</u>	<u>3,035,351</u>

The annexed notes from 1 to 35 form an integral part of these financial statements.

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

CHIEF EXECUTIVE

DIRECTOR

DIRECTOR



STATEMENT OF CHANGES IN EQUITY
FOR THE YEAR ENDED JUNE 30, 2017

	Certificate Capital	Statutory Reserve	Accumulated profit.....Rupees.....	Total
Balance as at July 01, 2015	100,000,000	16,345,045	13,964,427	130,309,472
Loss for the year	-	-	(56,296,265)	(56,296,265)
Transferred to statutory reserve at 20%	-	-	-	-
Balance as at June 30, 2016	<u>100,000,000</u>	<u>16,345,045</u>	<u>(42,331,838)</u>	<u>74,013,207</u>
Profit for the year	-	-	4,580,864	4,580,864
Transferred to statutory reserve at 20%	-	916,173	(916,173)	-
Balance as at June 30, 2017	<u>100,000,000</u>	<u>17,261,218</u>	<u>(38,667,146)</u>	<u>78,594,072</u>

* In accordance with the Prudential Regulations for modarabas, the Modaraba is required to transfer an amount not less than 20% and not more than 50% of its after tax profits to statutory reserve until the reserve funds equals the paid-up capital. Thereafter, a sum not less than 5% of after tax profits is required to be transferred to statutory reserve.

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

CHIEF EXECUTIVE

DIRECTOR

DIRECTOR



NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED JUNE 30, 2017

1. LEGAL STATUS AND NATURE OF BUSINESS

1.1 Popular Islamic Modaraba is a multipurpose, perpetual Modaraba formed under the Modaraba and Modaraba (floatation and control) Ordinance, 1980 and the rules framed there under and is managed by the Popular Islamic Modaraba Management Company (Private) Limited (formerly by Islamic Investment Bank Limited - under liquidation), a company incorporated in Pakistan under the Companies Ordinance, 1984 and registered with Registrar of Modaraba Companies. The registered office of the modaraba is situated at 813, 8th Floor, Chappal Plaza, Hasrat Mohani Road, Off I.I.Chundrigar Road, Karachi. The Modaraba is listed on the Pakistan Stock Exchange.

The Modaraba is engaged in various Islamic modes of financing and business including ijarah, musharaka, murabaha arrangements, trading in listed securities and other commodities.

1.2 In the year 2013-2014, Popular Islamic Modaraba Management Company (Private) Limited purchased the entire shareholding of Islamic Investment Bank Limited (Management Company) along with management and assets of the "First Islamic Modaraba" and the same has been confirmed by the Peshawar High Court vide its order dated March 11, 2013.

1.3 "Popular Islamic Modaraba had been dormant since 2005 before its acquisition. The Popular Islamic Modaraba Management Company (Private) Limited has acquired First Islamic Modaraba in 2013 from Peshawar High Court, and it is in the stage of revival. The official liquidator has also not transferred the related records to the new management. The management is however struggling hard at different fronts to revive it. New management is pursuing recovery cases at different courts vigorously. However appropriate provisions as per Prudential Regulations for Modaraba have duly been passed. Popular Islamic Modaraba is opening new venues for investment like share trading. FIM is also exploring possibilities to finance new sector like live stock farming etc., which are purely Islamic and highly profitable. The management company is also planning fresh injection of equity in the Popular Islamic Modaraba."

2. STATEMENT OF COMPLIANCE

2.1 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, the Modaraba Rules 1981 and directives issued by the SECP differ with the requirements of IFRS, the requirements of the Modaraba Companies and Modaraba (Floatation and Control) Ordinance, 1980, the Modaraba Rules 1981 or directives issued by the SECP prevail.

2.2 The Securities and Exchange Commission of Pakistan notified the Islamic Financial Accounting Standard No.1 Morahaba and Islamic Financial Accounting Standard No. 2 Ijarah issued by the Institute of Chartered Accountants of Pakistan.

2.3 New standards, interpretations and amendments to published approved accounting standards

2.3.1 Standards or interpretations that are effective in current year but not relevant to the Modaraba.

The following new standards have been issued by the International Accounting Standards Board (IASB) which have been adopted locally by the Securities and Exchange Commission of Pakistan vide SRO 633(I)/2014 dated July 10, 2014 with effect from following dates. The Modaraba has adopted these accounting standards which do not have significant on the Modaraba's financial statements other than certain disclosure requirements about fair value of financial instruments as per IFRS 13 "Fair Value Measurement" .



Accounting standards and interpretations:

IFRS 2	Share - based payments (Amendments)
IFRS 15	Revenue from Contracts with customers
IFRS 16	Leases
IAS 7	Statement Of Cash Flows (Amendments)
IAS 12	Income Taxes (Amendments)

Effective date (annual periods beginning on or after)

January 01, 2018
January 01, 2018
January 01, 2019
January 01, 2017
January 01, 2017

2.3.2 Amendment 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 mentioned below against the respective standard or interpretation:

Accounting standards and interpretations:

IFRS 2	Share-based Payments - Amendments to clarify the classification and measurement of share-based payment transactions	January 01, 2018
IFRS 9	Financial Instruments - Amendments for incorporating requirements for classification and measurement, impairment, general hedge accounting and derecognition	January 01, 2018
IFRS 10	Consolidated Financial Statements - Amendments regarding the application of the consolidation exception	January 01, 2016
IFRS 15	Revenue from Contracts with Customers (Superseded IAS 11), To recognize revenue for the transfer of promised goods or services to the customer under the contract	January 01, 2018
IFRS 16	Leases (Superseding IAS 17), To report all lease assets and lease liabilities on the balance sheet, initially measured at the present value of future lease payments as it eliminated classification of leases as Operating or Finance Leases for lessee	January 01, 2019

Effective date (annual periods beginning on or after)

2.3.3 Standards or interpretation not yet effective

The following new standards and interpretations have been issued by the International Accounting Standards Board (IASB), which have not been adopted locally by the Securities and Exchange Commission of Pakistan:

IFRS 1	First Time Adoption of International Financial Reporting Standards
IFRS 9	Financial Instruments
IFRS 14	Regulatory Deferral Accounts
IFRS 15	Revenue from Contracts with Customers
IFRS 16	Leases

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:

		Note
a)	Useful life of depreciable assets/amortizable assets	5.4, 6 & 7
b)	Classification of investments	5.6 & 11
c)	Income tax	5.3 & 23
d)	Provision for non performing assets	13 & 22

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.



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.



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.



POPULAR ISLAMIC MODARABA

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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 Borrowing Cost

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

5.13 Revenue Recognition

Revenue is recognized on the following basis:-

Ijarah rentals are recognized as income on a systematic basis over the Ijarah 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.

5.14 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.

5.15 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.



POPULAR ISLAMIC MODARABA
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	Note	2017 Rupees	2016 Rupees
6 PROPERTY AND EQUIPMENT - OWNED			
Furniture and fixtures		5,539	7,444
Office equipment		-	3,149
Computer equipment		-	1,667
	6.1	<u>5,539</u>	<u>12,260</u>

6.1 Following is the statement of owned assets:

	-----Year ended June 30, 2017-----			
	Owned Assets			
	Furniture and fixtures	Office equipment	Computer equipment	Total
At July 01, 2016				
Cost	12,700	42,150	16,300	71,150
Accumulated depreciation	(5,256)	(39,001)	(14,633)	(58,890)
Net book value	<u>7,444</u>	<u>3,149</u>	<u>1,667</u>	<u>12,260</u>
Additions	-	-	-	-
Disposals				
Cost	-	-	-	-
Depreciation	-	-	-	-
Depreciation charge for the year	(1,905)	(3,149)	(1,667)	(6,721)
Closing net book value	<u>5,539</u>	<u>-</u>	<u>-</u>	<u>5,539</u>

At June 30, 2017				
Cost	12,700	42,150	16,300	71,150
Accumulated depreciation	(7,161)	(42,150)	(16,300)	(65,611)
Net book value	<u>5,539</u>	<u>-</u>	<u>-</u>	<u>5,539</u>

	-----Year ended June 30, 2016-----			
	Owned Assets			
	Furniture and fixtures	Office equipment	Computer equipment	Total
At July 01, 2015				
Cost	12,700	42,150	16,300	71,150
Accumulated depreciation	(3,346)	(24,913)	(9,185)	(37,444)
Net book value	<u>9,354</u>	<u>17,237</u>	<u>7,115</u>	<u>33,706</u>
Additions	-	-	-	-
Disposals				
Cost	-	-	-	-
Depreciation	-	-	-	-
Depreciation charge for the year	(1,910)	(14,088)	(5,448)	(21,446)
Closing net book value	<u>7,444</u>	<u>3,149</u>	<u>1,667</u>	<u>12,260</u>

At June 30, 2016				
Cost	12,700	42,150	16,300	71,150
Accumulated depreciation	(5,256)	(39,001)	(14,633)	(58,890)
Net book value	<u>7,444</u>	<u>3,149</u>	<u>1,667</u>	<u>12,260</u>



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	Note	2017 Rupees	2016 Rupees
7. IJARAH ASSETS			
Vehicles			
Equipment		44,861,186	45,347,508
Immovable property		11,634,484	16,840,052
		<u>42,438,382</u>	<u>44,105,032</u>
7.1 The following is a statement of ijarah assets:	7.1	<u>98,934,052</u>	<u>106,292,592</u>

	-----Year ended June 30, 2017-----			
	Ijarah Assets			
	Vehicles	Equipment	Immovable property	Total
At July 01, 2016				
Cost	66,912,800	22,428,000	45,000,000	134,340,800
Accumulated depreciation	(21,565,292)	(5,587,948)	(894,968)	(28,048,208)
Net book value	<u>45,347,508</u>	<u>16,840,052</u>	<u>44,105,032</u>	<u>106,292,592</u>
Additions	24,302,300	-	-	24,302,300
Disposals				
Cost	(19,918,000)	(1,550,000)	-	(21,468,000)
Depreciation	12,082,104	777,123	-	12,859,227
	(7,835,896)	(772,877)	-	(8,608,773)
Depreciation / amortization charge for the year	(16,952,726)	(4,432,691)	(1,666,650)	(23,052,067)
Closing net book value	<u>44,861,186</u>	<u>11,634,484</u>	<u>42,438,382</u>	<u>98,934,052</u>

At June 30, 2016				
Cost	71,297,100	20,878,000	45,000,000	137,175,100
Accumulated depreciation	(26,435,914)	(9,243,516)	(2,561,618)	(38,241,048)
Net book value	<u>44,861,186</u>	<u>11,634,484</u>	<u>42,438,382</u>	<u>98,934,052</u>

	-----Year ended June 30, 2016-----			
	Ijarah Assets			
	Vehicles	Equipment	Immovable property	Total
At July 01, 2015				
Cost	38,132,000	9,328,000	-	47,460,000
Accumulated depreciation	(9,148,925)	(2,945,348)	-	(12,094,273)
Net book value	<u>28,983,075</u>	<u>6,382,652</u>	<u>-</u>	<u>35,365,727</u>
Additions	34,219,800	13,100,000	45,000,000	92,319,800
Disposals				
Cost	(5,439,000)	-	-	(5,439,000)
Depreciation	1,645,909	-	-	1,645,909
	(3,793,091)	-	-	(3,793,091)
Depreciation / amortization charge for the year	(14,062,276)	(2,642,600)	(894,968)	(17,599,844)
Closing net book value	<u>45,347,508</u>	<u>16,840,052</u>	<u>44,105,032</u>	<u>106,292,592</u>

At June 30, 2016				
Cost	66,912,800	22,428,000	45,000,000	134,340,800
Accumulated depreciation	(21,565,292)	(5,587,948)	(894,968)	(28,048,208)
Net book value	<u>45,347,508</u>	<u>16,840,052</u>	<u>44,105,032</u>	<u>106,292,592</u>



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	Note	2017 Rupees	2016 Rupees
ljarah future rental receivables			
Not later than one year		23,817,411	27,875,576
Later than one year but not later than five years		37,551,233	40,917,280
Later than five years		5,224,143	6,046,740
		<u>66,592,787</u>	<u>74,839,596</u>

8. MURABAHA FINANCE - SECURED

Considered good	8.1	11,213,714	6,397,774
Considered doubtful		-	2,202,682
		<u>11,213,714</u>	<u>8,600,456</u>
Less: Provision for doubtful murabaha	8.2	-	(2,202,682)
Less: Current portion		<u>(8,962,355)</u>	<u>(5,314,443)</u>
		<u>2,251,359</u>	<u>1,083,331</u>

8.1. The profit rates on these murabaha arrangements ranges between 9.26% and 10.47% (2016: 9.5% and 14 %). These investments are secured against charge over fixed assets, registered and equitable mortgage of properties, personal guarantees of the directors of customer companies, demand promissory notes and post-dated cheques varying from case to case.

8.2. This represents Morabaha Finance related to prior periods. Due to uncertainty about its recoverability , full amount has been provided for as per prudential Regulations for Modaraba (refer note 27.4) .

9. MODARABA FINANCE - SECURED

Modaraba Finance	9.1	1,000,000	1,250,000
Less: Current portion		<u>(750,000)</u>	<u>(500,000)</u>
Long term portion		<u>250,000</u>	<u>750,000</u>

9.1. Modaraba Finance

		Considered Good		Considered Doubtful		Total	
		2017	2017	2016	2017	2016	2016
Modaraba Finance							
Principal	9.2	1,000,000	-	-	1,000,000	1,250,000	
Profit		-	-	-	-	-	
Subtotal		<u>1,000,000</u>	-	-	<u>1,000,000</u>	<u>1,250,000</u>	
Total		<u>1,000,000</u>	-	-	<u>1,000,000</u>	<u>1,250,000</u>	

9.1.1 The rate of profit on modaraba finances is 8.5% per annum. (2016: 8.5% per annum) These are secured against post dated cheques, and demand promissory note.

9.2. This includes an amount of Rs. 250,000 which has been classified under Other Assets Especially Mentioned (OAEM) as per the requirements of prudential regulations as disclosed in Note No. 27.4.



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	Note	2017 Rupees	2016 Rupees
10. DIMINISHING MUSHARAKA			
Investment -diminishing musharaka	10.1	10,826,251	5,100,000
Less: Current portion of diminishing musharaka		<u>(4,057,869)</u>	<u>(1,800,000)</u>
Long term investment- diminishing musharaka		<u>6,768,382</u>	<u>3,300,000</u>

10.1 The profit rates on these diminishing musharaka arrangements range between 9.36% and 11.5% (2016: 11.5% and 14%). Diminishing musharaka arrangements are secured by way of Modaraba's title over underlying assets and demand promissory notes.

11. INVESTMENTS - HELD FOR TRADING

Quoted securities - held for trading	11.1	<u>7,867,679</u>	<u>6,969,031</u>
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11.1 Quoted securities - held for trading

The nominal value of these shares / certificates are of Rs.10/- each except otherwise stated.

2017	2016	Sector and Name of company	Average Cost		Market Value	
			2017	2016	2017	2016
Number of Shares			Rupees	Rupees	Rupees	Rupees
MUTUAL FUND						
464,170	439,964	Meezan Balance Fund	4,390,096	4,680,000	7,867,679	6,969,031
			<u>4,390,096</u>	<u>4,680,000</u>	<u>7,867,679</u>	<u>6,969,031</u>

11.1.1 Provision for appreciation in value of investment

Provision for appreciation/(diminution) at the beginning of the year		147,595	(545,457)
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Appreciation during the year		898,648	693,052
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Provision for appreciation at the end of the year		<u>1,046,243</u>	<u>147,595</u>
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11.1.2 Realised/unrealised gain arise from the above investment are earned under a Shariah permissible arrangement.

12. SHORT TERM MUSHARAKA FINANCE

Considered Good - secured	12.1	5,000,000	5,000,000
Considered Good - unsecured	12.2	40,000,000	40,000,000
Considered doubtful - unsecured		-	-
		<u>45,000,000</u>	<u>45,000,000</u>
Less: Provision against loss	12.3	<u>(45,000,000)</u>	<u>(45,000,000)</u>
		-	-

12.1 This represents funds provided to a customer (2006: Rs. 2.5 million and 2005: 2.5 million) under Musharaka arrangements for working capital requirements of profit and loss sharing basis. The expected rate of profit was 14% (2015: 14%) per annum. These were secured against hypothecation of stocks.



12.2 This represents amount disbursed in the year 2005 to two NBFCs for 180 days as musharaka finance - unsecured on profit and loss basis carrying estimated profit of 9 to 10.9% (2016: 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 former Modaraba company to them and this be set off. Since the management of the Modaraba had changed, they had already taken up the recovery proceedings at the court level and were 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."

12.3 Due to uncertainty about its recoverability, full amount has been provided for as per Prudential Regulations for Modaraba (refer note 26.4).

	Note	2017 Rupees	2016 Rupees
13. Advances, prepayments and other receivables			
Considered good			
Advance tax deducted at source	13.1	3,040,173	3,040,173
Less: Provision for taxation		(333,855)	(333,855)
Net advance tax		2,706,318	2,706,318
Less: Write-off		(2,706,318)	(2,706,318)
		-	-
Accrued profit on:			
Musharaka finances		20,683,331	20,683,331
Less: Profit Suspended		(20,683,331)	(20,683,331)
		-	-
Assets leased out		9,547,000	9,547,000
Less: Profit Suspended		(9,547,000)	(9,547,000)
		-	-
Sales tax adjustment	13.2	401,161	401,161
Less: Write-off		(401,161)	(401,161)
		-	-
Considered doubtful		-	-
Other receivable		640,803	640,803
Less: provision for doubtful receivable		(640,803)	(640,803)
		-	-
Receivable from former modaraba management company	13.3	9,579,509	9,579,509
Less: Write-off		(9,579,509)	(9,579,509)
		-	-
Advances		20,260,000	10,215,000
		1,319,728	-
Profit Receivable		760,000	1,040,835
Advance against management fee	13.4	159,850	250,000
Other Receivable		-	89,958
Advance tax		22,499,578	11,595,793
		-	-

13.1 This represents Tax deducted at source. Due to uncertainty about its recoverability, full amount has been written off.

13.2 This represent Sales Tax Adjustment. Due to uncertainty about its recoverability, full amount has been written off.

13.3 This represent receivable from former modaraba management company. Due to uncertainty about its recoverability, full amount has been written off

13.4 This represent excess management fee paid during the year



	Note	2017 Rupees	2016 Rupees
14. CASH AND BANK BALANCES			
Cash in hand		14,768	13,346
Bank balances		-	-
- Deposit accounts	14.1	6,320,849	2,891,566
- Deposit account with State Bank of Pakistan		123,039	130,439
		6,443,888	3,022,005
		6,458,656	3,035,351

14.1. Deposit accounts are Shariah compliant and rate of profit on deposit accounts ranges from 2.4% to 2.75% (2016: 2.5% to 6%) per annum.

15. ACCRUED AND OTHER LIABILITIES

Accrued expenses		184,600	165,000
Withholding tax payable		10,516	40,518
Workers welfare fund	15.1	185,977	92,103
Other liabilities		56,421	176,262
		437,514	473,883

15.1 The Finance Act 2008, introduced an amendment to the Worker's Welfare Fund Ordinance, 1971 (WWF Ordinance). Through these amendments Workers Welfare Fund (WWF) was payable @ 2% of the profit before taxation or taxable income whichever is higher. The legality of the above amendments were challenged in Sindh, Lahore and Peshawar High Courts. Due to variable judgments from the aforesaid Courts, the matter was forwarded to the Honorable Supreme Court of Pakistan. The Honorable Supreme Court has decided the matter on November 10, 2016, and Para 21 of its judgment states that the levy of WWF is in the nature of fee and the law could not be amended by a money bill and as such the amendments made in the year 2006 and 2008 are unlawful and ultravires to the Constitution. In terms of judgment by the Honorable Supreme Court of Pakistan, WWF under WWF Ordinance, is no more payable by the Modaraba and provision made against WWF up till June 30, 2014 is reversed during the period.

Subsequently the Sindh Assembly passed a bill on May 4, 2015 and notified Sindh Worker's Welfare Act 2014 on June 4, 2015. As per the said Act the applicability of the Sindh Workers Welfare Fund is effective from the financial year of the entities ended on or after December 31,2013. Accordingly, provision has been made at the rate of 2% of profit before taxation or taxable income, whichever is higher, effective after June 30, 2014.

	2017 Rupees	2016 Rupees
16. LOAN FROM MANAGEMENT COMPANY	25,000,000	15,000,000

16.1 This represents interest free loan received from Management Company which was obtained to meet working capital requirements and the loan is repayable within 1 year .

17. CERTIFICATE CAPITAL

2017 Number of Certificates	2016 Number of Certificates	2017 Rupees	2016 Rupees
10,000,000	10,000,000	100,000,000	100,000,000
		Modaraba certificates of Rs. 10 each fully paid-up in cash	



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	Note	2017 Rupees	2016 Rupees
18. STATUTORY RESERVE			
Balance at beginning of the year		16,345,045	16,345,045
Transferred during the year from profit and loss account	18.1	916,173	-
		<u>17,261,218</u>	<u>16,345,045</u>

18.1 Due to loss in current year, no amount has been transferred to statutory reserve.

19. Contingencies and 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, 2017 (2016: NIL)

	2017 Rupees	2016 Rupees
20. INCOME		
Income on Morabaha	735,847	383,045
Income on Modaraba	95,625	845,669
Income on Ijarah	29,169,539	24,379,608
Income on Diminishing Musharaka	1,396,938	698,276
	<u>31,397,949</u>	<u>26,306,598</u>



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	Note	2017 Rupees	2016 Rupees
21. OPERATING EXPENSES			
Salaries, wages and other benefits	21.1	4,017,477	3,577,195
Auditors' remuneration	21.2	165,000	165,000
CDC charges / Registrar services		276,260	256,807
Postage and delivery		12,796	14,480
Printing & stationery		163,942	147,726
Fees & subscription		1,065,425	628,600
Legal and professional fee		347,300	527,000
Repair & maintenance		206,635	129,685
Travelling & conveyance		75,298	151,873
Advertisement		10,500	43,580
Telecommunication		97,864	101,463
Entertainment		89,564	46,807
Electricity		124,127	125,330
Bank charges	6.1	16,781	13,885
Depreciation		6,721	21,446
Computer Software		75,000	-
Professional Tax		-	75,000
		<u>6,750,689</u>	<u>6,025,877</u>

21.1 Remuneration of executives

Remuneration and staff retirement benefits	800,000	819,000
Medical expenses	84,000	81,900
Other benefits	360,200	359,100
	<u>1,244,200</u>	<u>1,260,000</u>

Number of executives	<u>2</u>	<u>2</u>
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21.2 Auditors' remuneration

Audit fee	125,000	125,000
Half year review and others	40,000	40,000
	<u>165,000</u>	<u>165,000</u>



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	Note	2017 Rupees	2016 Rupees
22. Other income			
Profit on deposit accounts	22.1	259,427	189,128
Realized gain on disposal of investments classified as fair value through profit and loss	11.1.2	-	60,000
Gain on early termination of ijarah		277,683	437,993
Other income - processing fee		70,000	91,000
		<u>607,110</u>	<u>778,121</u>

22.1 These are earned under a Shariah permissible arrangement.

23. Provisions /write offs

Provision against morabaha finance	27.4	-	2,202,682
Provision against short term musharaka finance	27.4	-	45,000,000
Write off against tax deducted at source	13.1	-	2,706,318
Write off against sales tax adjustment	13.2	-	401,161
Write off against receivable from former modaraba management company	13.3	-	9,579,509
		-	59,889,670
		<u>-</u>	<u>59,889,670</u>

23.1 This represents various investments in terms of morabaha finance, musharaka finance, tax deducted at source, sales tax adjustment and receivable from former modaraba management company, as disclosed in relevant notes have been provided for/written-off as per Prudential Regulations for Modaraba.

24. 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.

25. EARNINGS / (LOSS) PER CERTIFICATE- BASIC & DILUTED

Profit/(Loss) for the year after taxation	<u>4,580,864</u>	<u>(56,296,265)</u>
Weighted average number of certificates	<u>10,000,000</u>	<u>10,000,000</u>
Earnings per certificate	<u>0.46</u>	<u>(5.63)</u>

26. 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;



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Nature of transactions	Relationship with the Company	2017 Rupees	2016 Rupees
Loan from modaraba management company	Management company	25,000,000	15,000,000
Management fee- payment during the year	Management company	250,000	250,000
Balance as at the year end			
Advance to modaraba management company	Management company	250,000	250,000
Loan payable to management company	Management company	25,000,000	15,000,000
Payable to modaraba management company	Management company	530,363	-

27. Financial instrument and related disclosures

27.1 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

27.2 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.

Exposure to Credit Risk

The maximum exposure to credit risk before any credit enhancements at June 30, 2016 is the carrying amount of the financial assets as set out below:

Business

Investments - held for trading	7,867,679	6,969,031
Morabaha finance	11,213,714	6,397,774
Modaraba finance	1,000,000	1,250,000
Diminishing musharaka	10,826,251	5,100,000
Advances and other receivables	22,499,578	11,595,793
Cash and bank balances	6,458,656	3,035,351
	<u>59,865,878</u>	<u>34,347,949</u>

Concentration of credit risk

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

Concentration of risks arise when a number of financial instruments or contracts are entered into with the same counterparty, or where a number of counterparties are engaged in similar business activities, or activities in the same geographical region, or have similar economic, political and other conditions.

The Modaraba's portfolio of financial assets is broadly diversified and transactions are entered into with diverse credit worthy counterparties thereby mitigating any significant concentration of credit risk. Details of Modaraba's concentration of credit risk by industrial distribution are as follows:



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Segment by class of business of Ijarah assets	2017		2016	
	Rupees	%	Rupees	%
Investment companies, firms & bank	51,901,300	37	49,067,000	37
Individual	56,120,800	41.77	56,120,800	41.77
Hotels and resorts	29,153,000	21.70	29,153,000	21.70
	137,175,100	100.00	134,340,800	100.00

Segment by class of business of Diminishing Musharika, murabaha and modaraba	2017		2016	
	Rupees	%	Rupees	%
Diminishing Musharaka	3,300,000	30	5,100,000	100
Hotels and resorts	7,526,251	70	-	-
Investment companies, firms & bank	10,826,251	100	5,100,000	100
Murabaha				
Investment companies, firms & bank	3,202,682	29	6,397,774	100
Individual	8,011,032	71	-	-
	11,213,714	100	6,397,774	100
Modaraba				
Investment companies, firms & bank	1,000,000	100	1,250,000	100

27.2.1 Modaraba's operations are restricted to Pakistan only

27.3 Credit quality

The credit quality of Modaraba's liquid funds can be assessed with reference to external credit ratings as follows:

	Rating Long term	Rating Agency	2017	2016
Al-Barka Bank Limited	A	JCR - VIS	6,320,849	2,891,566

27.4 An analysis of the portfolio of the Modaraba that is classified as non-performing as per the requirements of the Prudential Regulations for Modarabas is as follows:

	2017			
	Substandard	Doubtful	Loss	Total
	..... Rupees			
Murabaha Finance - Secured	-	-	-	-
Modaraba Finance - Secured	250,000	-	-	250,000
Short Term Musharaka Finance	-	-	45,000,000	-
	250,000		45,000,000	250,000
	2016			
	..... Rupees			
Murabaha Finance - Secured	-	-	2,202,682	2,202,682
Modaraba Finance - Secured	-	-	-	-
Short Term Musharaka Finance	-	-	45,000,000	45,000,000
			47,202,682	47,202,682

27.5 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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2017

Upto One year Over
one year to five years five years Total

..... Rupees

Financial assets

Investments - held for trading	7,867,679	-	-	7,867,679
Morabaha finance	8,962,355	2,251,359	-	11,213,714
Modaraba finance	750,000	250,000	-	1,000,000
Diminishing musharaka	4,057,869	6,768,382	-	10,826,251
Advances, prepayments and other receivables	22,499,578	-	-	22,499,578
Cash and bank balances	6,458,656	-	-	6,458,656
(a)	<u>50,596,137</u>	<u>9,269,741</u>	-	<u>59,865,878</u>

Financial liabilities

Security deposits against ljarah	2,991,900	19,841,830	30,000,000	52,833,730
Accrued and other liabilities	437,514	-	-	437,514
Provision for taxation	345,586	-	-	345,586
Unclaimed profit distribution	984,649	-	-	984,649
Sales tax on management fee	79,554	-	-	79,554
(b)	<u>5,275,693</u>	<u>19,841,830</u>	<u>30,000,000</u>	<u>55,117,523</u>

On-balance sheet gap (a) - (b) 45,320,444 (10,572,089) (30,000,000) 4,748,355

2016

Financial assets

Investments - held for trading	6,969,031	-	-	6,969,031
Morabaha finance	5,314,443	1,083,331	-	6,397,774
Modaraba finance	500,000	750,000	-	1,250,000
Diminishing musharaka	1,800,000	3,300,000	-	5,100,000
Advances, prepayments and other receivables	11,595,793	-	-	11,595,793
Cash and bank balances	3,035,351	-	-	3,035,351
(a)	<u>29,214,618</u>	<u>5,133,331</u>	-	<u>34,347,949</u>

Financial liabilities

Security deposits on ljarah assets	5,734,000	13,704,670	30,000,000	49,438,670
Accrued and other liabilities	473,883	-	-	473,883
Provision for taxation	626,185	-	-	626,185
Unclaimed profit distribution	984,649	-	-	984,649
Management fee payable	-	-	-	-
sales tax on management fee	94,929	-	-	94,929
(b)	<u>7,913,646</u>	<u>13,704,670</u>	<u>30,000,000</u>	<u>51,618,316</u>

On-balance sheet gap (a) - (b) 21,300,972 (8,571,339) (30,000,000) (17,270,367)

27.6 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, 2017, the fair value of equity exposed to price risk was as follows:

Particulars:	Average Cost	Fair Value	Average Cost	Fair Value
	2017	.....Rupees.....	2016	
Equity securities	<u>4,390,096</u>	<u>7,867,679</u>	<u>4,390,096</u>	<u>6,969,031</u>

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.

28. 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.



	Note	2017 Rupees	2016 Rupees
--	------	----------------	----------------

28.1 Financial instruments by category			
Held to maturity			
Diminishing Musharaka	8	10,826,251	5,100,000
Murabaha Finance	9	11,213,714	8,600,456
Modaraba Finance		1,000,000	1,250,000
Musharaka Finance	10	-	-

Loans and receivables			
Advances and other receivables	13	22,499,578	11,595,793
Cash and bank balances	14	6,458,656	3,035,351

Financial assets at fair value through profit or loss			
Investments - held for trading	11	7,867,679	6,969,031
	(a)	59,865,878	36,550,631

Financial liabilities

Financial liabilities at amortised cost

Accrued and other liabilities		437,514	473,883
Provision for taxation		345,586	626,185
Unclaimed profit distribution		984,649	984,649
Management fee payable		530,363	-
Sales tax on management fee		79,554	94,929
	(b)	2,283,793	2,179,646
	(a) - (b)	57,582,085	34,370,985

28.2 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.



29 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:

2017	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								
Murabaha Finance	9.26% - 10.47%	8,962,355	2,251,359	11,213,714	-	-	-	11,213,714
Modaraba Finance	8.50%	750,000	250,000	1,000,000	-	-	-	1,000,000
Diminishing Musharaka Finance	9.36% - 11.5%	4,057,872	6768382	10,826,254	-	-	-	10,826,254
Investments - held for trading		7,867,679	-	7,867,679	-	-	-	7,867,679
Advances and other receivables		-	-	-	22,499,578	-	22,499,578	22,499,578
Cash and bank balances	2.4% - 2.75%	6,458,656	-	6,458,656	-	-	-	6,458,656
	(A)	28,096,562	9,269,741	37,366,303	22,499,578	-	22,499,578	59,865,881
Financial liabilities								
Loan from Management company		-	-	-	25,000,000	-	-	25,000,000
Security deposits against Ijarah		-	-	-	2,991,900	49,841,830	52,833,730	52,833,730
Accrued and other liabilities		-	-	-	437,514	-	437,514	437,514
Provision for taxation		-	-	-	345,586	-	345,586	345,586
Unclaimed profit distribution		-	-	-	984,649	-	984,649	984,649
Management fee payable		-	-	-	530,363	-	530,363	530,363
Sales tax on management fee		-	-	-	79,554	-	79,554	79,554
	(B)	-	-	-	30,275,693	49,841,830	55,117,523	80,117,523
Total yield / profit risk sensitivity gap (A)-(B)		28,096,562	9,269,741	37,366,303	(7,776,115)	(49,841,830)	(32,617,945)	(20,251,642)



2016	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								
Murabaha Finance	9.5% to 14%	5,314,443	1,083,331	6,397,774	-	-	-	6,397,774
Modaraba Finance	8.50%	500,000	750,000	1,250,000	-	-	-	1,250,000
Diminishing Musharaka Finance	11.5% to 14%	1,800,000	3,100,000	4,900,000	-	-	-	4,900,000
Investments - held for trading		6,969,031	-	6,969,031	-	-	-	6,969,031
Advances and other receivables		-	-	-	11,595,793	-	11,595,793	11,595,793
Cash and bank balances	2.5% to 6%	3,035,351	-	3,035,351	-	-	-	3,035,351
(A)		17,618,825	4,933,331	22,552,156	11,595,793	-	11,595,793	34,147,949
Financial liabilities								
Loan from Management company		-	-	-	15,000,000	-	15,000,000	15,000,000
Security deposits against Ijarah		-	-	-	5,734,000	434,704,670	440,438,670	440,438,670
Accrued and other liabilities		-	-	-	473,883	-	473,883	473,883
Unclaimed profit distribution		-	-	-	-	-	-	-
Management fee payable		-	-	-	94,929	-	94,929	94,929
Sales tax on management fee		-	-	-	-	-	-	-
(B)		-	-	-	21,302,812	434,704,670	456,007,482	456,007,482
Total yield / profit risk sensitivity gap	(A)-(B)	17,618,825	4,933,331	22,552,156	(9,707,019)	(434,704,670)	(444,411,689)	(421,859,533)

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

30 INFORMATION ABOUT BUSINESS SEGMENTS

Description	2017					
	Musharaka	Ijarah	Morabaha	Modaraba	Others	Total
	.....Rupees.....					
Segment revenues	1,396,938	29,169,539	735,847	95,625	3,708,442	35,106,391
Segment Results						
Segment income and sales	1,396,938	29,169,539	735,847	95,625	3,708,442	35,106,391
Operating expenses	(268,620)	(5,609,078)	(141,498)	(18,388)	(713,105)	(6,750,689)
Depreciation	-	(23,052,067)	-	-	-	(23,052,067)
Loss against provision	-	-	-	-	-	-
Workers' welfare fund	-	-	-	-	(93,874)	(93,874)
Management fees and sales tax	(24,270)	(506,774)	(12,784)	(1,661)	(64,428)	(609,918)
Taxation- Prior year	-	-	-	-	626,185	626,185
Taxation- Current year	(25,672)	(536,058)	(13,523)	(1,757)	(68,151)	(645,161)
Segment results	1,078,376	(534,438)	568,042	73,818	3,395,068	4,580,867
Other Information						
Capital expenditure	10,035,000	24,302,300	7,218,433	-	-	41,555,733
Depreciation	-	23,052,067	-	-	-	23,052,067
Assets and Liabilities						
Segment assets	10,826,251	98,934,052	11,213,714	1,000,000	14,331,876	136,305,893
unallocated	-	-	-	-	22,499,576	22,499,576
Total segment assets	10,826,251	98,934,052	11,213,714	1,000,000	36,991,544	158,805,469
Segment liabilities						
Security deposits	-	52,833,730	-	-	-	52,833,730
unallocated liabilities	-	-	-	-	27,537,759	27,537,759
Total segment liabilities	-	52,833,730	-	-	27,537,759	80,371,489
Total net assets						<u>78,594,072</u>





2016

Description	Musharaka	Ijarah	Morabaha	Modaraba	Others	Total
	698,276	24,379,608	383,045	845,669	1,471,173	27,777,771
	.....Rupees.....					
Segment revenues	698,276	24,379,608	383,045	845,669	1,471,173	27,777,771
Segment Results	(151,478)	(5,288,705)	(83,095)	(183,452)	(319,147)	(6,025,877)
Segment income and sales	(45,000,000)	(17,599,844)	(2,202,682)	-	(12,686,988)	(59,889,670)
Operating expenses	-	-	-	-	-	-
Depreciation	-	-	-	-	-	-
Loss against provision	-	-	-	-	-	-
Unrealized gain	-	-	-	-	-	-
Workers' welfare fund	-	-	-	-	-	-
Management fees and sales tax	-	-	-	-	-	-
Taxation- Prior year	(11,457)	(399,995)	(6,285)	(13,875)	(102,896)	(102,896)
Taxation- Current year	(44,464,659)	1,091,064	(1,909,017)	648,342	(11,661,995)	(455,749)
Segment results	-	92,319,800	4,447,775	1,500,000	-	98,267,575
Other Information	-	17,599,844	-	-	-	17,599,844
Capital expenditure	-	-	-	-	-	-
Depreciation	-	-	-	-	-	-
Assets and Liabilities	5,100,000	106,292,592	6,397,774	1,250,000	10,016,642	129,057,008
Segment assets	-	-	-	-	11,345,793	11,345,793
unallocated	-	-	-	-	-	-
Total segment assets	5,100,000	106,292,592	6,397,774	1,250,000	21,362,435	140,402,801
Segment liabilities	-	49,438,670	-	-	-	49,438,670
Security deposits	-	-	-	-	16,950,925	16,950,925
unallocated liabilities	-	-	-	-	-	-
Total segment liabilities	-	49,438,670	-	-	16,950,925	66,389,595
Total net assets	-	-	-	-	-	74,013,206



31. OPERATING 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.



32. NUMBER OF EMPLOYEES	2017	2016
As at year end	<u>08</u>	<u>08</u>
Average number of employees	<u>07</u>	<u>07</u>

33. 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	Reclassification to	in "Rupees"
Non - Current Liabilities	Current Liabilities	
Loan from management company	Loan from management company	15,000,000

34. Date of authorization for issue

The financial statements were approved by the board of directors of the Modaraba Company and authorized for issue on 18 September, 2017.

35. General

The figures have been rounded off to the nearest rupees.

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

CHIEF EXECUTIVE DIRECTOR DIRECTOR



PATTERN OF CERTIFICATE HOLDERS
As of June 30, 2017

NUMBER OF CERTIFICATE HOLDERS	CERTIFICATE HOLDINGS	TOTAL CERTIFICATE HELD
29	1 to 100	1,460
785	101 to 500	388,418
75	501 to 1000	74,003
53	1001 to 5000	140,777
22	5001 to 10000	181,900
16	10001 to 15000	213,097
7	15001 to 20000	125,700
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	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
4	775001 to 780000	3,113,252
2	1555001 to 1560000	3,113,050
1	1560001 to 1565000	1,564,999
<u>1015</u>		<u>10,000,000</u>



CATEGORIES OF CERTIFICATE HOLDERS
As of June 30, 2017

Categories of Certificateholders	Certificateholders	Certificate Held	Percentage
Directors and their spouse(s) and minor children			
IMAMUDDIN SHOUQEEN	1	1,556,425	15.56
SHAHBAZ ALI MALIK	1	778,313	7.78
SAIYED FAIQ HUSSAIN	1	98	0.00
MALIK JUNAID EMAM	1	1,556,625	15.57
NAWABZADA KAMRAN HUSSAIN MUGHAL	1	100	0.00
Associated Companies, undertakings and related parties			
POPULAR ISLAMIC MODARABA MANAGEMENT COMPANY (PVT.) LIMITED	1	1,564,999	15.65
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	989	1,962,201	19.62
Foreign Investors	-	-	-
Others	13	201,600	2.02
Totals	1015	10,000,000	100.00

Share holders holding 5% or more	Shares Held	Percentage
IMAMUDDIN SHOUQEEN	1,556,425	15.56
IMRAN ALI ROSHAN	778,313	7.78
KAMRAN ALI ROSHAN	778,313	7.78
MALIK JUNAID EMAM	1,556,625	15.57
SHAHBAZ ALI MALIK	778,313	7.78
ZULFIQAR ALI ROSHAN	778,313	7.78
POPULAR ISLAMIC MODARABA MANAGEMENT COMPANY (PVT.) LIMITED	1,564,999	15.65



NOTICE OF THE ANNUAL REVIEW MEETING

Notice is hereby given to the certificate holders that Fourth (4th) Annual Review Meeting of **Popular Islamic Modaraba** will be held on Monday, October 23, 2017 at 10:00 a.m. at the Registered Office of the Modaraba at 813, 8th Floor, Chapal Plaza, Hasrat Mohani Road, Off. I.I.Chundrigar Road, Karachi for review the performance of the Modaraba for the year ended June 30, 2017.

By order of the Board

Kamran Hussain Mughal
(Company Secretary)

Karachi : September 22, 2017

Notes:

1. Closure of Certificate (Share) Transfer Books:

The Share Transfer Book of the Modaraba will remain closed from October 17, 2017 to October 23, 2017 (both days inclusive) and no transfer will be accepted during this period. The transfers received in order at the office of the Share Registrar, M/s. Central Depository Company of Pakistan, CDC House, 99-B, Block 'B', S.M.C.H.S., Main Shahra-e-Faisal, Karachi by the close of business on October 16, 2017 will be considered in time for the purpose of determination of their respective entitlement(s), if any, and eligibility to attend the Annual Review Meeting.

2. Submission of CNICs / NTN:

SECP has directed to issue dividend warrant only crossed as "A/c Payee only" and should bear the computerized National Identity Card (CNIC) number of the registered certificate holders. All those certificate holders possessing physical shares are requested to submit a photocopy of their valid CNIC along with the Folio number at the earliest directly to Company's Shares Registrar. In case of non-submission of CNIC copy, dividend warrants may be withheld. Corporates are also requested to submit their NTN to Company's Shares Registrar.

3. Deduction of Income Tax from Dividend Under section 150 of the Income Tax Ordinance, 2001 (Mandatory):

(i) As per Section 150 of the Income Tax Ordinance, 2001, withholding tax on dividend will be deducted for filers and non-filers of income tax returns @ 15.00% and 20.00% respectively. According to FBR, withholding tax in case of joint accounts will be determined separately based on the filer and non-filer status of the principal and joint certificateholder(s) based on their holding proportions. Members that hold shares with joint certificate holders are requested to provide the certificate holding proportions of the principal and joint holder(s) in respect of certificates held by them to Company's Shares Registrar in writing as follows. In case required information is not provided, it will be assumed that the certificates are held in equal proportion by the principal and joint holders.

Company Name	Folio /CDC Account #	Total Certificates	Principal certificateholder		Joint Certificateholder	
			Name & CNIC #	Proportion (# of Certificates)	Name & CNIC #	Proportion (# of Certificates)

(ii) To enable the company to make tax deduction on the amount of cash dividend @ 15.00% instead of 20.00%, all the certificateholders whose names are not entered into the Active Taxpayers (ATL) provided on the website of FBR, despite the fact that they are filers, are advised to make sure that their names are entered in ATL, otherwise tax on their cash dividend will be deducted @ 20.00% instead of 15.00%



4. Exemption Certificate:

As per FBR Circulars numbers 1(29) SHT/2006 dated June 30, 2010 and 1(43) DG(WHT) 2008 VolII-66417-R dated May 12, 2015, the valid exemption certificate is mandatory to claim exemption amount of withholding tax u/s 150 of the Income Tax Ordinance, 2001 (tax on dividend) where the statutory exemption under clause 47B of Part-IV of Second Schedule is available. The certificate holder(s) who fall in the above mentioned category and wish to avail exemption, must provide Valid Tax Exemption Certificate at our Share Registrars otherwise tax will be deducted on dividend as per applicable tax rates.

5. Non-Resident Certificate Holders:

In case of those certificateholders who are non-residents are requested to please provide their respective details including residence status/country of residence with copy of their NICOP to Share Registrars or by email to info@popularislamicmodaraba.com. In case of non availability of status in their respective portfolio, the respective tax on dividends (if any) would be applicable.

6. Dividend Mandate:

As directed by the Securities and Exchange Commission of Pakistan through its circular No. 18 of 2012 dated June 5, 2012, a certificateholder may, if so desire, direct the Modaraba to pay dividend, if paid, through his/her/its bank account. If the certificate holder(s) so desire, they avail this option by using the standardized 'Dividend Mandate Form/Application' available on printed accounts as on June 30, 2017 and Modaraba's website

7. Consent for Electronic Transmission of Audited Financial Statements & Notices (Optional):

The Securities and Exchange Commission of Pakistan (SECP) through its Notification SRO 787(I)/2014 dated September 8, 2014 has permitted companies to circulate Audited Financial Statements along with Notice of Annual Review Meeting to its members through e-mail. Accordingly, members are hereby requested to convey their consent and e-mail address for receiving Audited Financial Statements and Notice through e-mail. In order to avail this facility, a Standard Request Form is available at the Modaraba's website, <http://>.

8. Change of Address and Non-Deduction of Zakat Declaration Form:

Physical certificate holders are requested to notify any change in their addresses immediately and if applicable provide their non-deduction of Zakat Declaration Form to the Company's Shares Registrar.

9. For Attending the Meeting

- (i) In case of individuals, the account holder or sub account holder and/or the person whose securities are in group account and their registration details are uploaded as per the Regulations or whose securities are in physical form, shall authenticate his/her identity by showing his/her original Computerized National identity Card (CNIC) or original passport at the time of attending the meeting.
- (ii) In case of corporate entity, the Board of Directors' resolution / power of attorney with specimen signature of the nominee shall be produced (unless it has been provided earlier) at the time of meeting.

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



POPULAR ISLAMIC MODARABA

An Islamic Financial Institution

ANNUAL REPORT FOR THE YEAR ENDED JUNE 30, 2017

Managed by :








Popular Islamic Modaraba
Management Company (Pvt.) Ltd



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