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Popular Islamic Modaraba
15 Floor Chapal 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, 2018**

Managed by :
Popular Islamic Modaraba
Management Company (Pvt.) Ltd



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VISION STATEMENT

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

MISSION STATEMENT

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.

STATEMENT OF ETHICS AND BUSINESS PRACTICES

We believe a complete Code of Ethics is a prerequisite for all Directors and Employers of Popular Islamic Modaraba. We Endeavour to have fully groomed employees committed to the philosophy behind the Code of Ethics to carry out honestly activities assigned to them. Our aim is to have highest standard of excellence for the product and the betterment for all those involved directly or indirectly with our Modaraba.



CORPORATE INFORMATION

BOARD OF DIRECTORS	Mr. Imamuddin Shouqeen Mr. Shahbaz Ali Malik Mr. Khurram Abdullah Mr. Malik Junaid Emam Sayyed Faiq Hussain Mr. Kamran Hussain Mughal	- Chairman - Director - Independent Director - Director - Director / Chief Executive - Director / Company Secretary
AUDIT COMMITTEE	Mr. Khurram Abdullah Mr. Shahbaz Ali Malik Mr. Malik Junaid Emam	- Chairman - Member - Member
HR COMMITTEE	Mr. Khurram Abdullah Mr. Malik Junaid Emam Sayyed Faiq Hussain	- Chairman - Member - 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	Baker Tilly Mehmood Idress Qamar Chartered Accountant	
LEGAL ADVISOR	Zafar Ali Shah Advocate Bukhari Law Associates	
MANAGEMENT COMPANY	Popular Islamic Modaraba Management Company (Pvt.) Ltd	
REGISTERED OFFICE	15th 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	



Review Report by the Chairman on Board's overall performance u/s 192 of the Companies Act, 2017

I feel greatly honored and privileged in taking this opportunity to report to our valued Certificate Holders on the affairs and overall performance of the Board of Popular Islamic Modaraba (PIM).

For the financial year ended June 30, 2018, the Board's overall performance and effectiveness has been satisfactory. I report on the appropriateness of Board's composition, understanding of roles, responsibilities and fiduciary duties by the Board Members, Board's knowledge and understanding of the Modaraba's strategy and business plan. Participation by the Board Members in the proceedings of different meetings was good especially in making decisions on key risk areas. The Board Members effectively participated in the Board Meetings held during the period, and their suggestions and recommendations helped in improving performance of the Modaraba.

The Board Members are familiar with the vision, mission and objectives of the Modaraba, and have clear understanding of all the concerned stakeholders (including Certificate holders, customers employees, and community at large) to whom the Modaraba serves. This is reflected by setting up an effective control environment, code of conduct, compliance with best practices of Corporate Governance and by promoting ethical and fair behavior across the Modaraba. The Board Members were informed about the new regulations and amendments in existing regulations. Further lectures on Islamic Banking and briefs on the latest development in the financial industry were also arranged for the Board Members.

The Board of Directors received agenda and supporting written material including follow up materials in sufficient time prior to the Board and its Committee Meetings. The Board received appropriate and adequate various management reports for their discussions and decisions. Further, Board members openly and freely exchanged their views on different matters presented to the Board in their meetings.

I would like to thank all the Board Members for the cooperation and support in the development of the Modaraba.

Imamuddin Shouqeen
Chairman

September 28, 2018



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Compliance with the Code of Corporate Governance:

The Modaraba has been and remains committed to the conduct of its business in line with the Listed Companies (Code of Corporate Governance) Regulations, 2017 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 the Management 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, 2018 except for those disclosed in the financial statements,
- During the year under review, Five (5) meetings of the Board of Directors were held. Attendance by each Director was as follows:

Name of Director	Meetings Attended
Mr. Imamuddin Shouqeen	5
Mr. Shahbaz Ali Malik	5
Mr. Khuram Abdullah	3
Sajyed Faiz Husain	5
Mr. Malik Juanid Emam	5
Mr. Kamran Husain Mughal	5

- 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.



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Future outlook:

With the aim and strategy of growing with Shariah compliant 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 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 trying to avail funds on cheaper rate to increase the profitability of Modaraba. 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 results 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 existing auditors Messrs Baker Tilly Mahmood Idrees Qamar, Chartered Accountants, being eligible for appointment and upon their consent to act as auditors, the Board has approved their appointment as external auditors of the Modaraba for financial year ending June 30, 2019 subject to the approval of Registrar Modaraba.

Compliance with the Code of Corporate Governance:

The requirements of the Listed Companies (Code of Corporate Governance) Regulations, 2017 set out by the Securities and Exchange Commission of Pakistan, relevant for the year ended June 30, 2018 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, NBF and Modaraba Association of Pakistan and all Staff Members of the Modaraba during the year, and looks forward to receiving the same in future as well.

for and on behalf of the Board.

S. Faiz Hussain
Chief Executive

Place: Karachi
Date: September 28, 2018



**Statement of Compliance with Listed Companies
(Code of Corporate Governance) Regulations, 2017
Year ended June 30, 2018**

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

1. The total number of directors are 6 (six) as per the following:

- a. Male: 6 (six)
b. Female: 0 (zero)

2. The composition of Board is as follows:

Category	Names
Other Non-Executive Director	Mr. Imamuddin Shouqeen (Chairman)
	Mr. Shahbaz Ali Malik
	Mr. Malik Junaid Emam

Independent Director Mr. Khurram Abdullah

Executive Directors Mr. Kamran Hussain Mughal
Saiyed Faiq Husain (Chief Executive Officer)

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

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

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

6. All the powers of the Board have been duly exercised and decisions on relevant matters have been taken by Board of Directors of the Management Company / Certificate Holders of the Modaraba as empowered by the relevant provisions of the Act and these Regulations.

7. The meetings of the Board were presided over by the Chairman and, in his absence, by a director elected by the Board for this purpose. The Board has complied with the requirements of Act and the Regulations with respect to frequency, recording and circulating minutes of meeting of Board.

8. The Board of Directors have a formal policy and transparent procedures for remuneration of directors in accordance with the Act and these Regulations.

9. The Board of Directors of the company consists of 6 (six) Directors, out of which 1 (one) Director / CEO has 14 years' education and 15 years' experience as Director on different Listed Companies, thus, he stands exempted from the Directors' Training Program. However, the company will arrange Directors' Training Program for other Directors in due course of time to meet the requirement of Code of Corporate Governance.

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

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

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



Audit Committee Mr. Khurram Abdullah (Chairman)
Mr. Shahbaz Ali Malik
Mr. Malik Junaid Emam

HR and Remuneration Committee Mr. Khurram Abdullah (Chairman)
Mr. Malik Junaid Emam
Saiyed Faiq Husain

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

14. The frequency of meetings of the committee were as per following:

a)	Audit Committee	Quarterly
b)	HR and Remuneration Committee	Annually

15. 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.

16. 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 and registered with Audit Oversight Board of Pakistan, 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.

17. The statutory auditors or the persons associated with them have not been appointed to provide other services except in accordance with the Act, these regulations or any other regulatory requirement and the auditors have confirmed that they have observed IFAC guidelines in this regard.

18. We confirm that all other requirements of the Regulations have been complied with.

Mr. Imamuddin Shouqeen
Chairman

Dated: September 28, 2018



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BAKER TILLY
MEHMOOD IDREES
QAMAR
CHARTERED ACCOUNTANTS

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Tel : +92 (021) 5144877-7
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Email : mms@bakertilly.com
www.bakertilly.com

AUDITORS' REPORT TO THE CERTIFICATE HOLDERS

We have audited the annexed balance sheet of **POPULAR ISLAMIC MODARABA** (the Modaraba) as at June 30, 2018 and the related statement of profit or loss and other comprehensive income, cash flow statement and statement of changes in equity together with the notes forming part thereof (here in after referred to as the financial statements), for the year then ended and we state that we have obtained all the information and explanations which, to the best of our knowledge and belief, were necessary for the purposes of our audit.

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

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

- a) in our opinion, proper books of accounts have been kept by the Modaraba Company in respect of the Modaraba as required by the Modaraba Companies and Modaraba (Floatation and Control) Ordinance, 1980 (XXXI of 1980), and the Modaraba Companies and Modaraba Rules, 1981;
- b) in our opinion:
 - i) the balance sheet and profit and loss account together with the notes thereon have been drawn up in conformity with the Modaraba Companies and Modaraba (Floatation and Control) Ordinance, 1980 (XXXI of 1980), and the Modaraba Companies and Modaraba Rules, 1981, and are in agreement with the books of accounts and are further in agreement with accounting policies consistently applied;

BT



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BAKER TILLY
MEHMOOD IDREES
QAMAR
CHARTERED ACCOUNTANTS

- ii) the expenditure incurred during the year was for the purpose of the Modaraba's business; and
- iii) the business conducted, investments made and the expenditure incurred during the year were accordance with the objects, terms and conditions of the Modaraba.
- c) in our opinion and to the best of our information and according to the explanations given to us, the balance sheet, statement of profit or loss and other comprehensive income, cash flow statement and statement of changes in equity together with the notes forming part thereof confirm with the approved accounting standards as applicable in Pakistan and give the information required by the Modaraba Companies and Modaraba (Floatation and Control) Ordinance, 1980 (XXXI of 1980), and the Modaraba Companies and Modaraba Rules, 1981, in the manner so required and respectively give a true and fair view of the state of Modaraba's affairs as at June 30, 2018 and of its profit, total comprehensive income, cash flows and changes in equity for the year then ended;
- d) In our opinion, no Zakat was deductible at source under the Zakat and Ushr Ordinance, 1980 (XVIII of 1980).

The company's financial statements for the half year ended December 31, 2016 and for the year ended June 30, 2017 were reviewed and audited by Avais Hyder Liaquat Nauman, Chartered Accountants who had issued qualified opinion on the above mentioned periods respectively.

BT

Baker Tilly Mehmoood Idrees Qamar
Engagement Partner: Mehmoood A. Razzak

Karachi.

Date: 28 SEP 2018



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**TO THE CERTIFICATE HOLDERS OF POPULAR ISLAMIC MODARABA
REVIEW REPORT ON STATEMENT OF COMPLIANCE CONTAINED IN LISTED COMPANIES
(CODE OF CORPORATE GOVERNANCE) REGULATIONS, 2017**

We have reviewed the enclosed Statement of Compliance with the Listed Companies (Code of Corporate Governance) Regulations, 2017 ("the Regulations") prepared by the Board of Directors of Popular Islamic Modaraba (the Modaraba), for the year ended June 30, 2018 in accordance with the requirements of regulation 40 of the Regulations.

The responsibility for compliance with the Regulations is that of the Board of Directors of the Modaraba Management Company. Our responsibility is to review whether the Statement of Compliance reflects the status of the Modaraba's compliance with the provisions of the Regulations and report if it does not and to highlight any non-compliance with the requirements of the Regulations. A review is limited primarily to inquiries of the Modaraba's personnel and review of various documents prepared by the Modaraba Management Company to comply with the Regulations.

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

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

h-i



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Following instance(s) of non-compliance with the requirement(s) of the Regulations were observed which are not stated in the statement of compliance:

1. The Chief Financial Officer is not a member of a recognized body of professional accountant. However he is applying for the membership of PIPFA which is recognized body of Professional accountant.
2. The Head of internal audit has not been appointed.

Based on our review, except for the above instance(s) of non-compliance, nothing has come to our attention, which causes us to believe that the Statement of Compliance does not appropriately reflect the Modaraba Management Company's compliance for and on behalf of the Modaraba, in all material respects, with the requirements contained in the Regulations as applicable to the Modaraba for the year ended June 30, 2018.

h-i

Mehmood A. Razzak
Engagement Partner: Mehmood A. Razzak

Karachi.

Date: 28 SEP 2018





POPULAR ISLAMIC MODARABA
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ALHAMD SHARIAH ADVISORY SERVICES

[PVT] LIMITED

محمد و نصلي على رسول الكريم
Shariah Advisor's Report

We have reviewed the affairs of Popular Islamic Modaraba managed by Popular Modaraba Management Company (Private) Limited for the Year ended June 30, 2018.

REVIEW OF OPERATIONS:
Based on our 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. We 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, prior to the acquisition, the Modaraba had received units of Islamic Mutual Fund which has also been sold during the year 2017-2018. Therefore, as on June 30, 2018 Modaraba did not hold Shares of any Listed / Unlisted Company or Units of any Mutual Fund(s).

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.

CHARITY:
Modaraba has received some Charity Amount on account of late payment which has been transferred into separate Charity Account, and donated to a Charitable Organization subsequent to the period.

CONCLUSION:
Generally, the Management of Popular Islamic Modaraba has effectively shown its sincerity to comply with Shariah Rulings in its true spirit; therefore, we are of the view that the business operations of Popular Islamic Modaraba are Shariah Compliant up to the best of our knowledge.


MUFTI MUHAMMAD IBRAHIM ESSA
For and on behalf of
Alhamd Shariah Advisory Services Private Limited

Email: info@alhamdshariahadvisory.com
Website: www.alhamdshariahadvisory.com
Phone: +92 332 267887



POPULAR ISLAMIC MODARABA
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BALANCE SHEET
AS AT JUNE 30, 2018

ASSETS	Note	2018 Rupees	2017 Rupees
Non-Current Assets			
Property and equipment - owned	6	20,675	5,539
Property and equipment - ijarah	7	41,393,402	98,934,052
Long term murabaha finance	8	23,591,767	2,251,356
Long term modaraba finance	9	-	250,000
Long term Investment-diminishing musharaka	10	27,237,920	6,768,382
		92,243,764	108,209,332
Current Assets			
Investments - held for trading	11	-	7,867,679
Short term morabaha finance	8	921,977	8,962,355
Short term modaraba finance	9	800,000	750,000
Current portion of diminishing musharaka	10	9,045,563	4,057,868
Advances and other receivables	12	16,348,957	22,499,578
Cash and bank balances	13	6,168,668	6,458,658
		33,288,165	50,596,137
		125,531,929	158,805,469
EQUITY AND LIABILITIES			
Authorized Certificate Capital			
14,000,000 (2017: 14,000,000) modaraba certificates of Rs. 10 each		140,000,000	140,000,000
Certificate Holders' Equity			
Certificate capital	14	100,000,000	100,000,000
Statutory reserve	15	17,786,733	17,261,218
Accumulated (loss)		(36,565,085)	(38,667,146)
		81,221,648	78,594,072
LIABILITIES			
Non-Current Liabilities			
Security deposits against ijarah		10,326,950	49,841,830
Current Liabilities			
Accrued and other liabilities	16	453,902	437,514
Current portion of security deposit		5,968,180	2,991,900
Provision for taxation		663,868	345,586
Unclaimed profit distribution		984,649	984,649
Loan from management company	17	25,000,000	25,000,000
Management fee payable		868,117	530,363
Sales tax on management fee		84,815	79,554
		33,983,331	30,369,567
Contingencies and Commitments	18	-	-
		125,531,929	158,805,469

The annexed notes from 1 to 32 form an integral part of these financial statements.

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





CHIEF FINANCIAL OFFICER **CHIEF EXECUTIVE** **DIRECTOR** **DIRECTOR**



POPULAR ISLAMIC MODARABA
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PROFIT AND LOSS ACCOUNT
FOR THE YEAR ENDED JUNE 30, 2018

	Note	2018 Rupees	2017 Rupees
Income	18	29,950,166	31,397,949
Operating expenses	19	(7,567,626)	(6,750,689)
Depreciation of ijarah assets	7	(19,886,608)	(23,052,067)
		(27,454,434)	(29,802,756)
Other income	20	1,081,806	607,110
Reversal of provision against write off		-	2,202,682
Provision for doubtful receivables	21	(200,000)	-
Profit before management fee		3,377,538	5,303,632
Management fee		(337,754)	(530,363)
Sales tax on management fee		(43,908)	(79,554)
Provision for worker's welfare fund	16	(89,917)	(93,874)
		(441,579)	(703,791)
Profit before taxation		2,935,959	4,599,840
Taxation		-	-
- Current	22	(733,989)	(645,161)
- Prior		426,607	626,185
		(308,382)	(18,976)
Profit after taxation		2,627,577	4,580,864
Other comprehensive income		-	-
Total comprehensive income		2,627,577	4,580,864
Earnings per certificate - basic & diluted	22	0.26	0.46

The annexed notes from 1 to 32 form an integral part of these financial statements.

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

   
CHIEF FINANCIAL OFFICER CHIEF EXECUTIVE DIRECTOR DIRECTOR

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POPULAR ISLAMIC MODARABA
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CASH FLOW STATEMENT
FOR THE YEAR ENDED JUNE 30, 2018

	2018 Rupees	2017 Rupees
CASH FLOWS FROM OPERATING ACTIVITIES		
Profit before taxation	2,935,959	4,599,840
Adjustments for non cash items:		
Unrealised gain on re-measurement of investments at fair - value through profit	-	(898,648)
Capital loss	452,723	-
Depreciation	4,864	6,721
Provision / (reversal) or write off	-	(2,202,682)
Provision for worker's welfare fund	59,917	53,874
Provision for doubtful receivables	200,000	-
(Gain) on transfer of ijarah	(1,121,429)	-
(Gain) on termination of ijarah	(116,772)	(27,683)
Depreciation of assets leased out under ijarah	19,886,608	23,052,987
	22,299,870	24,373,490
Decrease / (increase) in current assets		
Advances and other receivables	6,200,554	(10,903,785)
Increase / (decrease) in current liabilities		
Accrued and other liabilities	(43,529)	(130,243)
Charity payable	-	(21,278)
Management fee payable	337,754	530,363
Sales tax on management fee	(25,039)	(15,375)
Cash generated from operations	28,769,610	13,833,173
Tax paid	(249,933)	(299,575)
Net cash generated from operating activities	28,519,677	13,533,598
CASH FLOWS FROM INVESTING ACTIVITIES		
Additions in property and equipment - owned	(20,000)	-
Additions in property, plant and equipment - ijarah	(11,330,000)	(24,302,300)
Disposal of fixed assets-ijarah	50,224,243	8,886,456
Security deposit from ijarah	(36,538,600)	3,395,060
Investment in diminishing musharakah	(25,460,232)	(5,726,251)
Investment in Modaraba finance	200,000	250,000
Investment in Morabaha finance	(13,300,030)	(2,613,258)
Disposal of investment	7,414,955	-
Net cash (used in) investing activities	(28,809,665)	(20,110,293)
CASH FLOWS FROM FINANCING ACTIVITIES		
Loan from management company	-	10,000,000
Net cash inflow from financing activities	-	10,000,000
Net (decrease) / increase in cash and cash equivalents	(289,988)	3,423,305
Cash and cash equivalents at the beginning of the period	6,458,656	3,035,351
Cash and cash equivalents at the end of the period	6,168,668	6,458,656

The annexed notes form an integral part of this condensed interim financial information.

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

   
CHIEF FINANCIAL OFFICER CHIEF EXECUTIVE DIRECTOR DIRECTOR

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STATEMENT OF CHANGES IN EQUITY
FOR THE YEAR ENDED JUNE 30, 2018

	Certificate Capital	Statutory Reserve	Accumulated profit	Total
	Rupees.....		
Balance as at July 01, 2016	100,000,000	16,345,045	(42,331,838)	74,013,207
Total comprehensive income 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	100,000,000	17,261,218	(38,667,147)	78,594,071
Total comprehensive income for the year	-	-	2,627,577	2,627,577
Transferred to statutory reserve at 20%	-	525,515	(525,515)	-
Balance as at June 30, 2018	100,000,000	17,786,733	(36,565,085)	81,221,648

* 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.

The annexed notes from 1 to 32 form an integral part of these financial statements.

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


CHIEF FINANCIAL OFFICER


CHIEF EXECUTIVE


DIRECTOR


DIRECTOR



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NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 2018

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 15th Floor, Chapal Plaza, Hasrat Mohani Road, Off JJ, Chundrigar Road, Karachi. The Modaraba is listed on the Pakistan Stock Exchange.

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

1.3 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.

1.4 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 (IFRSs) issued by the International Accounting Standards Board as are notified under the Companies Act, 2017, Islamic Financial Accounting Standards (IFASs) issued by the Institute of Chartered Accountant of Pakistan, the requirements of the Modaraba Companies and Modaraba (Floatation and Control) Ordinance, 1980, Modaraba Companies and Modaraba Rules, 1981 and directives issued by the Securities and Exchange Commission of Pakistan (SECP). Wherever the requirements of the Modaraba Companies and Modaraba (Floatation and Control) Ordinance, 1980, Modaraba Companies and Modaraba Rules, 1981, Islamic Financial Accounting Standards (IFASs) and directives issued by the SECP differ with the requirements of IFRSs, the requirements of the Modaraba Companies and Modaraba (Floatation and Control) Ordinance, 1980, Modaraba Companies and Modaraba Rules, 1981, Islamic Financial Accounting Standards (IFASs) or the directives issued by SECP prevail.

2.2 Standards, interpretations and amendments applicable to financial statements

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

a) New standards, interpretation and amendments

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



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IAS 7 – Statement of cash flows – disclosure initiative – (amendments)

IAS 12 – Income taxes – recognition of deferred tax assets for unrealized losses (amendments)

b) Standards, interpretations and amendments to approved accounting standards that are not yet effective

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

Standard or interpretations	Effective date (annual periods beginning on or after)
IFRS 2 Share Based Payments – Classification and Measurement of Share Based Payment Transactions (amendments)	January 1, 2018
IFRS 9 Financial Instruments	July 1, 2018
IFRS 10 Consolidated Financial Statements and IAS 28 Investment in Associates and Joint Ventures: Sale or Contribution of Assets between an Investor and its Associate or Joint Venture (amendments)	Not yet finalized
IFRS 15 Revenue from Contracts with Customers	July 1, 2018
IFRS 16 Leases	January 1, 2019
IFRS 4 Insurance Contracts: Applying IFRS 9 Financial Instruments with IFRS 4 Insurance Contracts (amendments)	
IAS 40 Investment Property: Transfers of Investment Property	January 1, 2018
IAS 19 Plan Amendment, Curtailment or Settlement (amendments)	January 1, 2019
IAS 28 Long Term Interests in Associates and Joint Ventures (amendments)	January 1, 2019
IFRIC 22 Foreign Currency Transactions and Advance Consideration	January 1, 2018
IFRIC 23 Uncertainty over Income Tax Treatments	January 1, 2019

Further, following new standards have been issued by IASB which are yet to be notified by the SECP for the purpose of applicability in Pakistan.

Standard or interpretations	Effective date (annual periods beginning on or after)
IFRS 14 Regulatory Deferral Accounts	January 1, 2016
IFRS 17 Insurance Contracts	January 1, 2021

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.



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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	5,8 & 11
c) Income tax	5,3 & 22
d) Provision for non performing assets	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 Modarabas (Formation 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 utilized. Deferred tax assets are reduced to the extent that is no longer probable that the related tax benefit will be realized.

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 or 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.



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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

All Transactions with related party, if any are recorded at an arm's length basis .



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6. PROPERTY AND EQUIPMENT - OWNED

Furniture and fixture	Office Equipment	Computer Equipment	Total
Rupees			

As 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	7,444	3,149	1,667	12,260

Year ended June 30, 2017

Opening net book value	7,444	3,149	1,667	12,260
Additions (at cost)	-	-	-	-

Depreciation charge for the year	(1,905)	(3,149)	(1,667)	(6,721)
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Net Book Value	5,539	-	-	5,539
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As 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	5,539	-	-	5,539

Year ended June 30, 2018

Opening net book value	5,539	-	-	5,539
Additions (at cost)	20,000	-	-	20,000

Depreciation charge for the year	(4,864)	-	-	(4,864)
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Net Book Value	20,675	-	-	20,675
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As at June 30, 2018

Cost	32,700	42,150	16,300	91,150
Accumulated depreciation	(12,025)	(42,150)	(16,300)	(70,475)
Net Book Value	20,675	-	-	20,675

Rate of depreciation	15%			
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7. PROPERTY AND EQUIPMENT - IJARAH

	Vehicles	Equipment	Immovable property	Total
	----- Rupees -----			
As 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	45,347,508	16,840,052	44,105,032	106,292,592
Year ended June 30, 2017				
Opening net book value	45,347,508	16,840,052	44,105,032	106,292,592
Additions (at cost)	24,302,300	-	-	24,302,300
Disposal				
Cost	(19,918,000)	(1,550,000)	-	(21,468,000)
Accumulated depreciation	12,082,104	777,123	-	12,859,227
	(7,835,896)	(772,877)	-	(8,608,773)
Depreciation charge for the year	(16,952,726)	(4,432,691)	(1,666,650)	(23,052,067)
Net Book Value	44,861,186	11,634,484	42,438,382	98,934,052
As at June 30, 2017				
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	44,861,186	11,634,484	42,438,382	98,934,052
Year ended June 30, 2018				
Opening net book value	44,861,186	11,634,484	42,438,382	98,934,052
Additions (at cost)	11,330,000	-	-	11,330,000
Disposal				
Cost	(23,663,000)	(9,328,000)	(45,000,000)	(77,991,000)
Accumulated depreciation	17,175,465	8,429,701	3,401,792	29,006,958
	(6,487,535)	(898,299)	(41,598,208)	(48,984,042)
Depreciation charge for the year	(15,750,009)	(3,296,425)	(840,174)	(19,886,608)
Net Book Value	33,953,642	7,439,760	-	41,393,402
As at June 30, 2018				
Cost	58,964,100	11,550,000	-	70,514,100
Accumulated depreciation	(25,010,458)	(4,110,240)	-	(29,120,698)
Net Book Value	33,953,642	7,439,760	-	41,393,402



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8. MURABAH FINANCE - SECURED

	Note	2018 Rupees	2017 Rupees
Considered good		24,513,744	11,213,714
Less: Current portion	8.1	(921,977)	(8,962,355)
		23,591,767	2,251,359

8.1 The profit rates on these murabaha arrangements ranges between 9.41% and 14% (2017: 9.26% and 10.47%). 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.

9. MODARABA FINANCE - SECURED

	Note	2018 Rupees	2017 Rupees
Modaraba Finance/Considered good	9.2	800,000	1,000,000
Considered doubtful	9.2	200,000	-
Less: Provision for doubtful receivables		(200,000)	
Less: Current portion		(800,000)	(750,000)
Long term portion		-	250,000

9.1 Modaraba Finance

	Considered Good		Considered Doubtful		Total	
	Jun-18	Jun-17	Jun-18	Jun-17	Jun-18	Jun-17
	----- Rupees -----					
Modaraba Finance/Considered good						
Principal	800,000	1,000,000	200,000	-	1,000,000	1,000,000
Profit	-	-	-	-	-	-
Total	800,000	1,000,000	200,000	-	1,000,000	1,000,000

9.2 The rate of profit on modaraba finances is 8.5% per annum. (2017: 8.5% per annum) These are secured against post dated cheques, and demand promissory note.

9.3 This provision made against overdue principal amount of modaraba finance on time based criteria in terms of the requirement of the prudential regulation.



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10. DIMINISHING MUSHARAKA	Note	2018 Rupees	2017 Rupees
Investment - diminishing musharaka	10.1	36,286,483	10,828,251
Less: Current portion of diminishing musharaka		(9,048,563)	(4,057,869)
		<u>27,237,920</u>	<u>6,768,382</u>
10.1 The profit rates on these diminishing musharaka arrangements range between 8.50% and 10.36% (2017: 9.36% and 11.5%). 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		-	7,867,679
11.1 Quoted securities - held for trading			
The nominal value of these shares / certificates are of Rs.10/- each except otherwise stated.			
		<u>Average Cost</u>	<u>Market Value</u>
		2018 2017	2018 2017
		Number of Shares	Rupees
		- 464,170	Meezan Balance Fund - 4,390,096
			- 7,867,679
12. ADVANCES AND OTHER RECEIVABLES			
Advances		13,903,677	20,260,000
Profit receivable		941,464	1,319,728
Advance against management fee		760,000	760,000
Other receivable		453,883	159,850
Advance tax		249,933	-
		<u>16,348,957</u>	<u>22,499,578</u>
13. CASH AND BANK BALANCES			
Cash in hand		23,068	14,768
Cash at bank:			
- Deposit accounts	13.1	6,027,715	6,320,849
- Balances with State Bank of Pakistan		117,885	123,039
		6,145,600	6,443,888
		<u>6,168,668</u>	<u>6,458,656</u>
13.1 Deposit accounts are Shariah compliant and rate of profit on deposit accounts ranges from 2.4% to 2.75% (2017: 2.4% to 2.75%) per annum.			



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14. CERTIFICATE CAPITAL	Note	2018 Rupees	2017 Rupees
2018 2017 Number of Certificates			
10,000,000 10,000,000		Moderaba certificates of Rs. 10 each fully paid-up in cash	100,000,000 100,000,000
15. STATUTORY RESERVE			
Balance at beginning of the year		17,261,218	16,345,045
Transferred during the year from profit and loss account	15.1	525,515	916,173
		<u>17,786,733</u>	<u>17,261,218</u>
15.1 During the year, the Modaraba has transferred 20% of its profit after tax to statutory reserve as per the requirements of prudential regulations.			
16. ACCRUED AND OTHER LIABILITIES			
Accrued expenses		191,600	184,600
Withholding tax payable		6,515	10,516
Worker's welfare fund	16.1	245,894	185,977
Other liabilities		9,893	58,421
		<u>453,902</u>	<u>437,514</u>
17. LOAN FROM MANAGEMENT COMPANY	17.1	<u>25,000,000</u>	<u>25,000,000</u>
17.1 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.			
18. INCOME			
Income on murabaha		1,600,147	735,847
Income on modaraba		-	95,625
Income on Ijarah		25,459,113	29,183,539
Income on diminishing musharaka		2,890,906	1,396,938
		<u>29,950,166</u>	<u>31,397,949</u>



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19. OPERATING EXPENSES	Note	2018		2017	
		Rupees	Rupees	Rupees	Rupees
Salaries, wages and other benefits	19.1	4,021,225	4,017,477		
Auditors' remuneration	19.2	185,000	165,000		
CDC charges / registrar services		291,321	276,260		
Postage and delivery		8,180	12,796		
Printing and stationery		169,585	163,942		
Fees and subscription		1,421,729	1,065,425		
Legal and professional fee		540,750	347,300		
Repair and maintenance		234,576	206,635		
Travelling and conveyance		85,819	75,298		
Advertisement		19,800	10,500		
Telecommunication		145,320	97,864		
Entertainment		87,105	89,564		
Electricity		105,689	124,127		
Bank charges		15,899	16,781		
Depreciation		4,864	6,721		
Computer software		-	75,000		
Professional tax		230,964	-		
		7,567,826	6,750,689		
19.1 Remuneration of officers and other employees					
		2018		2017	
		Officers	Other employees	Officers	Other employees
		Rupees			
Salaries and allowances					
Basic salary		868,800	563,399	824,800	530,996
Allowances		434,400	281,681	412,400	265,470
		1,303,200	845,080	1,237,200	796,466
19.2 Auditors' remuneration					
		2018		2017	
		Rupees		Rupees	
Audit fee		135,000		125,000	
Out of pocket		10,000		-	
Half year review and others		40,000		40,000	
		185,000		165,000	



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20. OTHER INCOME	Note	2018		2017	
		Rupees	Rupees	Rupees	Rupees
Profit on deposit accounts	20.1	249,328	259,427		
Gain on transfer on ijarah		1,121,429	-		
Gain on early termination of ijarah		118,772	277,683		
Unrealised gain on re-measurement of investments at fair - value through profit		-	898,648		
Capital loss		(452,723)	-		
Other income - processing fee		45,000	70,000		
		1,081,806	1,505,758		
20.1 These are earned under a Shariah permissible arrangement.					
21. PROVISIONS FOR DOUBTFUL RECEIVABLES					
Opening		-	-		
Provision against morabaha finance	21.1	200,000	-		
Closing		200,000	-		
21.1 This represent provision recognized during the year on the basis of subjective evaluation of non-performing modaraba financing.					
22. EARNINGS PER CERTIFICATE- BASIC & DILUTED					
		2018		2017	
Profit after taxation		2,627,577	4,580,864		
Weighted average number of certificates		10,000,000	10,000,000		
		0.26	0.46		



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		2018	2017
		Rupees	Rupees
23. RELATED PARTY TRANSACTIONS			
The related parties comprise of associated undertakings, directors of the Modaraba Management Company, The Modaraba, in the normal course of business carries out transactions with these related parties. Significant transactions with related parties are as follows:			
<u>Nature of transactions</u>	<u>Relationship with the Co.</u>	2018 Rupees	2017 Rupees
Loan from modaraba management company	Management company	25,000,000	25,000,000
Management fee- payment during the year	Management company	-	250,000
Balance as at the year end			
Advance to modaraba management company	Management company	-	250,000
Loan payable to management company	Management company	25,000,000	25,000,000
Payable to modaraba management company	Management company	868,117	530,363

24. FINANCIAL INSTRUMENT AND RELATED DISCLOSURES

24.1 Financial risk management

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

- Credit risk
- Liquidity risk
- Market risk

24.2 Credit risk and concentration of credit risk

Credit risk is the risk that one party to a financial instrument will fail to discharge an obligation and cause the other party to incur a financial loss. The Modaraba attempts to control credit risk by monitoring credit exposures, limiting transactions with various parties and continuous monitoring of credit worthiness of dealing parties. The management understands that the Modaraba is not exposed to any major concentration of credit

Exposure to Credit Risk

The maximum exposure to credit risk before any credit enhancements at June 30, 2018 is the carrying amount of the financial assets as set out below:



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Business	2018 Rupees	2017 Rupees
Investments - held for trading	-	7,867,679
Morabaha finance	24,513,744	11,213,714
Modaraba finance	800,000	1,000,000
Diminishing musharaka	36,286,483	10,826,251
Advances and other receivables	16,348,957	22,499,578
Cash and bank balances	6,168,668	6,458,656
	84,117,851	59,865,878

Concentration of credit risk

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

Segment by class of business of Ijarah assets	2018		2017	
	Rupees	%	Rupees	%
Modaraba	-	-	-	-
Cargo, Trading & distribution	26,819,000	38.03	-	-
Investment companies, firms & bank	18,392,000	26	51,901,300	38
Individual	11,178,100	16	56,120,800	41
Hotels and resorts	14,125,000	20	29,153,000	21
- Individual	-	-	-	-
- Miscellaneous	-	-	-	-
	70,514,100	100	137,175,100	100



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Segment by class of business of Diminishing Musharika, murabaha and modaraba

	2018		2017	
	Rupees	%	Rupees	%
Diminishing Musharaka	-	-	3,300,000	30
Hotels and resorts	1,500,000	30	7,526,251	70
Investment companies, firms & bank	34,786,483	70	-	-
	36,286,483	100	10,826,251	100
Murabaha				
Investment companies, firms & bank	14,938,176	29	3,202,682	29
Individual	9,575,568	71	8,011,032	71
	24,513,744	100	11,213,714	100
Modaraba				
Investment companies, firms & bank	1,000,000	100	1,000,000	100

26.2.1 Modaraba's operations are restricted to Pakistan only.

24.3 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	2018 Rupees	2017 Rupees
Al-Baraka Bank Limited	A	JCR - VIS	6,027,715	6,320,849

24.4 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:

	As at June 30, 2018			
	Substandard	Doubtful	Loss	Total
	Rupees			
Modaraba Finance - Secured	500,000	-	-	500,000
	500,000	-	-	500,000
	As at June 30, 2017			
	Substandard	Doubtful	Loss	Total
	Rupees			
Murabaha Finance - Secured	-	-	2,202,682	2,202,682
Modaraba Finance - Secured	250,000	-	-	250,000
Short Term Musharaka Finance	-	-	45,000,000	45,000,000
	250,000	-	47,202,682	47,452,682



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24.5 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.

	2018			
	Upto one year	One year to five years	Over five years	Total
	Rupees			
Financial assets				
Murabaha finance	921,977	23,591,767	-	24,513,744
Modaraba finance	800,000	-	-	800,000
Diminishing musharaka	9,048,563	27,237,920	-	36,286,483
Advances and other receivables	16,348,957	-	-	16,348,957
Cash and bank balances	6,168,668	-	-	6,168,668
	33,288,165	50,829,687	-	84,117,851
Financial liabilities				
Security deposits against Ijarah	5,968,180	10,326,950	-	16,295,130
Accrued and other liabilities	453,902	-	-	453,902
Unclaimed profit distribution	984,649	-	-	984,649
Management fee payable	868,117	-	-	868,117
Sales tax on management fee	54,515	-	-	54,515
	8,329,363	10,326,950	-	18,656,313
On-balance sheet gap	24,958,801	40,502,737	-	65,461,538
	2017			
	Upto one year	One year to five years	Over five years	Total
	Rupees			
Financial assets				
Investments - held for trading	7,867,679	-	-	7,867,679
Murabaha finance	9,962,355	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 and other receivables	22,499,578	-	-	22,499,578
Cash and bank balances	6,458,656	-	-	6,458,656
	50,596,137	9,269,741	-	59,865,878
Financial liabilities				
Security deposits on Ijarah assets	2,991,900	19,841,830	30,000,000	52,833,730
Accrued and other liabilities	437,514	-	-	437,514
Unclaimed profit distribution	984,649	-	-	984,649
Management fee payable	-	-	-	-
sales tax on management fee	79,554	-	-	79,554
	4,493,617	19,841,830	30,000,000	54,335,447
On-balance sheet gap	46,102,519	(10,572,089)	(30,000,000)	5,530,430



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2017	Effective yield / Profit risk %	Yield / Profit bearing maturity		Non Yield / Profit bearing maturity		Grand total
		within one year	After one year	within one year	After one year	
		Rp.				
Financial assets		8,862,355	2,251,359	11,213,714	-	11,213,714
Mudharabah Finance	8,28% to 10,47%	-	-	-	-	-
Morabaha Finance	8,52%	750,000	250,000	1,000,000	-	1,000,000
Domination mudharabah finance	8,38% to 11,5%	4,057,872	6,788,382	10,826,254	-	10,826,254
Investments - Held for trading		7,867,679	-	7,867,679	-	7,867,679
Advances and other receivables	2,4% to 2,75%	6,458,656	-	22,495,578	-	22,495,578
Cash and bank balances		-	-	-	-	6,458,656
	(A)	28,098,582	8,268,741	37,368,303	-	37,368,303
Financial liabilities		-	-	25,000,000	-	25,000,000
Loan from Management company		-	-	2,591,900	49,841,830	52,333,730
Security deposits against Ijara		-	-	4,717,014	-	4,717,014
Accrue and other liabilities		-	-	884,246	-	884,246
Management fee provision		-	-	530,363	-	530,363
Management fee payable		-	-	79,554	-	79,554
Sales tax on management fee		-	-	30,023,986	49,841,830	79,865,816
	(B)	-	-	30,023,986	49,841,830	79,865,816
Total yield / profit risk sensitivity gap	(A-B)	28,098,582	8,268,741	37,368,303	(7,524,403)	(7,524,403)

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



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27. INFORMATION ABOUT BUSINESS SEGMENTS

Description	June 30, 2018					Total
	Diminishing Musharaka	Ijara	Morabaha	Modaraba	Others	
	Rp.					
Segment revenues	2,890,906	25,459,113	1,600,147	-	1,081,806	31,031,972
Segment Results						
Segment income and sales	2,890,906	25,459,113	1,600,147	-	1,081,806	31,031,972
Operating expenses	(705,011)	(6,208,764)	(390,231)	-	(263,822)	(7,567,828)
Depreciation	-	(19,886,608)	-	-	-	(19,886,608)
Loss against provision	-	-	-	-	(200,000)	(200,000)
Workers' welfare fund	-	-	-	-	(59,917)	(59,917)
Management fees and sales tax	-	-	-	-	(381,662)	(381,662)
Taxation- Prior year	-	-	-	-	425,607	425,607
Taxation- Current year	-	-	-	-	(733,989)	(733,989)
Segment results	2,185,895	(636,259)	1,209,916	-	(133,977)	2,627,577
Other information						
Capital expenditure	25,460,232	11,330,000	13,300,030	-	-	50,090,262
Depreciation	-	(19,886,608)	-	-	-	(19,886,608)
Assets and Liabilities						
Segment assets	36,286,483	41,393,402	24,513,744	800,000	16,348,957	119,342,586
unallocated	-	-	-	-	6,189,343	6,189,343
Total segment assets	36,286,483	41,393,402	24,513,744	800,000	22,538,200	125,531,929
Segment liabilities						
Security deposits	-	16,295,130	-	-	21,600,000	41,295,130
unallocated liabilities	-	-	-	-	3,015,151	3,015,151
Total segment liabilities	-	16,295,130	-	-	28,015,151	44,310,281
Total net assets						81,221,648



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Description	June 30, 2017					
	Musharaka	Ijara	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)	(41,498)	(18,388)	(713,500)	(8,750,889)
Depreciation	-	(23,052,067)	-	-	-	(23,052,067)
Loss against provision	-	-	-	-	-	-
Unrealized gain	-	-	-	-	-	-
Workers' welfare fund	-	-	-	-	(93,874)	(93,874)
Management fees and sales tax	(24,270)	(506,774)	(12,784)	(1,661)	(64,428)	(609,917)
Taxation- Prior year	-	-	-	-	626,185	626,185
Taxation- Current year	(25,672)	(536,058)	(13,523)	(1,757)	(88,151)	(645,161)
Segment results	1,078,376	(514,418)	568,042	73,819	3,395,070	4,580,884
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	14,333,876	136,309,893
unallocated	-	-	-	-	22,499,576	22,499,576
Total segment assets	10,826,251	98,934,052	11,213,714	1,000,000	36,833,452	158,809,469
Segment liabilities						
Security deposits	-	52,833,730	-	-	-	52,833,730
unallocated liabilities	-	-	-	-	27,377,667	27,377,667
Total segment liabilities	-	52,833,730	-	-	27,377,667	80,211,397
Total net assets						78,598,072



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28. 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.

29. NUMBER OF EMPLOYEES

	2018	2017
Total number of employees end of the year	8	8
Average number of employees during the year	7	7

30. CORRESPONDENCE FIGURES

Prior year's figures have been reclassified for the purpose of better presentation and comparison. Significant changes made during the year are as follows.

31. DATE OF AUTHORIZATION FOR ISSUE

The financial statements were approved by the board of directors of the Management Company and authorized for issue on 28 September, 2018

32. GENERAL

The figures have been rounded off to the nearest rupees.

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

 CHIEF FINANCIAL OFFICER  CHIEF EXECUTIVE  DIRECTOR  DIRECTOR



PATTERN OF CERTIFICATE HOLDERS
As of June 30, 2018

Categories of Certificateholders	Certificate		
Directors and their spouse(s) and minor childre			
IMAMUDDIN SHOUGEEN	1	1,556,425	15.56
SHAHBAZ ALI MALIK	1	778,313	7.78
SAYED FAIQ HUSSAIN	1	98	0.09
MALIK JUNAID EMAM	1	1,556,625	15.57
NAWARZADA KAMRAN HUSSAIN MUGHAL	1	100	0.00
Associated Companies, undertakings and rela			
POPULAR ISLAMIC MODARABA MANAGEMENT COMPANY (PVT.) LIMITE			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-b.			
Insurance companies, takaful, modarabas and	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 SHOUGEEN	1,556,425	15.56
MIRAN ALI ROSHAN	778,313	7.78
KAMRAN ALI ROSHAN	778,313	7.78
MALIK JUNAID EMAM	1,556,625	15.57
POPULAR ISLAMIC MODARABA MANAGEMENT COMPANY (PVT.) LIMITE		15.65
SHAHBAZ ALI MALIK	778,313	7.78
ZULFIQAR ALI ROSHAN	778,313	7.78



CATEGORIES OF CERTIFICATE HOLDERS
As of June 30, 2018

Number of Certificate holders	Certificate Holdings		Total Certificate Held
33	1	to 100	1,469
784	101	to 500	387,906
71	501	to 1000	70,250
54	1001	to 5000	148,034
22	5001	to 10000	182,400
16	10001	to 15000	213,097
8	15001	to 20000	144,199
6	20001	to 25000	142,311
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
1015			10,000,000

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