



# **FIRST PAK MODARABA**

**27TH ANNUAL REPORT  
FOR THE YEAR ENDED  
JUNE 30, 2018**

Managed by:

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**KASB Invest (Private) Limited**

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Social values of Islam provide the faithful with a large measure of spiritual peace and serenity, and this contentment can be reaped while pursuing business aspirations within the confines of Islamic law. We visualize creating an institution where society can seek a just and fair advantage from the richness of Islamic system of trade finance.

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## CORPORATE INFORMATION

### Board of Directors

Muzaffar Ali Shah Bukhari  
Farrukh S. Ansari  
Amer Maqbool

Chairman  
Director  
Director/Chief Executive Officer

### Chief Financial Officer

Aftab Afroz Mahmoodi

### Company Secretary

Syed Shahid Owais

### Management Company

KASB Invest (Pvt.) Limited

### Auditor

RSM Avais Hyder Liaquat Nauman (Pvt.) Limited

### Internal Auditor

EY Ford Rhodes

### Audit Committee

Farrukh S. Ansari  
Muzaffar Ali Shah Bukhari

Chairman  
Member

### Human Resource and Remuneration Committee

Farrukh S. Ansari  
Muzaffar Ali Shah Bukhari  
Amer Maqbool

Chairman  
Member  
Member

### Certificate Transfer Office

F.D. Registrar Services (SMC-Pvt.) Limited  
Office No. 1705, 17th Floor, Saima Trade Tower - A  
I.I. Chundrigar Road  
Karachi – 74000  
Phone : 021-35478192-93, 021-32271906

### Legal Advisor

Ahmed & Qazi

### Shariah Advisor

AlHamdShariah Advisory Services (Pvt) Limited

### Registered Office & Head Office

16-C, Bukhari Towers,  
Main Khayaban-e-Bukhari, Phase VI,  
DHA, Karachi  
Phone : 021-35171786-89

### DHA Branch Office

16-C, Bukhari Towers,  
Main Khayaban-e-Bukhari, Phase VI,  
DHA, Karachi  
Phone : 021-35171786-89

### Lahore Branch Office

Office No. 318 3rd Floor,  
Lahore Stock Exchange Building,  
19 Khayaban-e-Awan-e-Iqbal,  
Lahore.

### Islamabad Branch Office

Basement, 90-91, Razia Sharif Plaza,  
Jinnah Avenue, Blue Area, F-7,  
Islamabad.  
Phone: 051-2344422-24

### Web Address

www.firstpakmodaraba.com

## DIRECTORS' REPORT

The Board of Directors of KASB Invest (Private) Limited, the Management Company of First Pak Modaraba is pleased to present the annual audited financial statements of the Modaraba for the year ended June 30, 2018.

### FINANCIAL HIGHLIGHTS

Financial highlights for the period under review are summarized as under:-

	June 30, 2018 Rs "000"	June 30, 2017 Rs "000"
<b>BALANCE SHEET</b>		
Cash and bank balances	15,590	16,158
Investments	1,270	1,395
Diminishing Musharaka Finance	31,606	41,880
Ijarah assets	20,627	4,127
Total Assets	75,477	70,060
Net Assets	62,562	62,481
<b>PROFIT &amp; LOSS ACCOUNT</b>		
Gross Income	10,312	7,908
Operating & Financial Charges	(7,724)	(4,931)
Management Company Fee	(228)	(267)
Net Profit/Loss for the Year	2,213	2,670
Earning per Modaraba Certificate (Rupees )	0.18	0.21

### OPERATIONS AND PERFORMANCE

By the Grace of the Almighty Allah, First Pak Modaraba successfully completed its financial year with net profit of Rs. 2.21 million and Earning per Certificate was Rs. 0.18. During the year, the gross income was Rs 10.31 million as compared of Rs. 7.90 million of the previous year.

The management is committed towards continuous improvement of the operating and financial performance of the Modaraba for its long term sustainability and to meet the expectations of the stakeholders especially the Certificate holders.

### YEAR AT A GLANCE

During the year Modaraba increased its business mostly in diminishing Musharaka & Ijarah finance performed. Our approach remained conservative towards financing projects. The management remained vigilant for timely recovery of the deployed funds to develop room for further investments.

### DIVIDEND

The Board of Directors is pleased to announce the final cash dividend @ 1.4% (Rs 0.14 per certificate) for the year ended June 30, 2018 to the Certificate holders of First Pak Modaraba.

### FUTURE PROSPECTS

With the aim and strategy of growing with Sharia compliant businesses, we would keep exploring and opting high yield businesses. We trust that we would keep going as per our short and longer term plans with innovative approach that would result in better returns for the Certificate holders.

## BOARD OF DIRECTORS

During the year 2017-18, Syed Muhammad Rehmanullah and Syed Waseem ul Haqqie resigned from the Board and Mr. Amer Maqbool and Mr. Muzaffar Ali Shah Bukhari co-opted as Directors. The approval for the appointment of Mr. Muzaffar Ali Shah Bukhari as Director is awaited from the Registrar Modaraba, Securities and Exchange Commission of Pakistan. Further, Mr. Aftab Afroz Mahmoodi, Chief Executive has resigned and Mr. Amer Maqbool, Director was appointed as CEO by the Board.

### ELECTION OF DIRECTORS

The following three Directors were elected in the Extra Ordinary General Meeting (EOGM) of the management company held on June 26, 2018 for the new term of three years :-

1. Muzaffar Ali Shah Bukhari
2. Farrukh S. Ansari
3. Amer Maqbool

### CORPORATE AND FINANCIAL REPORTING Framework

The Board of Directors is pleased to report that:

- The financial statements prepared by the management of the Modaraba, present fairly its state of affairs, the result of its operations, cash flows and changes in equity.
- Proper books of accounts of the Modaraba have been maintained.
- Appropriate accounting policies have been consistently applied except as mentioned in notes in the preparation of financial statements and accounting estimates are based on reasonable and prudent judgment.
- International Accounting Standards (IASs) as applicable in Pakistan have been followed in preparation of Financial Statements and any departure there from has been adequately disclosed.
- The system of internal controls 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 are no significant doubts upon the Modaraba's ability to continue as a going concern.
- There has been no material departure from the best practices of corporate governance, as detailed in the Corporate Governance Regulations- 2017.
- The Modaraba operates a provident fund for its permanent employees, value of which was PKR. 53,325/- as at June 30, 2018.
- Key operating and financial data for the last six years in summarized form is included in this annual report.
- There are no statutory payments on account of taxes, duties, levies and charges outstanding as on June 30, 2018 except as disclosed in the financial statements.
- None of the directors of Modaraba, CEO, CFO, Company Secretary and their spouses and minor children has carried out trading of certificates of the Modaraba.
- During the year, six meetings of the Board of Directors were held. Attendance by each director is as follows:



Name		No of Meetings Attended
Syed Waseem ul Haq Haqqie	Director- Resigned	2
S. M. Rehmanullah	Director- Resigned	1
Farrukh S. Ansari	Director	6
Muzaffar Ali Shah Bukhari	Director- Co-opted on October 30, 2017	3
Amer Maqbool	Director- Co-opted on October 06, 2017 and appointed as Chief Executive with effect from June 14, 2018	5
Aftab Afroz Mahmoodi	Chief Executive-(Resigned with effect from June 13, 2018)	6

- During the year, four meetings of the Audit Committee were held. Attendance by Members is as follows :

Name		No of Meetings Attended
Farrukh S. Ansari	Chairman	4
Syed Waseem ul Haq Haqqie	Member- Resigned	2
S. M. Rehmanullah	Member- Resigned	1
Muzaffar Ali Shah Bukhari	Member- Co-opted on October 30, 2017	1
Amer Maqbool	Member - Co-opted on October 06, 2017 and resigned on appointment as Chief Executive with effect from June 14, 2018	3

- During the year, one meeting of the Human Resource and Remuneration Committee (HR&RC) was held. All members of the HR&RC attended the meeting.
- The pattern of holding of Certificates by the Certificate-holders is included in this annual report

#### DIRECTOR'S REMUNERATION

The remuneration of Directors for attending meetings of the Board or any Committee of the Board is determined under the Director's Remuneration Policy adopted by the Modaraba Management Company. Under the said policy, independent and non-executive Directors are entitled to receive the prescribed fee and traveling, hotel & other expenses incurred by them for attending meetings of the Board or any Committee of the Board and General Meetings as determined by the Board.

#### GOVERNANCE & SHARIAH COMPLIANCE

The Board of Directors is committed to ensure compliance with the requirements of the Listed Companies (Code of Corporate Governance) Regulations-2017, Regulations of Pakistan Stock Exchange and the Modaraba is in compliance with the requirements relevant for the year ended June 30, 2018. A statement to this effect is annexed with the report. The Shariah Advisor is involved from the outset to ensure that the business of the Modaraba is in line with Shariah Principles.

#### HUMAN RESOURCES

The Board is confident that the management and employees of your Modaraba will continue to work with the integrity and zeal that has been their hallmark, and your Modaraba shall Insha'Allah continue to prosper. Investment in Human Resources is the cornerstone of our policy.

#### AUDITORS

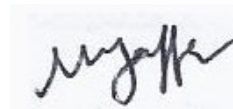
The term of appointment of present auditors M/s. Avais Hyder Liaquat Nauman, Chartered Accountants is expiring on the date of the ensuing Annual Review Meeting of the Modaraba. On the recommendation of the Audit Committee, the Board has approved the reappointment of M/s. Avais Hyder Liaquat Nauman, Chartered Accountants, as auditors for the year ending June 30, 2019, subject to approval by the Registrar of Modaraba Companies and Modaraba.

#### ACKNOWLEDGEMENT

The Board greatly appreciates the support and co-operation of the regulatory authorities, certificate holders, customers and bankers and looks forward to their continued support and advice in future.


We pray to Almighty Allah for the success of your Modaraba.

#### For and behalf of Board of Directors



Chairman

Karachi October 01, 2018



Director

موجودہ مالی سال پر ایک سرسری نظر  
موجودہ مالی سال میں مضاربہ نے مشارکہ اور اجارہ میں محفوظ سرمایہ کاری کی ہے۔ ہماری حکمت عملی روایتی اور تمام سرمایہ کاری کی وصولیابی کے لئے روایتی طور پر چوکس رہا تاکہ حاصل شدہ سرمائے سے مزید سرمایہ کاری کی جاسکے۔

### مستقبل کی منصوبہ بندی اور لائحہ عمل

ہم ایک مستحکم اور مضبوط شرعی کاروباری لائحہ عمل کے ساتھ آگے بڑھ رہے ہیں۔ ہم نے اپنے موجودہ سرمایہ کو محفوظ سرمایہ کاری کے مواقعوں میں لگانے کی منصوبہ بندی کی۔ ہمیں امید ہے کہ مختصر اور طویل المیعاد اہداف حاصل حصہ داروں کے لئے بہتر منافع کا باعث ہوگا۔

### بورڈ آف ڈائریکٹرز

سال 2017-18 کے درمیان سید محمد رحمن اللہ اور سید وسیم الحق حقی بورڈ سے مستعفی ہوئے اور ان کی جگہ جناب عامر مقبول اور جناب مظفر علی شاہ بخاری بطور ڈائریکٹر منتخب ہوئے۔ جناب مظفر علی شاہ بخاری کا انتخاب رجسٹرڈ مضاربہ، سیکورٹیز اینڈ ایکسچینج کمیشن آف پاکستان کی منظوری سے مشروط ہے۔ مزید جناب آفتاب افروز محمودی بطور چیف ایگزیکٹو مستعفی ہوئے اور جناب عامر مقبول کا تقرر بحیثیت چیف ایگزیکٹو ہوا۔

### انتخابات برائے ڈائریکٹر

مندرجہ ذیل تین ڈائریکٹر کا انتخاب 26 جون 2018 کو منعقدہ غیر معمولی عام اجلاس کے ذریعے مزید تین سالہ مدت کے لئے عمل

میں لایا گیا۔

- 1- جناب مظفر علی شاہ بخاری
- 2- جناب فرخ ایس انصاری
- 3- جناب عامر مقبول

### کارپوریٹ اور مالیاتی رپورٹنگ

بورڈ آف ڈائریکٹر سیکورٹیز اینڈ ایکسچینج کمیشن آف پاکستان کی جانب سے جاری کردہ کوڈ آف کارپوریٹ گورننس کے تحت اپنے فرائض اور ذمہ داریوں سے پوری طرح آگاہ ہے۔ مندرجہ ذیل بیانات میں بورڈ کا فلسفہ بیان کیا گیا ہے اور کارپوریٹ گورننس کے اعلیٰ معیارات کو برقرار رکھنے کے پابند رہنے کا اظہار کیا گیا ہے۔

- ☆ مضاربہ کی انتظامیہ کی جانب سے مالی گوشوارہ عہدگی سے پیش کیا گیا ہے جو اس کے آپریشنز، کیش فلو اور ایکویٹی میں تبدیلیوں کا نتیجہ ہے۔
- ☆ مضاربہ کی باقاعدہ اکاؤنٹ کی کتابیں تیار کی گئی ہیں۔
- ☆ مالی گوشوارے کی تیاری میں موزوں اکاؤنٹنگ پالیسی کو یکساں طور پر استعمال کیا گیا ہے اور اکاؤنٹنگ تخمینہ جات مناسب اور عاقبت اندیش فیصلوں کی بنیاد پر کئے گئے ہیں۔
- ☆ مالی گوشواروں کی تیاری میں پاکستان میں قابل اطلاق بین الاقوامی اکاؤنٹنگ (IAS) معیارات پر عمل کیا گیا ہے اور اس سے کسی رخصت کو مناسب طور پر ظاہر کیا گیا ہے۔
- ☆ انٹرنل کنٹرولز کا نظام مستحکم ہے اور مؤثر طور پر نفاذ و نگرانی کی جاتی ہے۔

## ڈائریکٹر رپورٹ

کے اے ایس بی انویسٹ (پرائیویٹ) لمیٹڈ منجسٹ کمپنی برائے فرسٹ پاک مضاربہ، کے بورڈ آف ڈائریکٹر ذمہ داریاں مسرت کے ساتھ مضاربہ کے 30 جون 2018 کو اختتام پذیر ہونے والے مالی سال کا سالانہ آڈٹ شدہ مالیاتی گوشوارہ پیش کر رہا ہے۔

### مالیاتی جھلکیاں

زیر جائزہ مدت کے لئے مالیاتی جھلکیوں کا خلاصہ درج ذیل ہے:-

بیلنس شیٹ	30 جون 2017	30 جون 2018
نقد اور بینک بیلنس	16,158	15,590
سرمایہ کاری	1,395	1,270
مالیاتی شرکت متناقصہ	41,880	31,606
اجارہ اثاثہ جات	4,127	2,627
کل اثاثہ جات	70,060	75,477
خالص اثاثہ جات	62,481	62,562
نفع و نقصان کا حساب	30 جون 2017	30 جون 2018
مجموعی آمدنی	7,908	10,312
انتظامی و مالیاتی اخراجات	(4,931)	(7,724)
منجسٹ کمپنی فیس	(267)	(228)
خالص سالانہ منافع	2,670	2,213
فی حصہ آمدنی (روپے)	0.21	0.18

### انتظامی کارکردگی

فرسٹ پاک مضاربہ کے مالی سال کا اختتام اللہ تعالیٰ کا شکر ادا کرتے ہوئے ہوا کہ اس نے مشکل حالات کے باوجود ہمارے قدم جمائے رکھے۔ مدت کے اختتام پر خالص منافع 2.21 ملین روپے فی حصہ آمدنی 0.18 روپے رہا۔ دوران سال مجموعی آمدنی 10.31 ملین روپے جبکہ انتظامی و مالیاتی اخراجات 7.90 ملین روپے رہی تھی۔

مضاربہ کی انتظامیہ مضاربہ کی طویل المیعاد پائیداری اور اس کے اسٹیک ہولڈرز خصوصاً حصہ داروں کی امیدوں پر پورا اترنے کے لئے اس کی انتظامی اور مالیاتی کارکردگی کو بہتر بنانے میں دل جمعی کے ساتھ مصروف عمل ہے۔

### منافع منقسمہ (Divided)

بورڈ آف ڈائریکٹر، فرسٹ پاک مضاربہ کے سرٹیفکیٹ رکھنے والوں کے لئے اختتامی سال 30 جون 2018 کے لئے حتمی منقسمہ بحساب 1.4 فیصد (0.14 روپے فی حصہ) کا اعلان کرتے ہوئے مسرت محسوس کرتے ہیں۔

- ☆ مضاربہ بناوٹ میں مالی طور پر مستحکم ہے اور مؤثر طور پر نفاذ و نگرانی کی جاتی ہے۔
- ☆ مضاربہ کی مالی و انتظامی صلاحیت کو کوئی خطرہ نہیں ہے اور اس سلسلے میں کوئی قابل تشویش بات نہیں ہے۔
- ☆ مضاربہ میں کارپوریٹ گورننس کے بہترین اصولوں کو مد نظر رکھا گیا ہے۔
- ☆ مضاربہ نے اپنے مستقل ملازمین کے لئے پروویڈنٹ فنڈ قائم کر رکھا ہے جس کی قدر 30 جون 2018 کو 53,325 روپے تھی۔
- ☆ پچھلے چھ سالوں کا مالیاتی گوشوارہ خلاصہ کی صورت میں اس سالانہ رپورٹ میں شامل کیا گیا ہے۔
- ☆ یہاں ۳۰ جون ۲۰۱۷ کو ٹیکس، ڈیوٹیز، جرمانے اور واجبات کی مد میں کوئی قانونی ادائیگیاں نہیں ہیں ماسوائے جیسا کہ مالیاتی گوشواروں میں ظاہر کیا گیا ہے۔
- ☆ مضاربہ کے ڈائریکٹرز، CFO، CEO، کمپنی سیکرٹری اور ان کے شریک حیات اور نابالغ بچوں نے مضاربہ کے سرٹیفیکیشن کی کوئی خرید و فروخت نہیں کی۔
- ☆ سال کے دوران بورڈ آف ڈائریکٹرز کے چار اجلاس منعقد ہوئے ہر ڈائریکٹر کی شرکت درج ذیل ہے۔

نام		اجلاس میں شرکت کی تعداد
سید وسیم الحق حقی	ڈائریکٹر - مستعفی	2
ابیس ایم رحمان اللہ	ڈائریکٹر - مستعفی	1
فرخ ابیس انصاری	ڈائریکٹر	6
آفتاب افرود محمودی	چیف ایگزیکٹو - مستعفی 13 جون 2018	6
مظفر علی شاہ بخاری	ڈائریکٹر (انتخاب: 30 اکتوبر 2017)	3
عامر مقبول	ڈائریکٹر (انتخاب: 16 اکتوبر 2017) چیف ایگزیکٹو (انتخاب: 14 جون 2018)	5

☆ سال کے دوران آڈٹ کمیٹی کی چار میٹنگز منعقد ہوئیں، حاضری کی تفصیلات درج ذیل ہے:

نام		اجلاس میں شرکت کی تعداد
فرخ ابیس انصاری	چیئر مین	4
سید وسیم الحق حقی	ممبر - مستعفی	2
ابیس ایم رحمان اللہ	ممبر - مستعفی	1
مظفر علی شاہ بخاری	ممبر (انتخاب: 30 اکتوبر 2017)	1
عامر مقبول	ممبر (انتخاب: 16 اکتوبر 2017) بجائیت چیف ایگزیکٹو تفری کے بعد مستعفی (تاریخ: 14 جون 2018)	3

- ☆ سال کے دوران ہیومن ریسورس اور مشاہرہ کمیٹی کی ایک میٹنگ ہوئی جس میں تمام ممبران نے شرکت کی۔
- ☆ تحقیقات ہولڈرز کا خاکہ رپورٹ کے ساتھ منسلک ہے۔

### مشاہرہ برائے ڈائریکٹرز

بورڈ آف ڈائریکٹرز اور بورڈ کی کسی بھی کمیٹی کی میٹنگز میں حاضری کے عوض ڈائریکٹرز کے مشاہرہ کا تعین مینجمنٹ کمیٹی کی مشاہرہ پالیسی کے زیر عمل ہے۔ اس پالیسی کے تحت انڈیپنڈنٹ اور نان ایگزیکٹو ڈائریکٹر کسی بھی کمیٹی اور عام اجلاس کے سلسلے میں مشاہرہ، سفری، ہوٹل اور دیگر اخراجات حاصل کرنے مجاز ہیں۔

### گورننس اور شریعہ کی تعمیل

بورڈ آف ڈائریکٹرز ہر عزم ہے کہ وہ لکھنؤ کمپنیز (کوڈ آف کارپوریٹ گورننس) ریگولیشن 2017 پاکستان اسٹاک ایکسچینج کے قوانین 30 جون 2018 کو ختم ہونے والے سال کے لئے عمل کو یقینی بنائے گا۔ اس سلسلے میں ایک خاکہ اس رپورٹ کے ساتھ منسلک ہے۔ شریعہ ایڈوائزر ابتدائی مراحل سے شرعی اصولوں کی پاسداری کے لئے مضاربہ کے ساتھ منسلک ہے۔

### ہیومن ریسورسز

بورڈ پر اعتماد ہے کہ آپ کے مضاربہ کی انتظامیہ اور ملازمین راست بازی اور جوش اور ولولہ سے مسلسل کام کریں گے۔ آپ کا مضاربہ ان شاء اللہ مسلسل فروغ پاتا رہے گا۔ بہترین انسانی وسائل میں سرمایہ کاری ہماری پالیسی کا بنیادی عنصر ہے۔

### آڈیٹرز

موجودہ آڈیٹران میسرز اوپس حیدر لیاقت نعمان، چارٹرڈ اکاؤنٹنٹس کی تقرری کی مدت مضاربہ کی سالانہ جائزہ اجلاس کی تاریخ پر ختم ہوگئی ہے۔ آڈٹ کمیٹی کی سفارش پر بورڈ نے میسرز اوپس حیدر لیاقت نعمان، چارٹرڈ اکاؤنٹنٹس کو بجائیت آڈیٹر 30 جون 2018 تک دوبارہ تقرری کی منظوری دی ہے جو رجسٹر آف مضاربہ کمپنیز اور مضاربہ کی منظوری سے مشروط ہے۔

### اعتراف

بورڈ ریگولیٹری اتھارٹی، حصہ داروں، کسٹمرز اور بینکرز کی معاونت اور تعاون کو بہت سراہتا ہے اور مستقبل میں بھی ان کی معاونت اور مشورے کا منتظر رہے گا۔

ہم اللہ کے حضور آپ کے مضاربہ کی کامیابی کے لئے دعا گو ہیں۔

بورڈ آف ڈائریکٹرز کی جانب وقو سے

ڈائریکٹر

چیئر مین

1 اکتوبر 2018

کراچی

**Summary of key Operating and Financial data of the  
Modaraba for last six years.  
Year ended June 30**

**.....Rupees in million.....**

Year	2018	2017	2016	2015	2014	2013
Paid-up Capital	<b>125.400</b>	<b>125.400</b>	<b>125.400</b>	125.400	125.400	125.400
Statutory Reserve	<b>26.045</b>	<b>25.602</b>	<b>25.068</b>	25.028	24.717	24.717
Certificate Holders' Equity	<b>62.562</b>	<b>62.481</b>	<b>59.811</b>	60.738	59.182	73.305
Current Liabilities	<b>1.911</b>	<b>5.964</b>	<b>6.007</b>	5.955	8.031	5.366
Non-Current Assets	<b>34.968</b>	<b>26.968</b>	<b>12.873</b>	5.585	10.087	0.494
Current Assets	<b>40.509</b>	<b>43.092</b>	<b>54.559</b>	61.108	57.125	78.178
Profit/(Loss) after taxation	<b>2.213</b>	<b>2.671</b>	<b>0.201</b>	1.557	(15.656)	1.957
Earning/(Loss) per Certificate (Rs.)	<b>0.18</b>	<b>0.21</b>	<b>0.02</b>	0.12	(1.25)	0.16
Dividend (%)	<b>1.40%</b>	<b>1.7%</b>	<b>Nil</b>	0.9%	Nil	1.2%
Break-up-value (Rs.)	<b>4.99</b>	<b>4.98</b>	<b>4.77</b>	4.84	4.72	5.85
ROA (%)	<b>2.93%</b>	<b>3.81%</b>	<b>0.30%</b>	2.33%	-23.29%	2.49%
ROE (%)	<b>3.54%</b>	<b>4.27%</b>	<b>0.34%</b>	2.56%	-26.45%	2.67%

**STATEMENT OF COMPLIANCE WITH THE CODE OF  
CORPORATE GOVERNANCE FIRST PAK MODARABA  
("the Company")  
YEAR ENDED JUNE 30, 2018**

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

- The total number of directors are three as the following :
  - Male : Three
  - Female: Nil
- The composition of board is as follows :
  - Independent Directors : Mr. Farrukh S. Ansari
  - Other Non-Executive Director : Mr. Muzaffar Ali Shah Bukhari
  - Executive Directors : Mr. Amer Maqbool
- 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).
- 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.
- 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.
- All the powers of the board have been duly exercised and decisions on relevant matters have been taken by board/shareholders as empowered by the relevant provisions of the Act and these Regulations.
- 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 the Act and the Regulations with respect to frequency, recording and circulating minutes of board.
- The board of directors has a formal policy and transparent procedures for remuneration of directors in accordance with the Act and these Regulations.
- The Company has already in compliance regarding the training of Directors till June 30, 2018; therefore during the year no Directors' Training program was arranged by the Company.
- The board has approved appointment of CFO, Company Secretary and Head of Internal Audit, including their remuneration and terms and conditions of employment and complied with relevant requirements of the Regulations.

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

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

- a) Audit Committee
- |      |                               |   |
|------|-------------------------------|---|
| i.   | Mr. Farrukh S. Ansari         | Chairman  |
| ii.  | Mr. Muzaffar Ali Shah Bukhari | Member  |
| iii. | Mr. Amer Maqbool              | Member (Resigned<br>13/06/2018 after appointment as<br>CEO) |

b) HR and Remuneration Committee

- |      |                               |           |
|------|-------------------------------|-----------|
| i.   | Mr. Farrukh S. Ansari         | Chairman- |
| ii.  | Mr. Muzaffar Ali Shah Bukhari | Member    |
| iii. | Mr. Amer Maqbool              | Member    |

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 committees were as per follows :-

- |    |                                 |           |
|----|---------------------------------|-----------|
| a. | Audit Committee;                | Quarterly |
| b. | HR and Remuneration Committee : | Yearly    |

15. The board has outsourced the internal audit function to M/s EY Ford Rhodes, Chartered Accountants who are considered suitably qualified and experienced for the purpose and are conversant with the policies and procedures of the company.

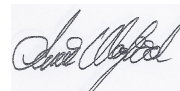
16. The statutory auditors of the Company have confirmed that they have been given a satisfactory rating under the quality control review program of the ICAP, that they or any of the partners of the firm, their spouses and minor children do not hold shares of the Company and that the firm and all its 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 listing regulations and auditors have confirmed that they have observed IFAC guidelines in this regard.

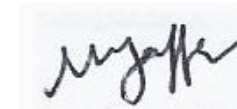
18. We confirm that all other material principles enshrined in the CCG have been complied with except for:

a. Number of independent directors is at least two or one third of total board member whichever is higher. However, at present the Modaraba has one independent Director and requirement of two independent directors will be complied by the Modaraba subsequent to the year end.

b. Audit committee at least three members comprising of non-executive directors and at least one independent director, the company was in compliance of the composition, however, due to the appointment of one director as CEO on 13<sup>th</sup> June, 2018, the audit committee of the company has now two members and the Modaraba will comply the same subsequent to the year end.



Chief Executive



Director



RSM Awaits Hyder Liaquat Nauman  
Chartered Accountants

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**Independent Auditor's Review Report to the Members of First Pak Modaraba  
Review Report on the Statement of Compliance contained in  
Listed Companies (Code of Corporate Governance) Regulations, 2017**

We have reviewed the enclosed Statement of Compliance with the Listed Companies (Code of Corporate Governance) Regulations, 2017 (the Regulations) prepared by the Board of Directors of KASB Invest (Pvt.) Limited (the Management Company) 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 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 Management Company's personnel and review of various documents prepared by the Management Company to comply with the Regulations.

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

The Regulations require 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, its related party transactions and also ensure compliance with the requirements of section 208 of the Companies Act, 2017. We are only required and have ensured compliance of this requirement to the extent of the approval of the related party transactions by the Board of Directors upon recommendation of the Audit Committee. We have not carried out procedures to assess and determine the 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.

THE POWER OF BEING UNDERSTOOD  
AUDIT | TAX | CONSULTING

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

Further, we highlight below instances of non-compliance with the requirement(s) of the Regulations as reflected in the paragraph reference where these are stated in the Statement of Compliance:

S#	Paragraph reference	Description
I.	18 (a)	As per regulation # 6 of Listed Companies (Code of Corporate Governance) Regulations, 2017, number of independent directors is at least two or one third of total board member whichever is higher. However, at present the Modaraba has one independent Director and requirement of two independent directors will be complied by the Modaraba subsequent to the year end.
II.	18 (b)	As per regulation # 28(1)(a) of Listed Companies (Code of Corporate Governance) Regulations, 2017, the board shall establish an Audit committee of at least three members comprising of non-executive directors and at least one independent director, the company was in compliance of the composition, however, due to the appointment of one director as CEO on 13 <sup>th</sup> June, 2018, the audit committee of the company has now two members and the Modaraba will comply the same subsequent to the year end.

-SD-

Chartered Accountants

Karachi.

THE POWER OF BEING UNDERSTOOD  
AUDIT | TAX | CONSULTING  
Dated: 07 October, 2018

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AUDITORS' REPORT TO THE  
CERTIFICATE HOLDERS

We have audited the annexed Balance Sheet of **FIRST PAK MODARABA (The Modaraba)** as at June 30, 2018 and the related profit and loss account, cash flow statement and statement of changes in equity together with the notes forming part thereof (hereinafter referred to as the financial statements), for the year then ended and we state that 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 (KASB Invest (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 except for changes in accounting policies as disclosed in notes 4.1 to the financial statements with which we concur;
  - ii. the expenditure incurred during the year was for the purpose of the Modaraba's business; and
  - iii. the business conducted, investments made and the expenditure incurred during the year were in accordance with the objects, terms and conditions of the Modaraba;

THE POWER OF BEING UNDERSTOOD  
AUDIT | TAX | CONSULTING

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c) in our opinion and to the best of our information and according to the explanations given to us, the balance sheet, profit and loss account, cash flow statement and statement of changes in equity together with the notes forming part thereof conform with approved accounting standards as applicable in Pakistan, and, give the information required by the Modaraba Companies and Modaraba (Floatation and Control) Ordinance, 1980 (XXXI of 1980), and the Modaraba Companies and Modaraba Rules, 1981, in the manner so required and respectively give a true and fair view of the state of the Modaraba's affairs as at June 30, 2018 and of the profit, its cash flows and changes in equity for the year then ended; and

d) in our opinion, Zakat deductible at source under the Zakat and Ushar Ordinance, 1980 (XVIII of 1980) was deducted by Modaraba and deposited in the central Zakat Fund established under section 7 of that ordinance.

-SD-

Chartered Accountants  
Karachi.

Dated: 01 October, 2018

Engagement Partner: Adnan Zaman

THE POWER OF BEING UNDERSTOOD  
AUDIT | TAX | CONSULTING

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## SHARIAH ADVISOR'S REPORT

MUFTI MUHAMMAD IBRAHIM ESSA  
Graduate from Jamia Darul Uloom Karachi, Pakistan  
Shariah Advisor – Islamic Finance and Takaful Matters

محمد ابراهيم عيسى  
خريج الجامعة دار العلوم كراتشي، باكستان  
المشير الشرعي للامور المالية الاسلامية

نحمده و نصلى على رسوله الكريم

### Shariah Advisor's Report

I have reviewed the affairs of First Pak Modaraba managed by KASB Invest (Private) Limited for the Year ended June 30, 2018 in accordance with the requirements of the Circular No.8 of 2012, issued by the Securities and Exchange Commission of Pakistan, regarding Shari'ah Compliance and Shari'ah Audit Mechanism for Modarabas.

#### SHARIAH COMPLIANCE AND REVIEW OF OPERATIONS:

The undersigned conducted Shari'ah review for the affairs of the Modaraba. Based on review, my basic findings are as follows:

#### BANK ACCOUNTS:

Modaraba does not maintain any saving account with conventional banks. For investment and operational purpose, First Pak Modaraba is operating the Bank accounts only which are maintained with Islamic Banks.

#### FRESH DISBURSEMENTS:

#### DIMINISHING MUSHARAKAH:

Modaraba disbursed number of Diminishing Musharaka Facilities to its clients. I confirm that these transactions are in accordance with Shariah.

#### TAKAFUL:

For risk mitigation, mainly Modaraba has adopted the Takaful coverage with Takaful companies for their assets.

#### EQUITY SHARES:

Modaraba still owns the following equity shares:

S.No	Name of Shares	Quantity
1.	Pak Industrial Commercial Leasing	279,749
2.	Prudential Investment Bank	120,000
3.	Prudential Securities Limited (unlisted)	487,500

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Cell: +92 322 2671867

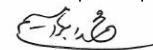
MUFTI MUHAMMAD IBRAHIM ESSA  
Graduate from Jamia Darul Uloom Karachi, Pakistan  
Shariah Advisor – Islamic Finance and Takaful Matters

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خريج الجامعة دار العلوم كراتشي، باكستان  
المشير الشرعي للامور المالية الاسلامية

As informed by the management the buyers are not available to acquire these shares and values of serial 1 to 3 suspended/delisted companies have been fully provided in the books of account.

#### CONCLUSION:

By the grace of Almighty ALLAH, after introduction of Shari'ah Compliance and Shari'ah Audit Mechanism for Modarabas by Securities & Exchange Commission of Pakistan (SECP), through Circular No. 8 of 2012 the Management of First Pak Modaraba has effectively shown its sincerity to comply with Shariah Rulings in its true spirit, therefore, the business operations of First Pak Modaraba are Shari'ah compliant up to the best of my knowledge.



Mufti Muhammad Ibrahim Essa  
Shariah Advisor  
Dated: September 22, 2018



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Cell: +92 322 2671867



## BALANCE SHEET

### AS AT JUNE 30, 2018

ASSETS	Note	2018 Rupees	2017 Rupees
<b>Current Assets</b>			
Cash and bank balances	5	15,590,972	16,157,822
Investments	6	1,270,784	1,395,399
Current portion of diminishing Musharakah	13	17,957,016	19,923,427
Morabaha finance	7	-	-
Ijarah rentals receivable	8	179,503	15,633
Advances, deposits, prepayments and other receivables	9	581,121	670,109
Tax refundable - considered good		4,929,854	4,929,854
<b>Total Current Assets</b>		<b>40,509,250</b>	<b>43,092,244</b>
<b>Non - Current Assets</b>			
Property and equipment -Ijarah	10	20,672,913	4,126,637
Property and equipment - owned	11	600,012	18,778
Capital Work in Progress	12	-	732,668
Diminishing Musharakah	13	13,649,007	21,956,865
Advance and deposits	14	45,750	132,750
<b>Total Non - Current Assets</b>		<b>34,967,682</b>	<b>26,967,698</b>
<b>TOTAL ASSETS</b>		<b>75,476,932</b>	<b>70,059,942</b>
<b>LIABILITIES</b>			
<b>Current Liabilities</b>			
Accrued and other liabilities	15	1,911,201	1,603,316
Unclaimed profit distribution		4,814,302	4,360,517
		6,725,503	5,963,833
<b>Non-Current Liabilities</b>			
Long term deposits	16	6,189,000	1,615,000
<b>TOTAL LIABILITIES</b>		<b>12,914,503</b>	<b>7,578,833</b>
<b>NET ASSETS</b>		<b>62,562,429</b>	<b>62,481,109</b>
<b>REPRESENTED BY</b>			
<b>Certificate holders' equity</b>			
Certificate Capital	17	125,400,000	125,400,000
Statutory reserve		26,044,844	25,602,220
Accumulated loss		(88,882,415)	(88,521,111)
		62,562,429	62,481,109
Contingencies and commitments	18		

The annexed notes from 1 to 29 form an integral part of these financial statements.

For KASB Invest (Private) Limited  
(Management Company)

 CHIEF EXECUTIVE	 DIRECTOR	 DIRECTOR	 CHIEF FINANCIAL OFFICER
--	---	---	---

## PROFIT AND LOSS ACCOUNT

### FOR THE YEAR ENDED JUNE 30, 2018

	Note	2018 Rupees	2017 Rupees
<b>INCOME</b>			
Return on PLS accounts		546,821	710,698
Income on diminishing musharakah		5,414,178	4,704,709
Dividend income		-	97,539
Ijarah rentals		3,945,569	1,627,053
Other income	19	405,129	189,486
		10,311,697	7,329,485
Unrealised (Loss)/ gain on remeasurement of held for trading investments		(124,615)	86,229
Reversal of provision for WWF	15.1	-	492,736
		10,187,082	7,908,450
<b>EXPENDITURE</b>			
Administrative expenses	20	(4,290,892)	(3,569,030)
Depreciation on Ijarah assets		(3,388,725)	(1,308,363)
Workers welfare fund		(44,262)	(53,411)
		(7,723,879)	(4,930,804)
Profit for the year		2,463,203	2,977,646
Modaraba Company's Management Fee	21	(221,312)	(267,054)
Provision for sales tax on management fee		(28,771)	(40,058)
Profit before taxation		2,213,120	2,670,534
Provision for taxation	22	-	-
Profit after taxation		2,213,120	2,670,534
<b>Other Comprehensive income</b>		-	-
Total income for the year		2,213,120	2,670,534
<b>Earnings per certificate</b>	23	0.18	0.21

The annexed notes from 1 to 29 form an integral part of these financial statements.

For KASB Invest (Private) Limited  
(Management Company)

 CHIEF EXECUTIVE	 DIRECTOR	 DIRECTOR	 CHIEF FINANCIAL OFFICER
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## CASH FLOW STATEMENT FOR THE YEAR ENDED JUNE 30, 2018

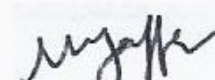
	2018 Rupees	2017 Rupees
<b>A. CASH FLOWS FROM OPERATING ACTIVITIES</b>		
Profit before taxation	2,213,120	2,670,534
Adjustments for non-cash changes and other items:		
Dividend income	-	(97,539)
Loss on disposal-own assets	(9,999)	-
Unrealised Loss/ (Gain) on remeasurement of held for trading investments	124,615	(86,229)
Depreciation on ijarah assets	3,388,725	1,308,363
Depreciation-owned	29,525	22,124
	<u>3,532,866</u>	<u>1,146,719</u>
	5,745,986	3,817,253
 Cash flows before movements in working capital		
Decrease / (Increase) in operating assets		
Diminishing Musharakah	10,274,269	(29,272,475)
Ijarah rentals receivable	(163,870)	(15,633)
Advances, prepayments and other receivables	241,616	80,313
	<u>10,352,015</u>	<u>(29,207,795)</u>
 Increase / (decrease) in operating liabilities		
Long term ijarah deposits	4,574,000	-
Accrued and other liabilities	307,885	(42,727)
	<u>4,881,885</u>	<u>(42,727)</u>
Net Cash generated from/ (used) in operations	20,979,886	(25,433,269)
 Income tax paid / adjustment	(65,630)	(183,851)
Net cash generated from/ (used) in operating activities	<u>20,914,256</u>	<u>(25,617,120)</u>
 <b>B. CASH FLOWS FROM INVESTING ACTIVITIES</b>		
Dividend received	-	97,539
Investments made	-	(73,154)
Proceeds from disposal-own assets	10,000	-
Capital work in progress	121,909	(732,668)
Purchase of Ijarah assets	(19,935,000)	-
Net cash used in investing activities	<u>(19,803,091)</u>	<u>(708,283)</u>

	2018 Rupees	2017 Rupees
<b>C. CASH FLOWS FROM FINANCING ACTIVITIES</b>		
Profit distribution	(1,678,015)	-
Net cash used in financing activities	<u>(1,678,015)</u>	<u>-</u>
 Net decrease in cash and cash equivalents (A+B+C)	(566,850)	(26,325,403)
 Cash and cash equivalents at July 01, 2017	16,157,822	42,483,225
 Cash and cash equivalents at June 30. 2018	<u>15,590,972</u>	<u>16,157,822</u>


The annexed notes from 1 to 29 form an integral part of these financial statements.

For KASB Invest (Private) Limited  
(Management Company)

  
CHIEF EXECUTIVE

  
DIRECTOR

  
DIRECTOR

  
CHIEF FINANCIAL OFFICER







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

	Certificate capital	Statutory Reserve*	Accumulated Loss	Total
	..... Rupees.....			
Balance at June 30, 2016	125,400,000	25,068,113	(90,657,538)	59,810,575
Profit for the year ended June 30, 2017	-	-	2,670,534	2,670,534
Transfer to statutory reserve	-	534,107	(534,107)	-
Balance at June 30, 2017	125,400,000	25,602,220	(88,521,111)	62,481,109
Profit for the year ended June 30, 2018	-	-	2,213,120	2,213,120
Final dividend @Re.0.17 per certificate for the year ended June 30, 2017	-	-	(2,131,800)	(2,131,800)
Transfer to statutory reserve	-	442,624	(442,624)	-
Balance at June 30, 2018	125,400,000	26,044,844	(88,882,415)	62,562,429

\* Statutory reserve represents profit set aside to comply with the Prudential Regulations for Modarabas issued by the SECP. These regulations require the Modaraba to transfer not less than 20% and not more than 50% of its after tax profit till such time that reserves equals 100% of the paid up capital. Thereafter, a sum not less than 5% of the after tax profit is to be transferred. During the current year, the Modaraba has transferred an amount of Rs. 442,624/- (2017: Rs.534,107/-) to Statutory Reserve which represent 20% of the profit after tax."

The annexed notes from 1 to 29 form an integral part of these financial statements.

For KASB Invest (Private) Limited  
(Management Company)

 CHIEF EXECUTIVE	 DIRECTOR	 DIRECTOR
 CHIEF EXECUTIVE	 DIRECTOR	 CHIEF FINANCIAL OFFICER

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

**1 LEGAL STATUS AND NATURE OF BUSINESS**

**1.1** First Pak Modaraba (the Modaraba) is a multipurpose, perpetual Modaraba. The Modaraba is registered under the Modaraba Companies and Modaraba (Floatation and Control) Ordinance, 1980 and the Modaraba Companies and Modaraba Rules, 1981 and was managed by Royal Management Services (Pvt.) Limited. In pursuance of instructions received from Securities and Exchange Commission of Pakistan (SECP), KASB Invest (Private) Limited has taken over the management and administrative control of First Pak Modaraba effective from November 13, 2014.

**1.2** The registered office of First Pak Modaraba is situated at 16-C, Main Khayaban-e-Bukhari, Phase VI, Defence Housing Authority, Karachi. The Modaraba is listed on Pakistan Stock Exchange. The Modaraba is currently engaged in various modes of Islamic fundings and businesses which include ijarah financing, deployment of fund in Musharakah, morabaha and investment in securities.

**1.3** The Financial Statements is presented in Pak Rupees, which is the Modaraba's functional and presentation currency.

**1.4** On February 21, 2018, the board of directors of the Management Company has decided to merge and amalgamate the Modaraba with and into the First Prudential Modaraba and the application has been filed to the Registrar Modaraba in this regard.

**1.5 SIGNIFICANT TRANSACTIONS AND EVENTS AFFECTING THE COMPANY'S FINANCIAL POSITION AND PERFORMANCE**

All significant transactions and events that have affected the Company's statement of financial position and performance during the year have been adequately disclosed in the notes to these financial statements. For a detailed discussion about these significant transactions and events please refer to the Directors' report.

**2 BASIS OF PREPARATION**

**2.1 Statement of Compliance**

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

## 2.2 NEW STANDARDS, INTERPRETATIONS AND AMENDMENTS TO PUBLISHED APPROVED ACCOUNTING STANDARDS

### Accounting standards and interpretations not yet effective

The following standards and amendments are only effective for accounting periods, beginning on or after the date mentioned against each of them. The applicable changes may have impact on the Company's annual financial statements. The management is in the process of determining the impact of such changes.

IFRS 2 – Share Based Payments - Classification and Measurement of Share- based Payments Transactions (Amendments)

IFRS 9 'Financial Instruments' - This standard will supersede IAS 39 Financial Instruments: Recognition and Measurement upon its effective date.

Amendments to IFRS 9 'Financial Instruments' - Amendments regarding prepayment features with negative compensation and modifications of financial liabilities.

IFRS 15 'Revenue' - This standard will supersede IAS 18, IAS 11, IFRIC 13, 15 and 18 and SIC 31 upon its effective date.

Amendments to IFRS 10 'Consolidated Financial Statements' and IAS 28 'Investments in Associates and Joint Ventures' - Sale or contribution of assets between an investor and its associate or joint venture.

Amendments to IAS 28 'Investments in Associates and Joint Ventures' - Amendments regarding long-term interests in associates and joint ventures.

Amendments to IAS 40 'Investment Property': Clarification on transfers of property to or from investment property

IFRS 16 'Leases': This standard will supersede IAS 17 'Leases' upon its effective date.

Accounting standards and interpretations:	Effective date (Annual period beginning on or after)
IFRS 2 Share-based Payments - Amendments to clarify the classification and measurement of share-based payment transactions	1-Jan-18
IFRS 9 Financial Instruments - Amendments for incorporating requirements for classification and measurement, impairment, general hedge accounting and de-recognition	1-Jan-18
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	1-Jan-18
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	1-Jan-19

### Standards issued by IASB but not yet notified by SECP

IFRS 9 Financial Instruments: Classification and Measurement	1-Jan-18
IFRS 15 Revenue from Contracts with Customers	1-Jan-18

The effects IFRS - 15 Revenue from Contract with Customers and IFRS 9 - Financial Instruments are still being assessed, as these new standards may have significant effect on the Modaraba's future financial statements.

The management anticipates that the adoption of the above standards and amendments in future periods will no material impact on the Modaraba's financial statements.

Other than the aforesaid standards, interpretations and amendments, the International Accounting Standards Board (IASB) has also issued the following standards 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 14 'Regulatory Deferral Accounts'
- IFRS 17 'Insurance Contracts'

## 2.3 New disclosure requirement due to adoption of Companies Act, 2017

Due to adoption of the Companies Act, 2017 certain new and enhanced disclosures have become applicable, which are in addition to those required by the International Accounting Standards. The relevant notes have been updated accordingly.

## 3 BASIS OF MEASUREMENT

These financial statements have been prepared under the historical cost convention, except for certain investments which have been measured at fair value / equity method.

## 4 SIGNIFICANT ACCOUNTING POLICIES

The accounting policies set out below have been applied consistently to all periods presented in these financial statements except for change explained in notes 4.1

### 4.1 Change in accounting policy

#### Surplus on revaluation of investments classified as 'Available-for-sale'

Pursuant to the amendment in the Prudential Regulations for Modarabas by the Securities and Exchange Commission of Pakistan (SECP) vide its Circular No. SC/M/PRDD/PRs/2017-259 dated December 11, 2017, the surplus on revaluation of investments shall not become part of equity.

#### Effect of change in accounting policy

Due to adaption of new accounting policy, there is no balance sheet, profit and loss account, comprehensive income and cash flow impact as a result of the retrospective application of change in accounting policy.

### 4.2 Property and equipment

#### (i) Ijarah and depreciation

Ijarah assets are stated at cost less accumulated depreciation and impairment loss (if any). Depreciation is charged to income applying the straight line method whereby the cost of an asset, less its residual value, is written off over its lease period. In respect of additions and disposals during the year, depreciation is charged proportionately to the period of lease.

#### (ii) In own use and depreciation

Operating assets are stated at cost less accumulated depreciation and impairment loss (if any). Depreciation is charged to profit and loss account applying the straight-line method whereby the cost of an asset is written off over its estimated useful life. In respect of additions and disposal during the year, depreciation is charged proportionately to the period of use.

Profit or loss on disposal of assets is recognized as income or expense.

Assets' residual values, if significant and their useful lives are reviewed and adjusted, if appropriate, at each balance sheet date.

Maintenance and normal repairs are charged to income statement as and when incurred.

### 4.3 Investments

The Modaraba determines the appropriate classification of its investments at the time of purchase of investment and re-evaluates this classification on a regular basis. The existing investment portfolio of the Modaraba has been categorized as follows:

#### Held-for-trading "at fair value through profit and loss"

These are investments which are acquired principally for the purpose of generating profits from short-term fluctuations in market prices, interest rate movements, dealer's margin or are investments included in a portfolio in which a pattern of short-term profit taking exists.

#### Available for sale

These are investments that are intended to be held for an indefinite period of time and which may be sold in response to need for liquidity or changes to interest rates, exchange rates or equity prices.

#### Held to maturity

These are investments with fixed or determinable payments and fixed maturity that the Modaraba has the positive intention and ability to hold to maturity.

All investments are initially recognized at cost, being the fair value of the consideration given. Cost includes transaction costs associated with the investment. Subsequent to initial recognition, held-for trading and available-for-sale investments for which active market exists, are measured at their market value while held-to maturity investments are stated at amortized cost using the effective interest rate method less impairment, if any.

Any surplus or deficit on revaluation of held-for-trading investments are charged to income currently, while in case of available-for-sale investments, gains and losses arising from re-measurement at fair value is recognized in other comprehensive income.

Unquoted available for sale investments, except where an active market exists, are carried at cost less accumulated impairment losses, if any,

Impairment of investments is recognized when there is a permanent diminution in their values. Provision for impairment in the value of investment, if any, is taken to the profit and loss account.

### 4.4 Ijarah rentals receivable, ijarah, morabaha and musharakah finances

Receivables considered doubtful are provided for in accordance with the requirement of the Prudential Regulations for Modarabas. Specific provision is also made for receivables considered doubtful.

### 4.5 Staff retirement benefits

#### Defined contribution plan

The Modaraba operates a funded contribution provident fund for all employees. Equal monthly contributions are made both by the Modaraba and the employees to the fund at the rate of 8.33% of basic salary.

### 4.6 Provisions

Provisions are recognized when the Modaraba has a present, legal or constructive obligation as a result of past event, 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. However, provisions are reviewed at each balance sheet date and adjusted to reflect the current best estimate.

### 4.7 Impairment

#### Financial Assets

Impairment is recognized by the Modaraba on the basis of provision requirements given under Prudential Regulations for Modaraba and subjective evaluation carried out on an ongoing basis.

A financial asset is assessed at each reporting date to determine whether there is any objective evidence that it is impaired. A financial asset is considered to be impaired if objective evidence indicates that one or more events have had a negative effect on the estimated future cash flows of that asset. Individually significant financial assets are tested for impairment on an individual basis. The remaining financial assets are assessed collectively in groups that share similar credit risk characteristics.

#### Available-for-sale financial investments

In the case of debt instruments classified as available-for-sale, impairment is assessed based on the same criteria as financial assets carried at amortized cost. Interest continues to be accrued at the original effective interest rate on the carrying amount of the asset and is recorded as part of 'Interest and similar income'. If, in a subsequent year, the fair value of a debt instrument increases and the increase can be objectively related to an event occurring after the impairment loss was recognized in the profit and loss account, the impairment loss is reversed through the profit and loss account.

All impairment losses are recognized in profit or loss. Any cumulative loss in respect of an available-for-sale financial asset recognized as a separate item before equity is transferred to profit or loss.

An impairment loss is reversed if the reversal can be related objectively to an event occurring after the impairment loss was recognized. For financial assets measured at amortized cost and available-for-sale financial assets that are debt securities, the reversal is recognized in profit or loss. For available-for-sale financial assets that are equity securities, the reversal is recognized directly in equity.

#### Non-financial assets

The Modaraba assesses at each balance sheet date whether there is any indication that assets except deferred tax assets and investment property may be impaired. If such indication exists, the carrying amounts of such assets are reviewed to assess whether they are recorded in excess of their recoverable amount. Where carrying values exceed the respective recoverable amount, assets are written down to their recoverable amounts and the resulting impairment loss is recognized in profit and loss account. The recoverable amount is the higher of an asset's fair value less costs to sell and value in use.

Where impairment loss for asset subsequently reverses, the carrying amount of the asset is increased to the revised recoverable amount but limited to the extent of initial cost of the asset. Reversal of impairment loss is recognized as income.

### 4.8 Capital work-in-progress

Capital work-in-progress, if any, is stated at cost less accumulated impairment losses, if any, and represents expenditure on fixed assets in the course of construction and installation and advances for capital expenditure. Transfers are made to the relevant category of fixed assets / ijarah assets as and when the assets are available for intended use.

### 4.9 Revenue recognition

#### 4.9.1 Ijarah rentals

Income from ijarah is recognized as and when lease rentals become due on a systematic basis over the lease and ijarah period.

**4.9.2 Hire purchase transactions**

For hire purchase transactions, the unearned finance income is deferred and taken to income over the period of hire purchase, applying the annuity method to produce a constant rate of return on the net investment.

**4.9.3 Morabaha and musharakah transactions**

Profit from musharakah transactions is recognized on the basis of pro rata accrual of the profit estimated for the transaction over the period.

Profit from morabaha finance is accounted for on culmination of morabaha transaction. However, the profit on that portion of morabaha finance not due for payment is deferred by accounting for "Deferred Morabaha Income" with a corresponding credit to "Unearned Morabaha Income" which is recorded as a liability. The same is then recognized on a time proportion basis.

**4.9.4 Dividend income**

Dividend is recognized as income when the right of receipt is established.

**4.9.5 Markup income**

Mark-up / return on deposits / investments is recognized on accrual basis using the effective interest rate method.

**4.10 Taxation****Current**

Provision for taxation is made on taxable income if any, at the prevailing rates of tax after taking into account any tax credit available.

The income of non-trading modaraba is exempt from tax provided that not less than 90% of its total profits in the year as reduced by the amount transferred to statutory reserve are distributed amongst the certificate holders.

**Deferred**

Deferred income tax is provided using the liability method for all temporary differences at the balance sheet date between tax bases of assets and liabilities and their carrying amounts for financial reporting purposes.

Deferred tax liability is generally recognized for all taxable temporary differences. Deferred income tax asset is recognized for all deductible temporary differences and carry forward of unused tax losses, if any, to the extent that it is probable that taxable profit will be available against which such temporary differences and tax losses can be utilized.

Deferred income tax assets and liabilities are measured at the tax rate 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.

**4.10.1 Foreign currencies translation**

Monetary assets and liabilities in foreign currencies are translated into Pak Rupees at the rates of exchange approximating to those prevalent on the balance sheet date. Foreign currency transactions are converted into Rupees at the rate of exchange prevailing on the date of transactions. Exchange gains and losses on translation are taken to income currently.

**4.10.2 Financial assets**

Financial assets comprise of Ijarah rentals receivable, investments, morabaha finances, deposits, other receivables, excluding taxation. Ijarah rentals receivable, morabaha and other receivables are stated at cost as reduced by appropriate allowances for estimated irrecoverable amounts.

**4.10.3 Financial liabilities**

Financial liabilities are classified according to the substance of contractual arrangements entered into. Significant financial liabilities includes ijarah deposits, accrued and other liabilities.

**4.10.4 Cash and cash equivalents**

Cash and cash equivalents are carried in the balance sheet at cost. For the purposes of the cash flow statement, cash and cash equivalents comprise cash in hand, with banks on current, savings and deposit accounts, as well as balance held with the State Bank of Pakistan (SBP).

**4.10.5 Offsetting of financial assets and financial liabilities**

A financial asset and a financial liability is offset and the net amount reported in the balance sheet, if the Modaraba has a legal enforceable right to set off the transaction and also intends either to settle on a net basis or to realize the asset and settle the liability simultaneously. Corresponding income on the assets and charge on the liability is also off-set.

**4.10.6 Profit distribution**

Profit distribution to the Modaraba's Certificate Holders is recognized as a liability in the financial statements in the period in which the dividends are approved by the board of Modaraba Company.

**4.10.7 Significant accounting estimates and judgment**

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

- i) Classification of investments (Note 6)
- iii) Provision against doubtful investments (Note 6)
- ii) Depreciation/amortization on property, plant and equipment (Note 10 & 11)

**5 CASH AND BANK BALANCES**

	Note	2018 Rupees	2017 Rupees
Cash in hand		7,230	-
Cash at banks			
Current accounts		1,140,461	695,548
Saving accounts	5.1	14,443,281	15,462,274
		<u>15,583,742</u>	<u>16,157,822</u>
		<u>15,590,972</u>	<u>16,157,822</u>

5.1 Rate of return in respect of PLS accounts ranges from 3.90% to 3.90% (June 2017: 3.90% to 5.07%) per annum.

**6 INVESTMENTS**

Available for sale	6.1	-	-
Held for trading at fair value through profit or loss account	6.2	1,270,784	1,395,399
		<u>1,270,784</u>	<u>1,395,399</u>

**6.1 Available for sale**

Fully paid ordinary shares of Rs 10 each.

2018 Number of Shares Unquoted securities	2017	Name of company	Note	2018 Rupees	2017 Rupees
487,500	487,500	Prudential Securities Limited			
		Cost		4,875,000	4,875,000
		Less: Permanent Diminution	6.1.1	(4,875,000)	(4,875,000)
				<u>-</u>	<u>-</u>

6.1.1 The operations of Prudential Securities Limited remained suspended that indicates a significant and prolonged decline in the fair value of this investment below carrying value resulting in an objective evidence of impairment. Therefore, the investment has been considered as fully impaired.

**6.2 Held for trading at fair value through profit or loss account**

Unless stated otherwise, the holdings are in the fully paid ordinary shares / certificates / units of Rs 10/- each.

2018 Number of Certificates/Shares/Units	2017	Name of Company	2018 Rupees	2017 Rupees
<b>Open-end Mutual Funds</b>				
82,324	78,031	Meezan Balanced Fund	1,270,784	1,395,399
<b>Suspended / Delisted Company</b>				
120,000	120,000	Prudential Investment Bank Limited	-	-
279,749	279,749	Pakistan Industrial & Commercial Leasing Limited	-	-
			<u>1,270,784</u>	<u>1,395,399</u>

	Note	2018 Rupees	2017 Rupees
<b>6.2.1 Unrealized loss on changes in fair value of held for trading investments</b>			
Opening carrying value		1,395,399	1,309,170
Unrealised (loss) / gain on changes in fair value of held for trading investments		(124,615)	86,229
Market value of investments		<u>1,270,784</u>	<u>1,395,399</u>

**7 MORABAHA FINANCE**

Morabaha finance - Unsecured	7.1	15,319,705	15,319,705
Less: Provision for doubtful morabaha finance		(15,319,705)	(15,319,705)
		<u>-</u>	<u>-</u>

7.1 This include amount of Morabaha finance receivable from five different parties outstanding since many years. As per term of agreement, the profit against these finance ranged from 16.5% to 20%, however, based on the guidelines of prudential regulation for Modaraba, the principal and profit against these finances have been fully provided and suspended accordingly.

**8 IJARAH RENTALS RECEIVABLE**

Considered good		179,503	15,633
Considered doubtful		<u>119,542</u>	<u>119,542</u>
		299,045	135,175
Less: Provision for doubtful receivables	8.1	(119,542)	(119,542)
		<u>179,503</u>	<u>15,633</u>

**8.1 Movement in provision for doubtful receivables**

Opening balance		119,542	119,542
Charge for the year		-	-
Reversal during the year		-	-
		<u>-</u>	<u>-</u>
Closing balance		<u>119,542</u>	<u>119,542</u>

**8.2 Future minimum ijarah rentals receivable**

Within one year		7,944,215	1,611,424
After one year but not more than five years		11,319,541	1,543,261
		<u>19,263,756</u>	<u>3,154,685</u>

	Note	2018 Rupees	2017 Rupees
<b>9 ADVANCES, DEPOSITS, PREPAYMENTS AND OTHER RECEIVABLES</b>			
<b>Considered good</b>			
Profit Receivable on Diminishing Musharakah		61,991	177,190
Advance income tax		273,985	208,355
Advance to staff - current portion - Secured	9.1	61,750	87,000
Prepayments		148,082	149,063
Profit receivable on bank deposits		32,313	45,502
Others		3,000	2,999
		<u>581,121</u>	<u>670,109</u>
<b>Considered doubtful</b>			
Amount due from PSL	9.2 & 9.3	11,476,377	11,476,377
Amount due from PCML	9.4	999,832	999,832
Amount due from			
Royal Management Services(Pvt) Ltd	9.5	886,442	886,442
Profit receivable on Morabaha finance		4,028,913	4,028,913
		<u>17,391,564</u>	<u>17,391,564</u>
		17,972,685	18,061,673
Less: Provision for doubtful receivables		<u>(17,391,564)</u>	<u>(17,391,564)</u>
		<u>581,121</u>	<u>670,109</u>

9.1 The balances are secured against Provident Fund (PF) balances of employees.

9.2 This include the amount of Rs.1.0 million (2016: Rs.1.0 million) paid to Prudential Securities Limited (PSL) as advance for purchase of securities but the transaction remained incomplete. Operations of PSL were subsequently suspended by Pakistan Stock Exchange (PSX) formerly Karachi Stock Exchange Limited. Keeping in view remote chance of recovery , provision has been recorded against the total amount of claim.

9.3 This includes Rs. 10.476 million (2016: Rs. 10.476 million) receivable from PSL. As mentioned in note 9.2 operations of PSL were suspended by PSX and the Modaraba has filed claim with PSX for the amount. Keeping in view remote chance of recovery, provision has been recorded against the total amount of claim.

9.4 This represents Rs. 999,832 (2016: Rs. 999,832) receivable from Pearl Capital Management Limited (PCML). The operations of PCML has been suspended by PSX. A claim was lodged with the PSX for the recovery of the said amount which was rejected on the grounds of having been filed after the lapse of the last date for the submission of claims as notified by PSX. Hence, provision has been made against the total amount of claim.

9.5 This represents Rs. 886,442 (2016: Rs. 886,442) receivable from Royal Management Services (Private) Limited in respect of various expenses paid on their behalf. KASB Invest (Pvt.) Limited took over the management of Modaraba on November 11, 2014 from Royal Management Services (Private) Limited. Provision has been made against the total amount of receivable as the chances of the recovery is remote.

10. PROPERTY AND EQUIPMENT -IJARAH						
	Cost			Depreciation		Rate %
	at July 1, 2017	Additions/ (Disposals)	at June 30, 2018	Accumulated at July 1, 2017	For the year June 30, 2018	
				-----Rupees-----		

10.1 This include an asset financed under ijarah arrangement to one defaulted client. The case is under litigation with Banking Court.



## 11. PROPERTY AND EQUIPMENT - OWNED

2018						
at July 1, 2017	Cost		Depreciation		Accumulated value at June 30, 2018	Rate %
	Additions/ (Disposals)	at June 30, 2018	Accumulated at July 1, 2017	For the year / (on disposals)		
-----Rupees-----						
Office equipment	309,122	78,207	307,682	6,481	314,163	33.33
Furniture and fixtures	39,645	532,552	33,700	11,651	45,351	10
Motor vehicles	83,500	(83,500)	72,107	11,392 (83,499)	-	20
	432,267	527,259	413,489	29,255 (83,499)	359,514	600,012
-----						
2017						
at July 1, 2016	Cost		Depreciation		Accumulated value at June 30, 2017	Rate %
	Additions/ (Disposals)	at June 30, 2017	Accumulated at July 1, 2016	For the year / (on disposals)		
-----Rupees-----						
Office equipment	309,122	-	309,122	303,258	4,424	307,682
Furniture and fixtures	39,645	-	39,645	32,700	1,000	33,700
Motor vehicles	83,500	-	83,500	55,407	16,700	72,107
	432,267	-	432,267	391,365	22,124	413,489
-----						
11.1 DISPOSAL OF PROPERTY AND EQUIPMENT - OWNED						
Particulars	Cost	Accumulated depreciation	Written down value	Sale proceed	Modae of disposal	Particulars of buyers
	-----					
2017	-	-	-	-		
-----						
Motorcycle						Mr. Mehfooz A. Shakoor
Suzuki Rider SD	83,500	83,499	-	10,000	Negotiations	(Ex-employee)
	83,500	83,499	-	10,000		
2018						

## 11.1 DISPOSAL OF PROPERTY AND EQUIPMENT - OWNED

Particulars	Cost	Accumulated depreciation	Written down value	Sale proceed	Modae of disposal	Particulars of buyers
2017	-	-	-	-	-	-
Motorcycle						Mr. Mehfooz A. Shakoor
Suzuki Rider SD	83,500	83,499	-	10,000	Negotiations	(Ex-employee)
2018	83,500	83,499	-	10,000		

## 12 CAPITAL WORK-IN-PROGRESS

Note  
Rupees  
Rupees

This represents advance for office renovation expense that is transferred to the fixed assets in current period after the completion of renovation work.

## 13 DIMINISHING MUSHARIKA

Diminishing Musharakah	13.1	31,606,023	41,880,292
Less: Current Portion of Diminishing Musharakah		(17,957,016)	(19,923,427)
		<u>13,649,007</u>	<u>21,956,865</u>

13.1 These finance carry profit rate ranged from 12.50% to 17.00% per annum and are payable on monthly basis over a period from 3 to 4 years.

## 14 LONG TERM ADVANCES AND DEPOSITS

Long term deposits		45,750	45,750
Advance to staff	9.1	-	87,000
		<u>45,750</u>	<u>132,750</u>

## 15 ACCRUED AND OTHER LIABILITIES

Workers welfare fund	15.1	132,824	88,562
Management fee		221,312	106,596
Auditors' remuneration		200,000	195,000
Charity fund payable		53,319	53,319
Other payables		<u>1,303,746</u>	<u>1,159,839</u>
		<u>1,911,201</u>	<u>1,603,316</u>

## 15.1 WORKER WELFARE FUND

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 last 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.

## 16 LONG TERM DEPOSITS

ljarah security deposits	<u>6,189,000</u>	<u>1,615,000</u>
--------------------------	------------------	------------------

**17. CERTIFICATE CAPITAL**

2018	2017		2018 Rupees	2017 Rupees
Number of Certificates				
		<b>Authorised</b>		
15,000,000	15,000,000	Modaraba certificates of Rs.10/- each	150,000,000	150,000,000
		<b>Issued, subscribed and paid-up</b>		
10,000,000	10,000,000	Modaraba certificates of Rs.10/- each fully paid in cash	100,000,000	100,000,000
2,540,000	2,540,000	Modaraba certificates of Rs.10/- each fully paid bonus certificates	25,400,000	25,400,000
<u>12,540,000</u>	<u>12,540,000</u>		<u>125,400,000</u>	<u>125,400,000</u>

As at June 30, 2018, the Royal Management Services (Private) Limited (the Ex- Management Company) held 1,254,000 (2017: 1,254,000) certificates of Rs. 10 each.

**18. CONTINGENCIES AND COMMITMENTS**

There were no contingencies and commitments at the year end.

**19. OTHER INCOME**

	2018 Rupees	2017 Rupees
Gain on disposal of vehicle - owned	9,999	-
Termination charges on diminishing musharaka	100,762	21,486
Miscellaneous income	294,368	168,000
	<u>405,129</u>	<u>189,486</u>

	Note	2018 Rupees	2017 Rupees
<b>20. ADMINISTRATIVE EXPENSES</b>			
Salaries, allowances and benefits	20.1	1,425,767	1,221,090
Fees and subscription		653,916	747,781
Rent rates & taxes		388,130	-
Telephone and postage		214,221	92,330
Legal and professional		161,430	411,663
Registrar services	20.2	85,000	177,750
Auditors' remuneration		251,500	244,450
Travelling and conveyance		22,400	10,390
Printing and stationery		265,690	191,462
Repairs and maintenance		26,362	10,256
Stamp Papers		64,000	46,200
Entertainment		730	1,820
Depreciation-owned assets		29,525	22,124
Insurance		178,567	119,965
Bank charges		51,181	39,278
Advertisement in newspaper		246,226	133,625
Electricity expenses		205,247	18,696
Miscellaneous		<u>21,000</u>	<u>80,150</u>
		<u>4,290,892</u>	<u>3,569,030</u>

**20.1** The aggregate amounts incurred during the year for remuneration including all benefits to officers and other employees of the Company are given below:

**REMUNERATION OF OFFICERS AND OTHER EMPLOYEES**

	2018			2017		
	Officers	Other Employees	Total	Officers	Other Employees	Total
	.....Rupees.....			.....Rupees.....		
Remuneration	-	1,073,525	1,073,525	-	1,033,358	1,033,358
Provident fund	-	186,600	186,600	-	50,693	50,693
Medical expenses	-	51,642	51,642	-	55,539	55,539
Others	-	<u>114,000</u>	<u>114,000</u>	-	<u>81,500</u>	<u>81,500</u>
		<u>1,425,767</u>	<u>1,425,767</u>		<u>1,221,090</u>	<u>1,221,090</u>
No. of persons	-	3	3	-	3	3

**20.1.1** The total number of employees as at June 30th are 2 (2017: 3) and the average number of employees during the year equates to 3 (2017: 3)

	2018 Rupees	2017 Rupees
<b>20.2 AUDITORS' REMUNERATION</b>		
Statutory audit fee	175,000	175,000
Half year review fee	15,000	15,000
Review of code of corporate governance	10,000	10,000
CDC certification	15,000	15,000
Out of pocket expenses	36,500	29,450
	<u>251,500</u>	<u>244,450</u>

## 21 Modaraba Management Company Fee

In accordance with the Modaraba Companies and Modaraba Rules, 1981, management remuneration at the rate of 10% of annual profit is payable to the management company.

## 22 Provision for Taxation

The income of the Modaraba is exempt from tax provided that not less than 90% of total profits in the year as reduced by the amount transferred to statutory reserve, required under the Modaraba Companies and Modaraba (Floatation and Control) Ordinance 1980, are distributed amongst the certificate holders. Since section 113 of the Income Tax Ordinance, 2001 is not applicable on the Modaraba, no provision for taxation has been made in these financial statements.

## 23 EARNINGS PER CERTIFICATE - BASIC AND DILUTED

Profit for the year (Rupees)	2,213,120	2,670,534
Weighted average number of ordinary certificates	<u>12,540,000</u>	<u>12,540,000</u>
Earnings per certificate (Rupees per certificate)	<u>0.18</u>	<u>0.21</u>

## 24 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. Amounts due from and to related parties and key management personnel, if any, are shown under receivables and payables. Significant transactions with related parties are as follows: -

Relationship with the Company Expense for the Period	Nature of transaction	2018 Rupees	2017 Rupees
Modaraba Management Company	Management fee	<u>221,312</u>	<u>267,054</u>
Provident Fund	Contribution made	<u>186,600</u>	<u>50,693</u>
<b>Payments made during the period</b>			
Modaraba Management Company	Management fee	<u>106,596</u>	<u>180,559</u>
Provident Fund	Contribution made	<u>186,600</u>	<u>50,693</u>
<b>Balance as at the year end</b>			
Payable to Modaraba Management Company		<u>221,312</u>	<u>106,596</u>

## 25 FINANCIAL RISK MANAGEMENT

The Modaraba's activities expose it to a variety of financial risks: market risk (including currency risk, fair value profit rate risk and price risk), credit risk and liquidity risk. The board of directors' of the management company has overall responsibility for the establishment and oversight of the Modaraba's risk management framework.

The Modaraba's overall risk management programme focuses on the unpredictability of financial markets and seeks to minimize potential adverse effects on the Modaraba's financial performance.

The Modaraba's principal financial liabilities comprise ijarah deposits, accrued and other liabilities and unclaimed profit distribution. The Modaraba's principal financial assets comprises of ijarah rentals receivable, diminishing musharakah & morabaha finances, advance, prepayments and other receivables and cash and bank balances that arrive directly from its operations. The Modaraba also holds held for trading, available-for-sale, and loan and receivable as its investments.

### 25.1 Liquidity risk management

Liquidity risk is the risk that the Modaraba will encounter difficulty in meeting its financial obligations as they fall due. Liquidity risk arises because of the possibility that the Modaraba will be required to pay its liabilities earlier than expected or will face difficulty in raising funds to meet commitments associated with financial liabilities as they fall due. The Modaraba's approach to managing liquidity is to ensure, as far as possible, that it will always have sufficient liquidity to meet its liabilities when due, under both normal and stress conditions, without incurring unacceptable losses or risking damage to the Modaraba's reputation. Modaraba holds total current assets of Rs. 40.509 million against its current liability of Rs.6.726 million which lead to total surplus of Rs.33.783 million.

The table below shows an analyses of Modaraba's financial liabilities into relevant maturity groupings based on the remaining period at the balance sheet date to contractual maturity date. However, Modaraba has surplus funds to pay off its liabilities. The amounts in the table are the contractual undiscounted cash flows.

2018	Total	Upto three months ..... Rupees .....	More than three months and upto one year	More than one year
Accrued and other liabilities	1,911,201	1,911,201	-	-
Unclaimed profit distribution	4,814,302	4,814,302	-	-
Ijarah deposits	6,189,000	-	-	6,189,000
	<u>12,914,503</u>	<u>6,725,503</u>	<u>-</u>	<u>6,189,000</u>
<b>2017</b>				
Accrued and other liabilities	1,603,316	1,603,316	-	-
Unclaimed profit distribution	4,360,517	4,360,517	-	-
Ijarah deposits	1,615,000	-	-	1,615,000
	<u>7,578,833</u>	<u>5,963,833</u>	<u>-</u>	<u>1,615,000</u>

### 5.2 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 controls credit risk by monitoring credit exposure, limiting transactions with specific counter parties and continually assessing the credit worthiness of counter parties.

The Modaraba is exposed to credit risk from its financing activities (Diminishing Musharakah & Morabaha finances and ijarah rental receivables), deposits with bank and financial institutions and other receivables.

The Modaraba has adopted a policy of only dealing with creditworthy counterparties and obtaining sufficient collateral, where appropriate, as a means of mitigating the risk of financial loss from defaults. This information is supplied by independent rating agencies where available and, if not available, the Modaraba uses other publicly available financial information and its own trading records to rate its major customers.

The Modaraba follows two sets of guidelines. It has its own operating policy and the management of the Modaraba also adheres to the regulations issued by the SECP. The operating policy defines the extent of fund and non-fund based exposures with reference to a particular sector or group.

The Modaraba's maximum exposure to credit risk related to financial instruments at June 30, 2018 and June 30, 2017 is the carrying amounts of following financial assets

	2018	2017
Diminishing Musharakah	31,606,023	41,880,292
Advances, deposits, prepayments and other receivables	307,136	461,754
Balances with banks and financial institutions	<u>15,590,972</u>	<u>16,157,822</u>
	<u>47,504,131</u>	<u>58,499,868</u>

The analysis below summarizes the quality rating of the major Banks in which the Modaraba deals:

Bank balances	Short Term	Long Term	2018	2017
Habib Bank Limited	A-1+	AAA	15,121,337	16,149,072
Summit Bank Limited	A-1	A-	453,659	-
Faysal Bank Limited	A1+	AA	8,746	8,746

Past due but not impaired financings are those for which contractual profit or principal payments are past due, but the Modaraba believes that impairment is not appropriate on the basis of the level of security/collateral available to the Modaraba.

An analysis of the financial assets that are individually impaired as per the accounting policy is as under:

As at June 30, 2018				
OAEM	Substandard	Doubtful	Loss	Total
Ijarah rentals receivable	-	-	119,542	119,542
Morabaha finance	-	-	15,319,705	15,319,705
As at June 30, 2017				
OAEM	Substandard	Doubtful	Loss	Total
Ijarah rentals receivable	-	-	119,542	119,542
Morabaha finance	-	-	15,319,705	15,319,705

Total impairment against these assets as at June 30, 2018 is Rs.15,439,247/- (June 2017:15,439,247/-)

### 25.2.1 Concentration of Credit Risk

Ijarah Assets	2018		2017	
	(Rupees)	%	(Rupees)	%
Plant and machinery	18,534,413	89.66	818,137	19.83
Others	2,138,500	10.34	3,308,500	80.17
	<u>20,672,913</u>	<u>100.00</u>	<u>4,126,637</u>	<u>100.00</u>
For Diminishing Musharika Finance	2018		2017	
	(Rupees)	%	(Rupees)	%
Transport & Communication	11,444,682	36.21	11,850,363	28.30
Individuals	19,868,633	62.86	19,244,719	45.95
Others	292,708	0.93	10,785,210	25.75
	<u>31,606,023</u>	<u>100.00</u>	<u>41,880,292</u>	<u>100.00</u>

### 25.3 Market risk

Market risk is the risk that the value of the financial instrument may fluctuate as a result of changes in market interest rates or the market price due to 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. The Modaraba incurs financial liabilities to manage its market risk. All such activities are carried out with the approval of the Board. The Modaraba is exposed to profit risk.

## 25.3.1 Profit rate risk

The profit rate risk is the risk that the fair value or the future cash flows of a financial instrument will fluctuate because of changes in market interest rates. Majority of the profit rate exposure arises from short term deposits with banks, ijarah finance, diminishing musharaka and musharaka and morabaha finance. At the balance sheet date the profit rate risk profile of the Modaraba's profit bearing financial instruments is:

Effective yield / profit rate %	June 30, 2018					
	Total	Up to one month	Over one month to three months	Over three months to one year	Over one year to five years	Over five years to yield / profit risk
Rupees						
Cash and bank balances	15,590,972	14,443,281	-	-	-	1,147,691
Investments	1,270,784	-	-	-	-	1,270,784
Musharaka, morabaha and other finance	-	-	-	-	-	-
Diminishing musharaka	31,606,023	1,447,934	2,927,851	13,221,231	14,009,007	-
Ijarah rentals receivable	179,503	-	-	-	-	179,503
Advances and other receivables	352,886	-	-	-	-	352,886
Total financial assets as at June 30, 2018	49,000,168	15,891,215	2,927,851	13,221,231	14,009,007	2,950,864
Ijarah deposit	6,189,000	-	-	-	-	6,189,000
Accrued and other liabilities	1,911,201	-	-	-	-	1,911,201
Undaimed profit distribution	4,814,302	-	-	-	-	4,814,302
Total financial liabilities as at June 30, 2018	12,914,503	-	-	-	-	12,914,503
Total yield / profit risk sensitivity gap	15,891,215	2,927,851	13,221,231	14,009,007	-	-
Cumulative yield / profit risk sensitivity gap	15,891,215	18,819,066	32,040,297	46,049,304	46,049,304	-

## June 30, 2017

Effective yield / profit rate %	June 30, 2017					
	Total	Up to one month	Over one month to three months	Over three months to one year	Over one year to five years	Over five years to yield / profit risk
Rupees						
Cash and bank balances	16,157,822	15,462,274	-	-	-	695,548
Investments	1,395,399	-	-	-	-	1,395,399
Musharaka, morabaha and other finance	-	-	-	-	-	-
Diminishing musharaka	41,880,292	1,762,163	4,054,570	14,106,694	21,956,865	-
Ijarah rentals receivable	15,633	-	-	-	-	15,633
Advances and other receivables	594,504	-	-	-	-	594,504
Total financial assets as at June 30, 2017	60,043,650	17,224,437	4,054,570	14,106,694	21,956,865	2,701,084
Ijarah deposit	1,615,000	-	-	-	-	1,615,000
Accrued and other liabilities	1,603,316	-	-	-	-	1,603,316
Undaimed profit distribution	4,360,517	-	-	-	-	4,360,517
Total financial liabilities as at June 30, 2017	7,578,833	-	-	-	-	7,578,833
Total yield / profit risk sensitivity gap	17,224,437	4,054,570	14,106,694	21,956,865	-	-
Cumulative yield / profit risk sensitivity gap	17,224,437	21,279,007	35,385,701	57,342,566	57,342,566	-

### 25.3.1.1 Sensitivity Analysis

The sensitivity of the net income for the year is the effect of the assumed changes in profit rates on the floating rate financial instruments held at the year end. The following table demonstrates the sensitivity of the Modaraba's income for the year to a reasonably possible change in profit rates, with all other variables held constant.

	Impact on profit after tax and equity	
	2018	2017
	Rupees	Rupees
Changes in basis point		
+100	99,066	70,425
-100	(99,066)	(70,425)

### 25.3.2 Equity Price Risk

The Modaraba's Equity securities are susceptible to market price risk arising from uncertainties about future values of the investment securities. The modaraba manages the equity price risk through diversification and placing limits on individual and total equity instruments. Reports on the equity portfolio are submitted to the modaraba's senior management on a regular basis the board of directors of the management comp any reviews and approves all equity investment decision.

The carrying amount of investments in equity securities carried at fair value as shown in note 6 is as follows.

	2018	2017
	Rupees	Rupees
Investments	1,270,784	1,395,399

### 25.3.3 Currency Risk

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

### 25.4 Fair Value of Financial Instruments

Fair value is an amount for which an asset could be exchanged or a liability settled between knowledgeable and willing parties in an arms length transaction. Carrying values of financial assets and financial liabilities approximate their fair values.

#### 25.4.1 Fair Value Hierarchy

The table below analysis financial instruments carried at fair value by valuation method. The different levels has been defined as follows.

**Level 1:** Quoted prices (unadjusted) in active markets for identical assets or liabilities.

**Level 2:** Inputs other than quoted prices included within level 1 that are observable for the asset or liability, either directly (i.e., as prices) or indirectly (i.e., derived from prices).

**Level 3:** Inputs for the assets or liability that are not based.

	June 30, 2018			
	Level 1	Level 2	Level 3	Total
<b>Financial assets at FVTPL</b>				
Quoted companies	1,270,784	-	-	1,270,784
<b>Available shars / units</b>				
Unlisted entities	-	-	-	-
	1,270,784	-	-	1,270,784

	June 30, 2017			
	Level 1	Level 2	Level 3	Total
<b>Financial assets at FVTPL</b>				
Quoted companies	1,395,399	-	-	1,395,399
<b>Available shars / units</b>				
Unlisted entities	-	-	-	-
	1,395,399	-	-	1,395,399

### 25.5 Financial instruments by category

	As at June 30, 2018			
	Loan and receivables	Assets at fair value through profit & loss	Available-for-sale	Total
<b>ASSETS</b>		.....Rupees.....		
Cash and bank balances	15,590,972	-	-	15,590,972
Investments	-	1,270,784	-	1,270,784
Diminishing Musharika	31,606,023	-	-	31,606,023
Advances, prepayments and other receivables	307,136	-	-	307,136
Long term deposits	45,750	-	-	45,750
	47,549,881	1,270,784	-	48,820,665
<b>LIABILITIES</b>				
Ijarah deposits	6,189,000	-	-	6,189,000
Accrued and other liabilities	1,911,201	-	-	1,911,201
Unclaimed profit distribution	4,814,302	-	-	4,814,302
	12,914,503	-	-	12,914,503

## As at June 30, 2017

	Loan and receivables	Assets at fair value through profit & loss .....Rupees.....	Available-for -sale	Total
<b>ASSETS</b>				
Cash and bank balances	16,157,822	-	-	16,157,822
Investments	-	1,395,399	-	1,395,399
Diminishing Musharika	41,880,292	-	-	41,880,292
Advances, prepayments and other receivables	461,754	-	-	461,754
Long term deposits	132,750	-	-	132,750
	<u>58,632,618</u>	<u>1,395,399</u>	<u>-</u>	<u>60,028,017</u>
<b>LIABILITIES</b>				
Ijarah deposits	1,615,000	-	-	1,615,000
Accrued and other liabilities	1,603,316	-	-	1,603,316
Unclaimed profit distribution	4,360,517	-	-	4,360,517
	<u>7,578,833</u>	<u>-</u>	<u>-</u>	<u>7,578,833</u>

**26 CAPITAL RISK MANAGEMENT**

The Modaraba manages its capital to ensure that it will be able to continue as a going concern while maximizing the return to stakeholders through the optimization of the debt and equity balance. As at balance sheet date Modaraba do not have any exposure in short term and long term borrowing and it has sufficient surplus funds to manage the affairs of the Modaraba effectively. Further Modaraba has positive current ratio of 6.02:1 which is assessed as not overstated (2017: 7.47:1).

The Modaraba is continuously endeavoring for invest in risk free business with maximizing returns in order to improve the position of its accumulated reserves, however, due to risky economic and market conditions, the Modaraba is following conservative approach and it is not actively making any major investments or financing of its allowed business.

Consistently with others in the industry, the Modaraba monitors capital on the basis of the debt-to-adjusted capital ratio. Modaraba focus towards the equity based financing and therefore consistent with the previous years. Currently, the Modaraba is not exposed to any external borrowings.

**27 SEGMENT INFORMATION**

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

The internal reporting provided to the Board of Directors of the Management Company for the Modaraba's assets, liabilities and performance is prepared on a consistent basis with the measurement and recognition principles of approved accounting standards as applicable in Pakistan.


**28 NON ADJUSTING EVENT AFTER BALANCE SHEET DATE**

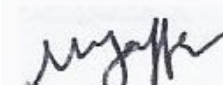
The Board of Directors have proposed dividend for the year ended June 30, 2018 of Re.0.14 per certificate (June 30, 2017 of Re.0.17), amounting to Rs1,755,600 (2017: Rs.2,131,800) at their meeting held on October 01, 2018. The financial statements for the year ended June 30, 2018 do not include the effect of the above which will be accounted for in the period in which it is declared.

**29 DATE OF AUTHORIZATION OF ISSUE**

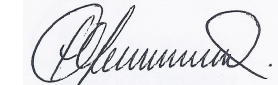
These financial statements has been authorized for issue on October 01, 2018 by the Board of Directors of the KASB Invest (Private) Limited.

For KASB Invest (Private) Limited  
(Management Company)

  
CHIEF EXECUTIVE

  
DIRECTOR

  
DIRECTOR

  
CHIEF FINANCIAL OFFICER

## PATTERN OF CERTIFICATE HOLDINGS AS AT 30.06.2018

NUMBER OF CERTIFICATE HOLDERS	CERTIFICATE HOLDINGS			TOTAL CERTIFICATES HELD
893	1	-	100	44,386
1330	101	-	500	282,923
1107	501	-	1000	731,824
593	1001	-	5000	1,363,607
123	5001	-	10000	937,362
48	10001	-	15000	595,555
20	15001	-	20000	370,914
11	20001	-	25000	257,160
12	25001	-	30000	322,927
10	30001	-	35000	329,408
2	35001	-	40000	75,827
3	40001	-	45000	129,954
10	45001	-	50000	485,619
2	50001	-	55000	105,500
1	55001	-	60000	59,000
1	60001	-	65000	62,700
2	65001	-	70000	135,335
3	85001	-	90000	268,003
2	95001	-	100000	200,000
2	105001	-	110000	219,725
1	110001	-	115000	111,860
1	115001	-	120000	119,500
2	125001	-	130000	251,202
2	145001	-	150000	299,790
1	155001	-	160000	157,000
1	160001	-	165000	160,500
1	200001	-	205000	201,500
2	245001	-	250000	500,000
1	285001	-	290000	290,000
1	295001	-	300000	300,000
2	335001	-	340000	674,919
1	370001	-	375000	373,500
1	865001	-	870000	868,500
1	1250001	-	1255000	1,254,000
4193				12,540,000

CATEGORIES OF CERTIFICATE HOLDING  
AS ON 30-06-2018

	No of Certificateholders	No of Certificate Held	Total No of Certificate	percentage
<u>ASSOCIATED COMPANIES UNDERTAKING AND RELATED PARTIES</u>	-			-
<u>NIT AND ICP</u>	1		3,500	0.03
INVESTMENT CORPORATION OF PAKISTAN		3,500		
<u>DIRECTORS, C.E.O THEIR SPOUSE AND MINOR CHILDREN</u>	1			-
<u>EXECUTIVE</u>	---	---	---	---
<u>PUBLIC SECTOR COMPANIES AND CORPORATIONS.</u>	1		109,725	0.87
STATE LIFE INSURANCE CORPORATION OF PAKISTAN LTD		109,725		
<u>BANKS, DEVELOPMENT FINANCIAL INSTITUTIONS.</u>	6		4,744	0.04
<u>NON BANKING FINANCIAL INSTITUTIONS.</u>				
<u>INSURANCE COMPANIES, MODARABA</u>				
<u>AND MUTUAL FUNDS</u>				
THE BANKOF KHYBER		1,526		
NATIONAL DEVELOPMENT LEASING CORPORATION LTD.		350		
NEW JUBILEE INSURANCE COMPANY LTD.		500		
L.T.V. CAPITAL MODARABA		1,345		
FIRST PRUDENTIAL MODARABA		100		
MODARABA AL MALL		923		
<u>CERTIFICATEHOLDING TEN PERCENT OR MORE</u>				
<u>VOTING INTREST IN THE LISTED COMPANY</u>	1	---	1,254,000	16.93
<u>ROYAL MANAGEMENT SERVICES (pvt) LTD</u>		1,254,000		
<u>INDIVIDUALS</u>	4157	11,150,433	11,150,433	88.92
<u>OTHER CORPORATE CERTIFICATEHOLDERS</u>	26	17,598	17,598	0.14
<b>TOTAL</b>	<b>4193</b>		<b>12,540,000</b>	<b>100.00</b>



## NOTICE OF THE ANNUAL REVIEW MEETING

Notice is hereby given that the 19<sup>th</sup> Annual Review meeting of the Modaraba's Certificate Holders of First Pak Modaraba will be held on Monday October 23, 2018 at 6:00 pm at KASBIT Auditorium, 84-B, S.M.C.H.S. Off Shahrah-e-Faisal, Karachi to review the performance of Modaraba for the year ended June 30, 2018.

By Order of the Board

**Syed Shahid Owais**  
Karachi  
Company Secretary  
October 02, 2018

### Notes

1. The Modaraba Certificates transfer book shall remain closed from October 16, 2018 to October 23, 2018 (both days inclusive) to determine the names of Certificate Holders eligible to attend the Annual Review Meeting. Transfer received in order at the Registrar Office of the First Pak Modaraba (whose address is given below) up to the close of business hours on October 15, 2018 will be treated in time.

2. The Certificate holders are advised to notify to the Registrar of First Pak Modaraba of any change in their addresses to ensure prompt delivery of mails. Further, any Certificates for transfer, etc, should be lodged with the Registrar, F.D. Registrar Services (SMC Pvt) Limited office No: 1705, 17<sup>th</sup> Floor, Saima Trade Tower-A, I. I. Chandigarh Road, Karachi. Phone: 32271905-906).

3. Account Holders holding book entry securities of the First Pak Modaraba in Central Depository Company of Pakistan Limited, who wish to attend the Annual Review Meeting, are requested to bring original Computerized National Identity Card for identification purpose and will in addition, have to follow the guidelines as laid down in Circular No. 1 of 2000 dated January 25, 2000 of the Securities and Exchange Commission of Pakistan (SECP) for attending the meeting.

4. Pursuant to the provisions of the Finance Act 2016 effective July 01, 2016, the rates of deduction of income tax from dividend payments under the Income Tax Ordinance have been revised as follows:

a)	Rate of tax deduction for filers of income tax returns	15.0%
b)	Rate of tax deduction for non-filers of income tax returns	20.0%

All the certificate holders of First Pak Modaraba who hold certificates in physical form are therefore requested to send a valid copy of their CNIC and NTN Certificate, to First Pak Modaraba Registrar, F.D. Registrar Services (SMC Pvt) Limited, at the above mentioned address to allow First Prudential Modaraba to ascertain the status of certificate holders.

### 5. Payment of Dividend through electronic mode

Under the provisions of Section 242 of the Companies Act 2017, it is mandatory for a listed Company to pay cash dividend to its Certificate holders only through electronic mode directly into bank account designated by the entitled Certificate holders. Therefore, all the Certificate holders of First Pak Modaraba are hereby advised to provide dividend mandate of their respective banks in the "Dividend Mandate Form" available on Modaraba's Website. Certificate holders maintaining Certificate holding under Central Depository System (CDS) are advised to submit their bank account mandate information directly to the relevant participant/CDC Investor Account Service.

## NOTICE OF THE ANNUAL REVIEW MEETING

In the absence of bank account details or incase of in complete details, the Company will be constrained to with hold the payment of cash dividend of those share holders who have not provided the same. For more information, you may contact our share Registrar, F.D. Registrar Services (SMC Pvt) Limited office No: 1705, 17<sup>th</sup> Floor, Saima Trade Tower-A, I. I. Chandigarh Road, Karachi. Phone: 32271905-906).

### 6. Unclaimed Dividends and physical Modaraba Certificates

Certificate holders, who by any reason, could not claim their dividend or did not collect their physical Modaraba certificates, are advised to contact our Share Registrar, F.D. Registrar Services (SMC Pvt), to collect or enquire about their unclaimed dividend or pending Modaraba certificates, if any. Please note that in compliance with Section 244 of the Companies Act, 2017, after having completed the stipulated procedures, all dividends unclaimed for a period of three years, from the date due and payable, shall be deposited to the credit of the Federal Government and in case of shares/certificates, shall be delivered to the Securities & Exchange Commission of Pakistan.